



Mail.Ru Group Limited

Prospectus relating to an application to increase the size of the GDR block listing for Mail.Ru Group Limited

This prospectus relates only to an application to increase the size of the block listing (the “**Application to Increase the Block Listing**” that Mail.Ru Group Limited (formerly Digital Sky Technologies Limited) (“**MGL**”) obtained on November 11, 2010, July 4, 2013 and July 18, 2014 in respect of 197,604,111 (the “**Existing GDRs**” and together with the Additional GDRs as defined below the “**GDRs**”) global depositary receipts representing interests in ordinary shares (“**Ordinary Shares**” and together with the GDRs the “**Securities**”) in MGL (the “**Application**”).

Application will be made (1) to the United Kingdom Financial Conduct Authority (the “**FCA**”), in its capacity as competent authority (the U.K. Listing Authority, or “**UKLA**”) under the Financial Services and Markets Act 2000 (the “**FSMA**”), for an additional 10,977,971 GDRs (the “**Additional GDRs**”) either currently issued or to be issued from time to time against the deposit of Ordinary Shares (to the extent permitted by law) with a custodian acting on behalf of Citibank, N.A., as depositary (the “**Depositary**”), to be admitted to the official list of the FCA (the “**Official List**”), bringing the total number of GDRs listed by MGL to 208,582,082 GDRs; and (2) to the London Stock Exchange plc (the “**London Stock Exchange**”) for the Additional GDRs to be admitted to trading on the London Stock Exchange’s regulated market for listed securities (the “**Regulated Market**”), which is a regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive). The Existing GDRs are currently, and the Additional GDRs upon approval by the UKLA and the London Stock Exchange will be, admitted to trading on the Regulated Market on the International Order Book under the symbol “MAIL”. Admission of the Additional GDRs to the Official List and unconditional trading on the London Stock Exchange (“**Admission**”) is expected to take place on or about July 2, 2015.

This prospectus relates only to the Application to Increase the Block Listing and does not constitute an offer to any person or to the public generally to purchase or otherwise acquire the Securities. This prospectus is not, and should not be construed as an inducement or encouragement to buy or sell any Securities.

See “Risk Factors” beginning on page 14 to read about factors you should consider before buying the GDRs.

This prospectus does not constitute an offer to sell, or solicitation of an offer to buy, securities in any jurisdiction. In the Russian Federation, the GDRs are only available to purchase by certain qualified investors in accordance with Russian law. Neither the GDRs nor the Ordinary Shares have been or will be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States, except to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act, or outside the United States in offshore transactions in reliance on Regulation S. Prospective purchasers are hereby notified that sellers of the GDRs may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a discussion of certain restrictions on transfers of the GDRs, see “*Terms and Conditions of the Global Depositary Receipts*” and “*Selling and Transfer Restrictions*”.

Prospectus dated June 29, 2015

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IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

This prospectus is being furnished by MGL solely for the purpose of the Application to Increase the Block Listing. Any reproduction or distribution of this prospectus, in whole or in part, any disclosure of its contents or use of any information herein for any other purpose is prohibited.

This prospectus, including the financial information included herein, is issued in compliance with the Prospectus Rules of the FCA, which comply with the provisions of Directive 2003/71/EC (the “**Prospectus Directive**”) as amended by Directive 2010/73/EU for the purpose of giving information with regard to MGL and the GDRs.

MGL accepts responsibility for the information contained in this prospectus, and having taken all reasonable care to ensure that such is the case, the information contained in this prospectus is, to the best of MGL’s knowledge, in accordance with the facts and contains no omissions likely to affect its import.

This prospectus does not constitute an offer to any person or to the public generally to purchase or otherwise acquire the Securities. In making an investment decision regarding the Securities, you must rely on your own examination of us, including the merits and risks involved. MGL has not authorised any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this prospectus is accurate only as of its date. Our business, financial condition, results of operations, prospects and the information set forth in this prospectus may have changed since the date of this prospectus.

We have included our own estimates, assessments, adjustments and judgments in preparing some market information, which has not been verified by an independent third party. Market information included herein is, therefore, unless otherwise attributed to a third party source, to a certain degree subjective. While we believe that our own estimates, assessments, adjustments and judgments are reasonable and that the market information prepared by us approximately reflects the industry and the markets in which we operate, there is no assurance that our own estimates, assessments, adjustments and judgments are the most appropriate for making determinations relating to market information or that market information prepared by other sources will not differ materially from the market information included herein.

MGL’s website is available at <http://corp.Mail.Ru/en/>. The contents of MGL’s websites, or the websites of any member of the Group, do not form any part of this document.

You should not consider any information in this prospectus to be investment, legal or tax advice. You should consult your own counsel, accountant and other advisers for legal, tax, business, financial and related advice regarding purchasing the GDRs. MGL does not make any representation to any person or purchaser of the GDRs regarding the legality of an investment in the GDRs by such person or purchaser under appropriate investment or similar laws.

The distribution of this prospectus may be restricted by law in certain jurisdictions. You must inform yourself about, and observe any such restrictions. See “*Terms and Conditions of The Global Depositary Receipts*” and “*Selling and Transfer Restrictions*” elsewhere in this prospectus. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the GDRs or possess or distribute this prospectus and you must obtain any consent, approval or permission required for your purchase, offer or sale of the GDRs under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. MGL is not making an offer to sell the Securities or a solicitation of an offer to buy any of the Securities.

The information set forth in this document is only accurate as of the date on the front cover of this document. The Group’s business, financial condition, results of operations and prospects may have changed since that date. In making an investment decision, prospective investors must rely on their own examination of the Group and the terms of this document, including the risks involved.

NOTICE TO CERTAIN INVESTORS

Notice to U.K. and other EEA Investors

In any European Economic Area (the “**EEA**”) Member State that has implemented the Prospectus Directive, this prospectus is only addressed to and is only directed at persons who are “qualified investors” in that Member State (“**Qualified Investors**”) within the meaning of Article 2(1)(e) of the Prospectus Directive (including any relevant implementing measure in each relevant member state of the EEA). In addition, in the United Kingdom, this prospectus is only directed at (1) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (2) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49(2)(a)-(d) of the Order (all such persons together being referred to as “relevant persons”). This prospectus and its contents should not be acted upon or relied upon (1) in the United Kingdom, by persons who are not relevant persons or (2) in any member state of the EEA other than the United Kingdom, by persons who are not Qualified Investors.

This prospectus has been prepared on the basis that all offers of the GDRs in the United Kingdom following approval by the FCA will be made pursuant to an exemption under the Prospectus Directive, as implemented in the member states of the EEA, from the requirement to produce a prospectus for offers of the GDRs. Accordingly, any person making or intending to make any offer within the EEA of the GDRs should only do so in circumstances in which no obligation arises for the Group to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive. MGL has not authorised or authorises the making of any offer of the GDRs through any financial intermediary.

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For the purposes of this provision, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

Notice to Investors in the Russian Federation

This prospectus should not be considered as a public offer or advertisement of the GDRs in the Russian Federation and is not an offer, or an invitation to make offers, to purchase, sell, exchange or otherwise transfer any GDRs in the Russian Federation. Neither the GDRs nor any prospectus or other document relating to them have been or will be registered in the Russian Federation. The GDRs are not intended for “offering”, “placement”, “circulation” or “advertising” (as defined under Russian law) in the Russian Federation, unless otherwise permitted under Russian law. Information contained in this prospectus is intended for, and addressed only to, “qualified investors” (as defined under Russian law) and must not be made publicly available or available to any persons who are not Russian “qualified investors” or otherwise permitted under Russian law to access such information. The GDRs are not being offered, sold or delivered in the Russian Federation or to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation except as may be permitted by Russian law.

Notice to United States Investors

Because of the following restrictions, purchasers in the United States are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of GDRs or Ordinary Shares.

Neither the GDRs nor the Ordinary Shares have been or will be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons, except to QIBs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or outside the United States in offshore transactions in reliance on Regulation S. Prospective investors are hereby notified that sellers of the Offered Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES NOR ANY OTHER U.S. REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED OF THE GDRs OR THE ORDINARY SHARES OR PASSED UPON OR ENDORSED THE MERITS OF THE GDRs OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

Notice to New Hampshire Residents Only

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“RSA 421-B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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INCORPORATION BY REFERENCE

The following documents, shall be deemed to be incorporated in, and form part of, this prospectus, with the exception of documents incorporated by reference thereto.

- pages 15 to 38 of MGL's annual report (the "**2014 Operating and Financial Review**") for the year ended December 31, 2014 (the "**2014 Annual Report**");
- pages 14 to 36 of MGL's annual report (the "**2013 Operating and Financial Review**") for the year ended December 31, 2013 (the "**2013 Annual Report**");
- pages 17 to 37 of MGL's annual report (the "**2012 Operating and Financial Review**" and, together with the 2014 Operating and Financial Review and the 2013 Operating and Financial Review the "**Operating and Financial Review**") for the year ended December 31, 2012 (the "**2012 Annual Report**");
- MGL's audited consolidated financial statements for the year ended December 31, 2014 and auditors' report thereon (the "**2014 Audited Consolidated Financial Statements**") contained within pages 54 to 107 of the 2014 Annual Report;
- MGL's audited consolidated financial statements for the year ended December, 31 2013 and auditors' report thereon (the "**2013 Audited Consolidated Financial Statements**") contained within pages 49 to 102 of the 2013 Annual Report; and
- MGL's audited consolidated financial statements for the year ended December, 31 2012 and auditors' report thereon (the "**2012 Audited Consolidated Financial Statements**" and together with the 2014 Audited Consolidated Financial Statements and the 2013 Consolidated Financial Statements the "**Audited Consolidated Financial Statements**") contained within pages 50 to 103 of the 2012 Annual Report.

For ease of reference, the table below sets out the relevant page references for the 2012 Audited Consolidated Financial Statements, the 2013 Audited Consolidated Financial Statements and the 2014 Audited Consolidated Financial Statements, together with the auditors' reports thereon.

For the avoidance of doubt, any information that is not listed in the cross-reference table below or outlined above but

- (i) is included in the publication in which the document incorporated by reference appears,
- (ii) is included in the document incorporated by reference itself, or
- (iii) is a document incorporated by reference within the document incorporated by reference hereby,

does not form part of this prospectus for the purposes of the Prospectus Directive, except where such information or documents are stated within this prospectus as specifically being incorporated by reference or where this prospectus is specifically defined as including such information. The non-incorporated parts of the documents incorporated by reference are either not relevant for investors or covered elsewhere in the prospectus.

The 2014 Audited Consolidated Financial Statements

Independent Auditors' Report on the Financial Statements for the year ended December 31, 2014	Page 56 of the 2014 Annual Report
Consolidated Statement of Financial Position	Page 57 of the 2014 Annual Report
Consolidated Statement of Comprehensive Income	Page 58 of the 2014 Annual Report
Consolidated Statement of Cash Flows	Page 59 of the 2014 Annual Report
Consolidated Statement of Changes in Equity.....	Pages 60-61 of the 2014 Annual Report
Notes to the Consolidated Financial Statements	Pages 62-107 of the 2014 Annual Report

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The 2013 Audited Consolidated Financial Statements

Independent Auditors' Report on the Financial Statements for the year ended December 31, 2013	Page 51 of the 2013 Annual Report
Consolidated Statement of Financial Position	Page 52 of the 2013 Annual Report
Consolidated Statement of Comprehensive Income	Page 53 of the 2013 Annual Report
Consolidated Statement of Cash Flows	Pages 54 of the 2013 Annual Report
Consolidated Statement of Changes in Equity	Pages 55-56 of the 2013 Annual Report
Notes to the Consolidated Financial Statements	Pages 57-102 of the 2013 Annual Report

The 2012 Audited Consolidated Financial Statements

Independent Auditors' Report on the Financial Statements for the year ended December 31, 2012	Page 52 of the 2012 Annual Report
Consolidated Statement of Financial Position	Page 53 of the 2012 Annual Report
Consolidated Statement of Comprehensive Income	Page 54 of the 2012 Annual Report
Consolidated Statement of Cash Flows	Pages 55-56 of the 2012 Annual Report
Consolidated Statement of Changes in Equity	Pages 57-58 of the 2012 Annual Report
Notes to the Consolidated Financial Statements	Pages 59-103 of the 2012 Annual Report

Copies of documents incorporated by reference may be obtained from (i) the website of MGL and (ii) the registered office of MGL.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Statements

The Audited Consolidated Financial Statements have been incorporated by reference into this prospectus as outlined above. The Audited Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board.

Rounding

Certain amounts that appear in this prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Presentation of Third-Party Statistical Information

In addition to the internally generated statistical data included herein, this prospectus includes third-party statistical data and cites third-party estimates regarding the future growth of various segments of the Internet industry. This third-party data is taken or derived from information published by a variety of third-party industry sources which have been cited in this prospectus when such data is used.

We believe that the statistical data and projections cited herein are useful in helping investors understand the major trends in the Russian Internet industry and differences between the Internet market and similar markets in other countries. However, we have not independently verified these figures and the youth of the Internet industry, particularly in Russia, and its rapidly evolving nature make it difficult to obtain precise and accurate statistics. Such information, data and statistics may be approximations or estimates or use rounded numbers. In particular, paying user data aggregated across multiple sites may count the same users more than once if, for example, users utilise or pay for different services, make both SMS and non-SMS payments, or have more than one account in one or different services. Furthermore, usage statistics may be distorted by traffic generated by automated activity, such as spam accounts. In addition, different providers of statistics may provide different data for similarly-titled measures due to differences in terminology, research methodology or other factors. Because there is no single source for all of the statistics we present, we cite a variety of different sources. In some cases, to calculate percentages the numerator and denominator may come from different sources, or involve extrapolation from or combinations of multiple sources. The resulting figures are necessarily approximations. You should not place undue reliance on the statistical data cited in this prospectus. Similarly, the third-party estimates of future market growth cited herein are subject to significant risks and uncertainties that could cause actual data to differ materially from the projected amounts. No assurance can be given that the estimated figures will be achieved, and you should not place undue reliance on the third-party estimates we cite.

We confirm that the third party information included herein has been accurately reproduced and that as far as we are aware, and are able to ascertain from information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. We note that these independent third party sources do not accept liability for the accuracy of any such information, and prospective investors are advised to consider such information with caution.

Terminology

In this document any reference to a position of Dmitry Grishin as Chief Executive Officer (CEO) means reference to his position as Chief Executive Officer (CEO), Russia. Any reference to a position of Vladimir Nikolsky as Chief Operating Officer (COO) means reference to his position as Chief Operating Officer (COO), Russia. Any reference to a position of Dmitry Sergeev as Deputy Chief Executive Officer means reference to his position as Deputy Chief Executive Officer, Russia.

Certain Definitions

In this prospectus, we use certain defined terms, including the following:

- “Board” or “Board of Directors” means the board of directors of MGL;
- “MGL” refers to Mail.Ru Group Limited;
- “Group”, “we”, “our”, “us”, “the Company” and similar expressions, unless the context otherwise requires, refer collectively to MGL and its consolidated subsidiaries. This term does not include equity method investments, available-for-sale investments or other entities that are not consolidated;
- “Custodian” refers to National City Nominees Limited, acting as Custodian for the Depositary;
- “Depositary” refers to Citibank, N.A.;
- “Directors” means the directors of MGL appointed to the Board in accordance with MGL’s memorandum and Articles of Association;

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- “Daily active users” refers to the number of users that visit a website, use IM (as defined below) or MMO games (as defined below) and/or social games or other products at least once during a given day;
- “Daily unique users” refers to the number of users that visit a website, use IM (as defined below) or MMO games (as defined below) and/or social games or other products at least once during a given day;
- “IM” refers to instant messengers;
- “IVAS” refers to Internet value-added services;
- “MMO games” refers to massively multiplayer online games;
- “Monthly active users” refers to the number of users that visit a website, use IM or MMO games and/or social games or other products at least once during a given month;
- “Monthly unique users” refers to the number of users that visit a website, use IM or MMO games and/or social games or other products at least once during a given month;
- “Monthly paying users” refers to active users who paid for IVAS on the applicable site or product at least once during that month. Data for paying users of online games (both MMO and social) may include duplication: when the same user pays for more than one MMO and/or social game in a month using different accounts, the user will be recorded in the data as multiple paying users;
- “Peak concurrent users” refers to the maximum number of simultaneously connected users; and
- “Roscomnadzor” refers to the Russian Federal Service for the Supervision of Communications, Information Technology and Mass Media.

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CURRENCIES AND EXCHANGE RATES

In this prospectus, references to “U.S. dollars”, “USD” or “U.S.\$” are to the currency of the United States, references to “Roubles”, “RUR” or “RUB” are to the currency of the Russian Federation and references to “Euro”, “EUR” or “€” are to the currency of the member states of the European Union participating in the European Monetary Union.

The official currency of Russia, where most of our assets and operations are located, is the Rouble. The following tables show, for the periods indicated, certain information regarding the exchange rate between the Rouble and the U.S. dollar, based on the official exchange rate quoted by the Central Bank of Russia. These rates differ from the actual rates used in the preparation of our financial statements and other financial information appearing in this prospectus.

Years ended December 31,	Roubles per U.S. dollar			
	High	Low	Average ⁽¹⁾	Period end
2012.....	34.0395	28.9468	31.0742	30.3727
2013.....	33.4656	29.9251	31.9063	32.7292
2014.....	67.7851	32.6587	38.6025	56.2584

Month ended	Roubles per U.S. dollar	
	High	Low
January 2015.....	68.9291	56.2376
February 2015.....	69.6640	60.7109
March 2015.....	62.6797	56.4271
April 2015.....	58.3536	49.6749
May 2015.....	52.9716	49.1777
June 2015 (through 23 June 2015).....	56.2463	52.8213

(1) The average of the exchange rates for each business day during the year.

The Rouble/U.S. dollar exchange rate as quoted by the Central Bank of Russia on 23 June 2015 was RUB 53.5569 =U.S.\$1.00.

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LIMITATION ON ENFORCEMENT OF JUDGMENTS

Our presence outside the United States and the United Kingdom may limit your legal recourse against us. Most of our directors and executive officers named in this prospectus reside, and many of their assets are located, outside the United States and the United Kingdom. As a result, you may not be able to effect service of process within the United States or the United Kingdom upon us or our directors and executive officers or to enforce U.S. or U.K. court judgments obtained against us or our directors and executive officers in jurisdictions outside the United States and the United Kingdom, including actions under the civil liability provisions of U.S. securities laws. In addition, it may be difficult for you to enforce, in original actions brought in courts in jurisdictions outside the United States and the United Kingdom, liabilities predicated upon U.S. or U.K. securities laws.

Judgments rendered by a court in any jurisdiction outside the Russian Federation are generally recognised by courts in Russia only if (i) there is an international treaty providing for the recognition and enforcement of judgments in civil cases exists between the Russian Federation and the country where the judgment is rendered, and/or (ii) a federal law of the Russian Federation provides for the recognition and enforcement of foreign court judgments. As far as we are aware, no such treaty exists between the United Kingdom and the Russian Federation or between the United States and the Russian Federation for the reciprocal recognition and enforcement of foreign court judgments, and no relevant federal law on enforcement of foreign court judgments has been adopted in Russia.

Even if an applicable international treaty is in effect or a foreign judgment is recognised and enforced on the basis of reciprocity, the recognition and enforcement of a foreign judgment will in all events be subject to exceptions and limitations provided for by Russian law. For example, a Russian court may refuse to recognise or enforce a foreign judgment if its recognition or enforcement would contradict Russian public policy.

However, we are aware of several instances in which Russian courts have recognised and enforced foreign court judgments (including judgments of the English courts) on the basis of a combination of the principle of reciprocity and the existence of a number of bilateral and multilateral treaties to which both the Russian Federation and the relevant foreign state are parties. The courts decided that such treaties constituted grounds for the recognition and enforcement of the relevant foreign court judgment in Russia. In the absence of established court practice, however, it is unclear whether a Russian court would be inclined in any particular instance to recognise and enforce an English or U.S. court judgment on these grounds.

In addition, Russian courts have limited experience in the enforcement of foreign court judgments. The limitations described above may significantly delay the enforcement of any court judgment, or completely deprive investors of effective legal recourse for claims related to their investment in the GDRs.

The Russian Federation is party to the New York Convention. Consequently, Russian courts should generally recognise and enforce in the Russian Federation an arbitral award from an arbitral tribunal, on the basis of the rules of the New York Convention (subject to qualifications provided for in the New York Convention and compliance with Russian procedural regulations and other procedures and requirements established by Russian legislation).

However, it may be difficult to enforce arbitral awards in the Russian Federation due to a number of factors, including:

- the inexperience of the Russian courts in international commercial transactions;
- official and unofficial political resistance to the enforcement of awards against Russian companies in favour of foreign investors; and
- the inability of Russian courts to enforce such awards.

The Arbitrazh Procedural Code of the Russian Federation (the “**Arbitrazh Procedural Code**”) sets out certain grounds for Russian courts to refuse recognition and enforcement of any such arbitral award. The Arbitrazh Procedural Code and other Russian procedural legislation is subject to change. Therefore, amongst other things, other grounds could arise in the future for Russian courts to refuse the recognition and enforcement of foreign courts’ judgments and foreign arbitral awards. In practice, reliance upon international treaties may meet with resistance or a lack of understanding on the part of a Russian court or other officials, thereby introducing delay and unpredictability into the process of enforcing any foreign judgment or foreign arbitral award in the Russian Federation.

See “*Risk factors—Risks relating to the GDRs—Investors may have limited recourse against MGL or MGL’s directors and executive officers because they generally conduct their operations outside the United States and United Kingdom*”.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus are not historical facts and are “**forward-looking**” within the meaning of Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words “believe”, “expect”, “anticipate”, “intend”, “estimate”, “forecast”, “project”, “will”, “may”, “should” and similar expressions identify forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements appear in a number of places in this prospectus including, without limitation, “*Risk Factors*”, “*Business*” and in our Operating and Financial Review, and include statements regarding:

- strategies, outlook and growth prospects;
- future plans, expectations, projections and potential for future growth;
- plans or intentions relating to acquisitions;
- future revenues and performance;
- liquidity, capital resources and capital expenditures;
- economic outlook and industry trends;
- the impact of regulatory initiatives;
- our competitive strengths and weaknesses; and
- the strengths of our competitors.

The forward-looking statements in this prospectus are based upon various assumptions, many of which are based, in turn, upon further assumptions, including, without limitation, management’s examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and which are beyond our control, and we may not achieve or accomplish these expectations, beliefs or projections. In addition to these important factors and matters discussed elsewhere herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include:

- competition in the marketplace;
- changes in customer preferences;
- the level of power, telecommunications and network infrastructure in the Russian Federation;
- the degree of Internet penetration and usage in the Russian Federation, and the level of spending on advertising and Internet value added services in the Russian Federation;
- concerns about the security of data on the Internet and third party claims for IP infringement;
- adverse media speculation about the Group and/or its beneficial owners;
- changes in political, social, legal or economic conditions in Russia, including significant declines in Russia’s gross domestic product (“**GDP**”);
- exchange rate fluctuations; and
- our success in identifying other risks relating to our business and managing the risks of the aforementioned factors.

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The foregoing list is not exhaustive. When relying on forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as of the date on which they are made. Except to the extent required by law, neither we nor any of our agents, employees or advisers intend or have any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained in this prospectus.

AVAILABLE INFORMATION

For so long as any Rule 144A GDRs or the Ordinary Shares represented thereby are “**restricted securities**” within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to Section 13 or Section 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted Rule 144A GDRs or to any prospective purchaser of such restricted Rule 144A GDRs designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered to such persons pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto).

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PROSPECTUS SUMMARY

Summaries are made up of disclosure requirements known as ‘Elements’. These elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.

Section A – Introduction and Warnings		
A.1	Warning	<ul style="list-style-type: none"> This summary should be read as an introduction to this prospectus; any decision to invest in the Securities should be based on consideration of the prospectus as a whole by the investor; where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before the legal proceedings are initiated; and civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Consent by the issuer or person responsible for drawing up the prospectus to the use of the prospectus for subsequent resale or final placement of securities by financial intermediaries	Not applicable; Mail.Ru Group Limited has not consented to the use of the prospectus for subsequent resale or final placement of securities by financial intermediaries.

Section B — Issuer		
B.31 Information about the issuer of the underlying shares		
B.31/ B.1	The legal and commercial name of the issuer.	The issuer’s legal and commercial name is Mail.Ru Group Limited.
B.31/ B.2	The domicile and legal form of the issuer, the legislation under which the issuer operates and its country of incorporation.	MGL is a limited company registered in the British Virgin Islands (BVI).
B.31/ B.3	A description of, and key factors relating to, the nature of the issuer’s current operations and its principal activities, stating the main categories of products sold and/ or services performed and identification of the principal markets in which	<p>We are a leading company in the Russian-speaking Internet market. In terms of number of users, Russia is the largest Internet market in Europe¹. Our sites reach approximately 96% of Russian Internet users on a monthly basis². Based on total time spent on websites, we operate the world’s sixth largest Internet business³.</p> <p>In line with our ‘communitainment’ (communications plus entertainment) strategy, we are moving rapidly to build an integrated communications and entertainment platform. We own Russia’s leading email service and one of Russia’s largest Internet portals, Mail.Ru⁴. We operate two largest Russian language online social networking sites, VKontakte (“VK”) and Odnoklassniki (“OK.RU”) ⁵; and Russia’s largest online games business. Our portfolio also includes a leading</p>

¹ Source: comScore, Dec 2014

² Source: comScore, Dec 2014

³ Source: comScore, Dec 2014

⁴ Source: TNS, all Russia, age 12-64, desktop, Dec 2014

⁵ Source: TNS, all Russia, age 12-64, desktop, Dec 2014

	<i>the issuer competes</i>	<p>OpenStreetMap-based offline mobile maps and navigation service MAPS.ME, and two instant messaging services Mail.Ru Agent and ICQ, popular in Russia and the Commonwealth of Independent States (CIS).</p> <p>Our significant user base provides a strong foundation for the launch of new services. It also allows us to generate revenue from display and contextual advertising as well as a range of IVAS. These include online games, virtual gifts and other features. This strong position will help us achieve our goal of remaining the leading integrated communications and entertainment platform in the Russian-speaking Internet market. We offer a variety of online communication products and entertainment services:</p> <ul style="list-style-type: none"> • Email, Portal and Instant Messaging. We are the largest email service provider in the Russian-speaking Internet and Mail.Ru is one of Russia's largest portals⁶, based on monthly unique users in Russia. Worldwide, our email service is the sixth largest by monthly active users (63.8 mln, according to comScore, Dec 2014). The Mail.Ru portal is an online destination that attracts millions of Russian-speaking users each day, allowing them to access the range of services we offer, including our content projects and cloud storage service. We operate two IM networks – Mail.Ru Agent, our original internally developed product, and ICQ, which we acquired from AOL in July 2010. • Online Social Networking Sites. We operate two largest Russian-language social networking sites – VKontakte (VK) and Odnoklassniki (OK.RU). Our products include newsfeed, messaging services, status updates, photos, user-generated videos and other features. Users can play games together, send each other online gifts, recommend websites and keep track of events, such as birthdays. We frequently add new products and services to maintain and increase users' engagement. Mobile applications and web versions of our sites, which are optimised for use on smartphones and other mobile devices, have also been developed. • Online Games. We operate the largest online games business in Russia with a focus on MMO games and mobile games. Our portfolio titles include the leading Russian Internet MMO games such as Warface, Perfect World, Allods Online, and ArcheAge. In 2014 the average number of monthly paying users increased by 23% year-on-year to 664,000. • Search, E-commerce, and Other. Our search service, Go.Mail.Ru, is the third largest in the Russian Internet market: in December 2014 it processed 6.4%⁷ of all web search queries. In addition to Russia, our search has a large presence in other CIS countries. Our online recruitment business HeadHunter is the largest in Russia and the former Soviet Union countries. <p>In November 2014, we acquired an award winning offline map service MAPS.ME, based on open-source map data. Listed among the Best Android Apps of 2014 by Google, the app provides fast, completely offline and highly detailed maps of all countries. All map data comes from OpenStreetMap where contributors from all over the world update the map on a daily basis. Because of this the maps are detailed and accurate.</p> <p>In addition to these services, which we offer through our consolidated subsidiaries, we hold a 1.31% non-consolidated equity stake in QIWI PLC (“QIWI”). QIWI is a leading provider of next generation payment services in Russia and the CIS.</p> <p>We also hold a number of small venture capital investments in various internet companies in Russia, Ukraine and Israel.</p>
B.31/ B.4a	<i>A description of the most significant recent trends affecting the issuer and the industries in which it operates.</i>	<p>The most significant recent trends affecting MGL and the Russian Internet industry include:</p> <ul style="list-style-type: none"> • the focus by MGL and the wider Russian industry on mobile Internet and monetisation of mobile Internet use through advertising and IVAS; • constant and rapid change in technology, consumer preferences, the nature of services offered and business models; and • fierce competition in the industry.

⁶ Source: TNS, all Russia, age 12-64, desktop, Dec 2014

⁷ Source: Liveinternet, 2014

B.31/ B.4b	<i>A description of any known trends affecting the issuer and the industries in which it operates.</i>	Known trends affecting MGL and the Russian Internet industry include: <ul style="list-style-type: none">the focus by MGL and the wider Russian industry on mobile Internet and monetisation of mobile Internet use through advertising and IVAS;constant and rapid change in technology, consumer preferences, the nature of services offered and business models; andfierce competition in the industry.																																									
B.31/ B.5	<i>If the issuer is part of a group, a description of the group and the issuer's position within the group.</i>	Our Group consists of Mail.Ru Group Limited and its subsidiaries. Our main consolidated subsidiaries are as follows: <ul style="list-style-type: none">LLC Mail.Ru, in which we hold a 100% equity interest (Email, Mail.Ru Portal, My World, Mail.Ru Agent IM);LLC Mail.Ru Games, in which we hold a 100% equity interest (online games);LLC Odnoklassniki, in which we hold a 100% equity interest (OK.RU Social Network);LLC Headhunter, in which we hold a 100% equity interest (HeadHunter Online Recruitment Services);LLC ICQ, in which we hold a 100% equity interest (ICQ IM); andLLC VKontakte, in which we hold a 100% equity interest (VK Social Network).																																									
B.31/ B.6	<i>In so far as is known to the issuer, the name of any person who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law, together with the amount of each such person's interest. Whether the issuer's major shareholders have different voting rights if any. To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control.</i>	<table><thead><tr><th><u>Shareholder</u></th><th><u>Total Class A Shares</u></th><th><u>Total Ordinary Shares</u></th><th><u>Total GDRs</u></th><th><u>Total % of issued share capital</u></th><th><u>Total % of votes cast at a General Meeting</u></th></tr></thead><tbody><tr><td>MIH Mail Investment Company BV⁽¹⁾</td><td>-</td><td>-</td><td>60,636,000</td><td>27.6</td><td>12.5</td></tr><tr><td>New Media and Technology Investment L.P ("NMTI") and Ardor Finance Limited⁽²⁾</td><td>11,500,100</td><td>21,940,148</td><td>-</td><td>15.2</td><td>63.8</td></tr><tr><td>TCH Amur Limited⁽³⁾</td><td>-</td><td>-</td><td>16,228,000</td><td>7.4</td><td>3.3</td></tr><tr><td>National City Nominees Limited⁽⁴⁾</td><td>-</td><td>-</td><td>94,832,211⁽⁵⁾</td><td>43.0</td><td>19.6</td></tr><tr><td>Mail.Ru Employee Benefit Trustees Limited</td><td>-</td><td>10,977,971</td><td>-</td><td>5</td><td>0⁽⁶⁾</td></tr></tbody></table> <p>(1) Beneficially owned by Naspers Group.</p> <p>(2) Beneficially owned by USM Holdings Limited ("USM"). Mr Usmanov is ultimately the largest beneficial owner of USM with 48% voting and economic rights. Mr. Skoch holds a 30% economic interest in USM but has no voting rights. Mr. Moshiri has a 10% economic and voting interest in USM as well as an additional 30% voting interest in shares in which Mr. Skoch has the economic interest. MGL understands that 10% of the USM shares were allocated among various senior executives, including Ivan Streshinsky, Ivan Tavrinn, and other members of the Board of Directors of USM. The remaining 2% of the USM shares are held by two other long term partners of Mr. Usmanov.</p> <p>(3) Beneficially owned by Tencent Limited.</p> <p>(4) The Custodian for the Depositary.</p> <p>(5) Except for GDRs held by MIH Mail Investment Company BV and TCH Amur Limited.</p> <p>(6) Mail.Ru Employee Benefit Trustees Limited waived its voting rights.</p>						<u>Shareholder</u>	<u>Total Class A Shares</u>	<u>Total Ordinary Shares</u>	<u>Total GDRs</u>	<u>Total % of issued share capital</u>	<u>Total % of votes cast at a General Meeting</u>	MIH Mail Investment Company BV ⁽¹⁾	-	-	60,636,000	27.6	12.5	New Media and Technology Investment L.P ("NMTI") and Ardor Finance Limited ⁽²⁾	11,500,100	21,940,148	-	15.2	63.8	TCH Amur Limited ⁽³⁾	-	-	16,228,000	7.4	3.3	National City Nominees Limited ⁽⁴⁾	-	-	94,832,211 ⁽⁵⁾	43.0	19.6	Mail.Ru Employee Benefit Trustees Limited	-	10,977,971	-	5	0 ⁽⁶⁾
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Mail.Ru Employee Benefit Trustees Limited	-	10,977,971	-	5	0 ⁽⁶⁾																																						
B.31/ B.7	<i>Selected historical key financial information regarding the issuer, presented for each financial</i>	<u>Year ended December 31, 2014 compared to year ended December 31, 2013</u> <p>In 2014 our consolidated revenue increased by 19.4% to RUR 32,327 million (2013: RUR 27,070 million) due to a combination of organic growth and the consolidation of VK in Q4 2014. The effect of VK acquisition was RUR 1,345</p>																																									

	<p><i>year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the prior financial year except that the requirement for comparative balance sheet information is satisfied by presenting the year-end balance sheet information. This should be accompanied by a narrative description of significant change to the issuer's financial condition and operating results during or subsequent to the period covered by the historical key financial information</i></p>	<p>million or 5% of 2013 revenue. EBITDA increased by 28.8% to RUR 16,736 million (2013: RUR 12,991 million) and EBITDA margin increased to 51.8% in 2014 (2013: 48.0%) as a result of operating expenses (excluding depreciation, amortisation and impairment) growing at a slower pace than revenues. Operating expenses grew 9.6% to RUR 15,586 million, or 48.2% of revenue (2013: RUR 14,227 million, or 52.6% of revenue). The consolidation of VK contributed RUR 763 million in operating expenses in 2014 (5% of the 2013 consolidated operating expenses) and RUR 582 million in EBITDA (4% of the 2013 consolidated EBITDA).</p> <p>In addition to those drivers, the increase in operating expenses was partially offset by a net RUR 117 million gain on share-based payments transactions in 2014, compared to a RUR 1,856 million expense in 2013. The net gain is primarily the effect of a significant decrease of fair value of liabilities related to cash-settled share-based payments as a result of a decline in MGL's GDR price, combined with lower equity-settled share-based payments expense due to graded vesting of the respective options.</p> <p><u>Year ended December 31, 2013 compared to year ended December 31, 2012</u></p> <p>In 2013 our consolidated revenue increased by 29.5% to RUR 27,070 million (2012: RUR 20,905 million). The primary drivers of this growth were a strong growth in our context advertising, MMO games and Community IVAS revenue. Our context advertising grew ahead of the market, supported by a continued focus on the Target product, and our solid market share in search. The increase in MMO games and Community IVAS revenues was mainly driven by strong growth in average monthly paying users. EBITDA increased by 35.2% to RUR 12,991 million (2012: RUR 9,606 million) and EBITDA margin increased to 48.0% in 2013 (2012: 46.0%) as a result of operating expenses (excluding depreciation, amortisation and impairment) growing at a slower pace than revenues, partially offset by a 74.9% decrease in net gain on venture capital investments and associated derivative financial assets and liabilities. Operating expenses grew 19.7% to RUR 14,227 million, or 52.6% of revenue (2012: RUR 11,889 million, or 56.9% of revenue).</p> <p>The increase in operating expenses was partially offset by a 16.3% decrease in share-based payments expense from RUR 2,217 million in 2012 to RUR 1,856 million in 2013. The decrease is primarily the effect of graded vesting of the options issued to our top management and key engineering talent, as approximately one-fourth of the options issued in 2012 vested on January 2, 2013 and approximately half of the options issued prior to 2012 vested in 2012.</p> <p>The decrease in net gain on venture capital investments and associated derivative financial assets and liabilities reflects slower growth in the value of our financial investments in 2013 compared to 2012 and is partially due to our disposal of several financial investments in 2013.</p> <p>Except as described in "Long-term incentive programme" in Note 28 to the consolidated financial statements for the year ended December 31, 2014, which states that, in February 2015, the Board of Directors of the Company approved a new long-term incentive plan based around restricted stock units equivalent to up to 5% of total shares outstanding, there has been no significant change in the financial condition or operating results of the Group since December 31, 2014, the end of the last financial period for which financial information has been published.</p>
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Years ended December 31, 2014, 2013 and 2012
Consolidated Financial Statement Data
(in RUR millions)

	Year ended December 31,		
	2014	2013	2012
		(audited)	
Online advertising	10,816	9,316	7,502
MMO games	7,628	6,254	4,590
Community IVAS	10,680	8,534	6,464
Other revenue	3,203	2,966	2,349
Total revenue	32,327	27,070	20,905
Net (loss)/gain on venture capital investments and associated derivative financial assets and liabilities	(5)	148	590
Personnel expenses	(6,008)	(7,189)	(6,723)
Office rent and maintenance	(1,591)	(1,262)	(489)
Agent/partner fees	(4,171)	(2,975)	(1,979)
Marketing expenses	(1,188)	(894)	(751)
Server hosting expenses	(1,320)	(866)	(633)
Professional services	(369)	(257)	(244)
Other operating expenses	(939)	(784)	(1,070)
Total operating expenses	(15,586)	(14,227)	(11,889)
EBITDA	16,736	12,991	9,606
Depreciation and amortisation	(3,856)	(2,722)	(2,703)
Impairment of intangible assets	(408)	(18)	(11)
Share of profit of strategic associates	220	240	112
Finance income	408	308	325
Finance expenses	(767)	-	-
Other non-operating income/(expense)	9	(26)	(7)
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss over the equity of strategic associates, subsidiaries and other agreements	400	22	(27)
Net gain on disposal of shares in available-for-sale investments	-	15,620	33,948
Net gain on disposal of shares in strategic associates and loss of significant influence	6,482	3,310	-
Net gain on acquisition of control over strategic associates	40,831	-	-
Net foreign exchange gains	4,661	53	764
Impairment losses related to strategic associates and available for sale investments	-	-	(718)
Profit before income tax expense	64,716	29,778	41,289
Income tax expense	(2,322)	(3,189)	(3,013)
Net profit	62,394	26,589	38,276
Attributable to:			
Equity holders of the parent	62,353	26,564	38,257
Non-controlling interest	41	25	19
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations:			
Differences arising during the year	(184)	(13)	(1)
Available-for-sale financial assets:			
Gains/(losses) arising during the year	(137)	7,188	(16,448)
Income tax effect	-	-	(98)
Reclassification adjustments for gains included in profit or loss	-	(15,620)	(33,948)
Income tax effect	-	-	98
Total other comprehensive loss, net of tax effect of 0...	(321)	(8,445)	(50,397)
Total comprehensive income/(loss), net of tax	62,073	18,144	(12,121)
Attributable to:			
Equity holders of the parent	62,032	18,116	(12,140)
Non-controlling interest	41	28	19
Earnings per share, in RUR:			
Basic earnings for the year attributable to ordinary equity holders of the parent	299.4	127.3	183.6
Diluted earnings for the year attributable to ordinary equity holders of the parent	294.2	126.4	183.2

Years ended December 31, 2014, 2013 and 2012
Consolidated Statement of Financial Position

(in RUR millions)

	As at December 31,		
	2014	2013 (audited)	2012
ASSETS			
Non-current assets			
Investments in strategic associates.....	666	8,289	8,945
Goodwill	126,380	32,969	32,969
Other intangible assets	35,804	10,056	10,567
Property and equipment	3,517	2,518	1,619
Available-for-sale financial assets	809	-	10,162
Financial assets at fair value through profit or loss	1,547	1,330	1,311
Deferred income tax assets	784	263	29
Other non-current assets	751	924	1,110
Total non-current assets	170,258	56,349	66,712
Current assets			
Trade accounts receivable.....	3,672	2,957	2,724
Prepaid income tax.....	503	68	94
Prepaid expenses and advances to suppliers	897	751	397
Financial assets at fair value through profit or loss	70	66	291
Other current assets.....	304	404	224
Short-term time deposits	490	315	991
Cash and cash equivalents	4,585	30,987	27,690
Total current assets	10,521	35,548	32,411
Total assets	180,779	91,897	99,123
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	-	-	-
Share premium.....	46,644	46,283	46,216
Treasury shares	(1,301)	(472)	(611)
Retained earnings.....	97,665	35,312	35,993
Accumulated other comprehensive income/(loss).....	(259)	65	8,513
Total equity attributable to equity holders of the parent	142,749	81,188	90,111
Non-controlling interests	16	6	4
Total equity	142,765	81,194	90,115
Non-current liabilities			
Deferred revenue and customer advances	702	386	-
Other non-current liabilities	96	-	-
Deferred income tax liabilities	5,739	2,408	2,975
Long-term interest-bearing loans	16,205	-	-
Total non-current liabilities	22,742	2,794	2,975
Current liabilities			
Trade accounts payable.....	2,081	1,292	858
Income tax payable	169	363	348
VAT and other taxes payable.....	1,531	1,368	974
Deferred revenue and customer advances	3,525	2,615	2,253
Short-term portion of long-term interest-bearing loans.....	5,857	-	-
Other payables, provisions and accrued expenses.....	2,109	2,271	1,600
Total current liabilities	15,272	7,909	6,033
Total liabilities	38,014	10,703	9,008
Total equity and liabilities	180,779	91,897	99,123

B.31/B.9	<i>Where a profit forecast or estimate is made, state the figure</i>	Not applicable; the prospectus does not include a profit forecast or estimate.
B.31/B.10	<i>A description of the nature of any qualifications in the audit report on the historical financial information.</i>	Not applicable; there are no qualifications in the audit reports on the historical financial information.
B.31/D.4	<i>Key information on the key risks that are specific to the issuer</i>	<p>The following key risks are specific to the issuer:</p> <ul style="list-style-type: none"> • There is a risk that we may not be able to effectively respond to the intense competition which we face in each of the markets in which we operate. The Internet industry is rapidly evolving and highly competitive, and we face significant competition in almost every aspect of our business, particularly from companies that seek to provide an integrated offering of Internet communication, search and other products, but also from companies targeting specific niche areas within those services, such as social networks or online games. Some of our competitors, particularly our international competitors including Facebook and Google, may have considerably greater financial, technical and/or marketing resources than us. If we are not able to effectively respond to competition in our markets, our user base could decrease, which could make us less attractive to advertisers and/or reduce the base of paying users that purchase IVAS from us, which in turn could lead to lower revenues and lower net income. Similarly, we may be required to spend additional resources to promote or improve our services in order to compete effectively, which could require additional capital and/or adversely affect our profitability. • The Internet industry is characterised by constant and rapid change in technology, consumer preferences, the nature of services offered and business models, and there is a risk that we may not be able to adapt quickly enough to such changes. Many of our important services, such as our social networking sites VK, OK.RU and our online games offerings, are relatively new. The popularity of online games and other Internet services is difficult to predict, and we cannot be certain that the games or services we currently operate or develop in the future or acquire under license will be popular with our users or sufficiently successful to offset the costs incurred to develop or license them. Failure to continue to innovate and provide popular products and services could have a material adverse effect on our business, results of operations and financial condition. • Capturing a greater share of the growing number of users that access social networks and communication tools through smartphones and other mobile devices by developing new mobile applications is an important element of our strategy and is likely to be a key priority for the industry as a whole going forward. However, offering the same quality of services that users expect through desktop services on mobile devices is challenging, for example the lower resolution, functionality, and memory associated with some mobile devices make the use of our products and services through such devices more difficult. The versions of our products and services we develop for these devices may fail to prove compelling to users, manufacturers or distributors of alternative devices. If we are unable to attract and retain a substantial number of mobile device users to our products and services, or if we are slower than our competitors in developing attractive services that are adapted for such devices, we may fail to capture a significant share of an increasingly important portion of the market for online services or lose existing users, either of which could have a material adverse effect on our business, results of operations and financial condition. • We face numerous risks associated with public perceptions of security and privacy of information conveyed over the Internet. For example, a significant barrier to financial transactions or other electronic payment processing platforms over the Internet in general has been public concern over the security of online payments. If concerns about the security of financial transactions on the Internet or mobile networks limit our ability to expand our IVAS or reduce our revenues from such services or advertising, it could have a material adverse effect on our business, results of operations and financial condition. In addition, concerns about our practices with regard to the collection, use or disclosure of personal information or other privacy related

		<p>matters, even if unfounded, could damage our reputation and operating results. Any significant reduction in user traffic could lead to lower advertising revenues and/or lower IVAS revenues, which could have a material adverse effect on our business, results of operations and financial condition.</p> <ul style="list-style-type: none"> • Our future success depends heavily upon the continuing services of both our senior management team and our other highly skilled individuals within the Group. Competition in the Internet industry, and in particular in Russia, for suitably qualified employees is high. As competition in the Internet industry increases, and in particular if larger multinational internet companies focus their attention on the Russian speaking market, and given that Russian law prevents us from effective use of non-compete provisions in our employment contracts, it may be more difficult for us to motivate, retain and hire highly skilled personnel, as well as senior management, which could have a material adverse effect on our business, results of operations and financial condition. • As we publish and distribute user-generated content or allow users to upload images, videos, music and other content on our websites, we may face liability for copyright, defamation, libel, negligence, patent or trademark infringement and other claims based on the nature and content of the materials that are published on our websites or delivered or shared through our services, if appropriate licenses and/or third party consents have not been obtained. Moreover, although we could seek to recover any losses resulting from the unauthorised posting of copyrighted material from the infringing users, it may be impractical for us to recover losses from such users. Furthermore, there is no settled court practice in Russia that provides clear guidance as to whether or under what circumstances websites owners and administrators of web space and Internet portals can be held liable for the unauthorised posting by users of copyrighted material. • We face a number of risks as a result of the main economic market in which we operate. Although the political situation in the Russian Federation has stabilised since 2000, future political instability could result in a worsening of the overall economic situation, including capital flight and a slowdown of investment and business activity. Any deterioration in the general economic or political conditions in Russia could adversely influence the level of consumer demand for the various services rendered by us and decrease advertiser demand, and therefore could have a material adverse effect on our business, results of operations and financial condition. • We face risks as a result of being subject to the laws of the Russian Federation, including uncertainty of application of legal standards, in particular with regards to commercial online services or the Internet in Russia, as commercial activities via the Internet are mainly regulated by Russian general civil legislation, the current regulatory environment for the Internet industry being uncertain. Russian regulatory authorities have a high degree of discretion and at times appear to exercise their discretion selectively or arbitrarily, without hearing or prior notice, and in a manner that is contrary to law or influenced by political or commercial considerations. Selective governmental actions have reportedly included denial or withdrawal of licenses, sudden and unexpected tax audits, criminal prosecutions and civil actions. The use of governmental power against particular companies or persons, for example through tax, environmental or prosecutorial authorities, could adversely affect Russia's economic climate and, if directed against us, our executive officers or shareholders, could have a material adverse effect on our business, results of operations and financial condition. • The current crisis in Ukraine also creates significant political and economic uncertainty which could adversely impact our financial condition. The United States has not only suspended military ties to Russia, but has authorized sanctions against numerous individuals and entities. Certain other states including member states of the EU imposed sanctions against numerous individuals and entities. No assurance can be given that the sanctions will not be extended further, including against one or numerous sectors of the Russian economy, or that other jurisdictions or bodies will not also impose similar sanctions.
B.32	<p><i>Information about the issuer of the depositary receipts. Name and registered office of the issuer of the depositary receipts.</i></p>	<p>Citibank, N.A. (“Citibank”) has been appointed as Depositary pursuant to the Deposit Agreements. Citibank is an indirect wholly owned subsidiary of Citigroup Inc., a Delaware corporation. Citibank is a commercial bank that, along with its subsidiaries and affiliates, offers a wide range of banking and trust services</p>

	<i>Legislation under which the issuer of the depositary receipts operates and legal form which it has adopted under the legislation</i>	to its customers throughout the United States and the world. Citibank is primarily regulated by the United States Office of the Comptroller of the Currency. Its principal executive office is at 399 Park Avenue, New York, NY 10043.
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Section C — Securities		
Information about the underlying shares		
C.13/ C.1	<i>A description of the type and the class of the securities being offered and/or admitted to trading.</i>	Not applicable. The Ordinary Shares are not, and are not expected to be, listed on any stock exchange.
C.13/ C.2	<i>Currency of the securities issue.</i>	The Ordinary Shares are issued in USD.
C.13/ C.3	<i>The number of shares issued and fully paid and issued but not fully paid. The par value per share, or that the shares have no par value.</i>	Our share capital currently consists of 208,582,082 issued, fully paid up and outstanding Ordinary Shares with a nominal value of US\$0.000005 and 11,500,100 issued, fully paid up and outstanding Class A Shares with a nominal value of US\$0.000005. We are authorised by our memorandum and Articles of Association to issue up to 10,000,000,000 Ordinary Shares and up to 10,000,000,000 Class A Shares.
C.13/ C.4	<i>A description of the rights attached to the securities.</i>	<p>Voting Rights</p> <p>Each Class A Share has the right to twenty-five votes at a meeting of the shareholders of MGL or on any resolution of the shareholders of MGL.</p> <p>Each Ordinary Share has the right to one vote at a meeting of the shareholders of MGL or on any resolution of the shareholders of MGL.</p> <p>Votes by Non Russian Shareholders are capped at 35%. When a Non Russian Shareholder exceeds this threshold, the excess votes are disregarded, increasing the effective voting power of the remaining shareholders.</p> <p>Redemption Rights</p> <p>MGL may, subject to any limitations imposed by the BVI Business Companies Act, 2004 and its Articles of Association, purchase, redeem or otherwise acquire and hold its own shares but only out of surplus or in exchange for newly issued shares of equal value.</p> <p>Issue of shares and pre-emptive rights</p> <p>Issue of new Ordinary Shares (including options and convertible securities) to such persons at such times and for such cash consideration (non-cash issues require a 75% shareholders' resolution) requires a simple majority shareholders' resolution. This can be done generally on such terms and conditions as the Directors may determine by resolution, provided that no shares shall be issued at a discount below their par value. The issue of Class A Shares requires a 75% shareholders' resolution.</p> <p>Unless disapplied by a 75% shareholders' resolution, MGL shall not issue Class A Shares or Ordinary Shares without offering to each shareholder such amount of Class A Shares and/or Ordinary Shares as may be necessary to maintain the same percentage economic interest in the shares as such shareholder had immediately prior to the new share issue.</p> <p>Where a share issue is approved by a 75% shareholders' resolution but the resolution is not approved by 100% of the shareholders, MGL may, at its discretion, offer such shares to the shareholders who did not approve the resolution as may be necessary to maintain the same percentage economic interest in the shares as such shareholder had immediately prior to the new share issue.</p> <p>Conversion</p> <p>Upon written request to the Board made by a member holding any Class A Shares, the Class A Shares of the member making the request and in respect of which the</p>

		<p>request is made, shall automatically convert into Ordinary Shares on the basis that each Class A Share shall automatically convert into one Ordinary Share and the Ordinary Shares resulting from such conversion shall rank pari passu in all respects with the existing Ordinary Shares then in issue.</p> <p><i>Right of First Offer</i></p> <p>The shares are freely transferable and rights of first offer do not apply.</p> <p><i>Dividends</i></p> <p>MGL may by a resolution of the Directors or a shareholders' resolution declare and pay dividends in money, shares, or other property but dividends shall only be declared and paid out of surplus. In the event that dividends are paid in specie, the Directors shall have responsibility for establishing and recording in the resolution of directors authorising the dividends, a value for the assets to be so distributed. Interim dividends may be paid from time to time as appear to the Directors to be justified by the profits of MGL.</p> <p>The Class A Shares and the Ordinary Shares have the right to an equal share in any dividend or other distribution paid by MGL, and any dividend or other distribution may only be declared and paid by MGL to the holders of the Class A Shares and the Ordinary Shares together.</p> <p><i>Distribution of assets on a liquidation</i></p> <p>Class A Shares and Ordinary Shares have the right to an equal share in the distribution of any surplus assets of MGL upon the winding-up of MGL, and rank pari passu with all other Class A Shares and Ordinary Shares.</p>
C.13/ C.5	<i>A description of any restrictions on the free transferability of the securities.</i>	Under BVI law, a holder of Ordinary Shares may freely transfer the shares without the consent of other shareholders and MGL. Such transfers are subject to transfer restrictions under the relevant laws in certain jurisdictions applicable to the transferor or transferee, including the United States, the United Kingdom, the EEA and other jurisdictions.
C.13/ C.6	<i>Admission to trading on a regulated market and the identity of all the regulated markets where the securities are or are to be traded.</i>	The Ordinary Shares underlying the GDRs are not and will not be admitted to trading on any regulated market in the EEA.
C.13/ C.7	<i>A description of dividend policy.</i>	MGL paid a special dividend of U.S.\$4.30 per share on March 28, 2013 and a special dividend of U.S.\$3.80 per share on August 28, 2012. MGL has not paid a dividend since March 28, 2013. Prior to August 28, 2012 MGL had never paid any cash dividends on its share capital. Previous dividend payments are not an indication of future dividend policy, and any recommendation as to payment of future dividends will depend upon the conditions then existing, including the Group's earnings, financial condition and requirements, availability of distributable reserves, future growth prospects, business conditions and other relevant factors.
<i>Information about the global depositary receipts</i>		
C.14/ C.1	<i>A description of the type and the class of the securities being offered and/or admitted to trading.</i>	<p>The GDRs are issued pursuant to the Deposit Agreements. Each GDR represents an interest in one Ordinary Share on deposit with the Custodian.</p> <p>Application will be made for the Additional GDRs to be admitted to the Official List and to the LSE to admit the Additional GDRs to trading on the Regulated Market through its IOB.</p> <p>The ISIN for the Rule 144A GDRs is US5603171092, the Common Code for the Rule 144A GDRs is 055648417, and the CUSIP number for the Rule 144A GDRs is 560317109.</p> <p>The ISIN for the Regulation S GDRs is US5603172082, the Common Code for the Regulation S GDRs is 055222126, and the CUSIP number for the Regulation S GDRs is 560317208.</p> <p>The London Stock Exchange trading symbol is MAIL.</p>

C.14/ C.2	<i>Currency of the securities issue.</i>	The currency of the GDRs is U.S.\$.
C.14/ C.4	<i>The rights attached to the securities.</i>	<p>Each GDR carries the right to vote one ordinary share, subject to the provisions of the Terms and Conditions of the GDRs and applicable BVI law. Each ordinary share carries one vote.</p> <p>The Depositary has agreed to pay holders of the GDRs on the relevant record date the cash dividends or other cash distributions it or the Custodian receives on the underlying Ordinary Shares, subject to restrictions imposed by applicable law. Subject to applicable law, investors will receive these distributions in proportion to the number of Ordinary Shares their GDRs represent.</p> <p>Each GDR represents an interest in one Ordinary Share on deposit with National City Nominees Limited as Custodian. A holder of GDRs will have the rights set out in the Terms and Conditions of the GDRs and the Master GDRs, which may be summarised as:</p> <ul style="list-style-type: none"> • the right to withdraw the underlying shares; • the right to receive payment in United States dollars from the Depositary of an amount equal to cash dividends or other cash distributions received by the Depositary from MGL in respect of the underlying shares; • the right to receive from the Depositary additional GDRs representing additional shares received by the Depositary from MGL by way of dividend or free distribution (or if the issue of additional GDRs is deemed by the Depositary not to be reasonably practicable, the net proceeds in United States dollars of the sale of such shares); • the right to receive from the Depositary any dividend or distribution in the form of assets other than shares or cash received by the Depositary from MGL (or if such distribution is deemed by the Depositary not to be reasonably practicable, the net proceeds in United States dollars of the sale of such assets); • the right to request the Depositary to exercise subscription or similar rights made available by MGL to holders of shares (or if such process is deemed by the Depositary not to be lawful and reasonably practicable, the right to receive the net proceeds in United States dollars of the sale of the relevant rights or the sale of the assets resulting from the exercise of such rights); • the right to instruct the Depositary regarding the exercise of any voting rights notified by MGL to the Depositary; and • the right to receive from the Depositary copies received by the Depositary of notices provided by MGL to holders of shares or other material information <p>in each case subject to applicable law, and the detailed terms set out in the Terms and Conditions of the GDRs and the Master GDRs.</p>
C.14/ C.5	<i>Restrictions on the free transferability of the securities.</i>	The GDRs will be subject to certain transfer restrictions under the relevant laws in certain jurisdictions applicable to the transferor or transferee, including the United States, the United Kingdom, the EEA and other jurisdiction.
C.14	<i>The exercise of and benefit from the rights attaching to the underlying shares</i>	<p>Under the Deposit Agreements, one GDR carries the right to instruct the Depositary to vote one Ordinary Share, subject to the provisions of applicable BVI law.</p> <p>The Depositary has agreed to pay investors the cash dividends or other distributions it or the custodian receives on Ordinary Shares or other deposited securities, subject to restrictions and requirements imposed by applicable law and after deducting its fees and expenses. Subject to applicable law, investors will receive these distributions in proportion to the number of Ordinary Shares their GDRs represent.</p> <p>There is no bank or other guarantee attached to the GDRs and intended to underwrite MGL's obligations.</p>

Section D — Risks

<p>D.5/D3</p>	<p><i>Key information on the key risks that is specific to the securities.</i></p>	<p>The key risks relating to the GDRs are as follows:</p> <ul style="list-style-type: none"> • Investors should be aware that as a result of the dual share capital structure of MGL, whereby Class A Shares have 25x the voting power of Ordinary Shares, voting power in MGL is currently concentrated in the hands of the Class A shareholders (which consists of NMT Group only), meaning GDR holders are currently largely unable to influence the affairs of MGL. • The United States and the European Union introduced sanctions against certain Russian companies and individuals as a result of the crisis in Ukraine. If current sanctions are maintained and/or further sanctions are introduced, the trading market for the GDRs and the rights of the GDRs holders could be materially adversely affected. In particular, the GDRs holders may be compelled to sell their GDRs so as to remain in compliance with any applicable laws and regulations, which may decrease the market value of the GDRs and potentially inhibit other investors from purchasing the GDRs, thereby causing the trading market for the GDRs to become less liquid. • There is a risk that an active and liquid market for the GDRs may not be maintained, and there is a limited public float of the GDRs. This could result in higher price volatility and could result in investors being unable to sell the GDRs at or above their purchase price. • The Ordinary Shares underlying the GDRs are not listed, and MGL currently has no intention of applying for the listing or admission to trading of the Ordinary Shares on any stock exchange. In the event that a GDR holder wished to withdraw Ordinary Shares from the GDR facility, they would obtain Ordinary Shares which would be significantly less liquid than the GDRs. This may negatively affect the price that a transferee would be willing to pay for the securities. • MGL's presence outside the United States and the United Kingdom may limit the legal recourse of investors against them. All or a substantial portion of MGL's assets and the assets of MGL's current directors and executive officers are located outside the United States and the United Kingdom. As a result, investors may not be able to effectively enforce U.S. or U.K. court judgments obtained against MGL or its directors and executive officers in jurisdictions outside the United States and the United Kingdom, including actions under the civil liability provisions of U.S. securities laws. These limitations may deprive investors of effective legal recourse for claims related to your investment in the GDRs. • The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "FTT Participating Member States"). The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in GDRs (including secondary market transactions) in certain circumstances. Under current proposals, the FTT could apply in certain circumstances to persons both within and outside of the FTT Participating Member States. Generally, it would apply to certain dealings in GDRs where at least one party is a financial institution, and at least one party is established in an FTT Participating Member State. A financial institution may be, or be deemed to be, "established" in an FTT Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in an FTT Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in an FTT Participating Member State. The FTT proposal remains subject to negotiation between the FTT Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EEA Member States may decide to participate and/ or certain of the FTT Participating Member States may decide to withdraw. Prospective holders of GDRs are advised to seek their own professional advice in relation to the FTT.
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Section E — Offer

E.1	<i>The total net proceeds and an estimate of the total expenses of the issue/offer.</i>	There will be no proceeds as there is no issue or offer of securities. Total expenses are estimated to be below \$500,000.
E.2a	<i>Reasons for the offer, use of proceeds, estimated net amount of the proceeds.</i>	Not applicable as this prospectus has been prepared solely to increase the size of MGL's existing block listing and does not relate to an offer of securities.
E.3	<i>A description of the terms and conditions of the offer.</i>	Not applicable as this prospectus has been prepared solely to increase the size of MGL's existing block listing and does not relate to an offer of securities.
E.4	<i>A description of any interest that is material to the issue/offer including conflicting interests.</i>	Not applicable as this prospectus has been prepared solely to increase the size of MGL's existing block listing and does not relate to an offer of securities.
E.5	<i>Name of the person or entity offering to sell the security. Lock-up agreements.</i>	Not applicable as this prospectus has been prepared solely to increase the size of MGL's existing block listing and does not relate to an offer of securities.
E.6	<i>The amount and percentage of immediate dilution resulting from the offer.</i>	Not applicable as this prospectus has been prepared solely to increase the size of MGL's existing block listing and does not relate to an offer of securities.
E.7	<i>Estimated expenses charged to the investor by the issuer or the offeror.</i>	Not applicable. No expenses will be charged to the investor.

RISK FACTORS

An investment in our GDRs involves a high degree of risk. You should carefully consider the risks described below and the other information contained in this prospectus before making a decision to invest in the GDRs. Any of the following risks, individually or together, could adversely affect our business, financial condition and results of operations, in which case the trading price of our GDRs could decline and you could lose all or part of your investment.

We have described the risks and uncertainties that we believe are material, but these risks and uncertainties may not be the only ones we face. Additional risks and uncertainties of which we are currently not aware or which we currently deem immaterial may also have a material adverse effect on our business, results of operations and financial condition.

Risks Relating to our Business

Risks relating to competition and our ability to successfully respond to developments in technology and user preferences

If we are not able to effectively respond to competition in our markets, we may lose users to competitors, which could make us less attractive to advertisers and/or reduce the potential base of paying users for our IVAS.

The Internet industry is rapidly evolving and highly competitive. We face significant competition in almost every aspect of our business, particularly from companies that seek to provide an integrated offering of Internet communication, search and other products, but also from companies targeting specific niche areas within those services, such as social networks (Facebook), IM (Skype, WhatsApp, Viber) or online games (Wargaming, Activision Blizzard, Electronic Arts, Supercell, King). In addition to competitors based in Russia, we increasingly face competition from a number of large international Internet companies that historically have had a smaller presence in Russia but have developed Russian-language versions of services that have been successful in other markets in an effort to access the Russian-speaking market. We also face competition in the international market. Some of our competitors, particularly our international competitors including Facebook and Google, may have considerably greater financial, technical and/or marketing resources than us. We may not be able to react as quickly as certain of our competitors to changing user and advertiser requirements, Internet technologies or standards. See “*Business—Competition*” for further details.

If we are not able to effectively respond to competition in our markets, our user base could decrease, which could make us less attractive to advertisers and/or reduce the base of paying users that purchase IVAS from us, which in turn could lead to lower revenues and net income. Similarly, we may be required to spend additional resources to promote or improve our services in order to compete effectively, which could require additional capital and/or adversely affect our profitability.

If we fail to continue to innovate and provide popular products and services, we may be unable to attract or retain a large user base for our services.

The Internet industry is characterised by constant and rapid change in technology, consumer preferences, the nature of services offered and business models. Many of our important services, such as our social networking sites VK, OK.RU and our online games offerings, are relatively new. The popularity of such services may wane, and other more attractive and innovative services may emerge in the future. If we are unable to respond effectively to change and to continue to offer attractive and innovative products to our users, the popularity of our websites and services may decline, which could adversely affect our business in a number of ways, including through lower revenues from advertising and IVAS. Moreover, certain of our services, in particular our internally developed MMO games, require significant investment and can take several years to produce and competitors may be faster to market with competing services or games that reduce the available market for our services. The popularity of online games and other Internet services is difficult to predict, and we cannot be certain that the games or services we develop or acquire under license will be popular with our users or sufficiently successful to offset the costs incurred to develop or license them. Failure to continue to innovate and provide popular products and services could have a material adverse effect on our business, results of operations and financial condition.

We may fail to successfully capture and retain a significant portion of the growing audience that accesses Internet services through mobile devices, and we may also lose users if we are unable to develop our products and services to be compatible with new mobile device technology.

Capturing a greater share of the growing number of users that access social networks and communication tools through smartphones and other mobile devices by developing new mobile applications is an important element of our strategy. The percentage of monthly active users accessing our social networking, email and other communication tools through mobile devices has generally been increasing year on year since 2010, making our offering through this medium a key component of our business. Offering the same quality of services that users expect through desktop services on mobile devices is challenging, for example the lower resolution, functionality, and memory associated with some mobile devices

make the use of our products and services through such devices more difficult. The versions of our products and services we develop for these devices may fail to prove compelling to users, manufacturers or distributors of alternative devices. Manufacturers or distributors may establish unique technical standards for their devices, and our products and services may not work or be viewable on these devices as a result. As new devices and new platforms are continually being released, it is difficult to predict the problems we may encounter in developing versions of our products and services for use on these devices and we may need to devote significant resources to the creation, support, and maintenance of such services. If we are unable to attract and retain a substantial number of mobile device users to our products and services, or if we are slower than our competitors in developing attractive services that are adapted for such devices, we may fail to capture a significant share of an increasingly important portion of the market for online services or lose existing users, either of which could have a material adverse effect on our business, results of operations and financial condition.

We have limited insurance coverage, and in the event of a material disruption to our business or significant losses, we may not be covered by insurance.

Although we maintain insurance for certain of our properties and other assets we do not have coverage for most of the risks to which our business is subject. We consider that the main value in our business is not in physical assets, such as servers, but in data stored within these servers. Intangible assets such as data stored on a server is very difficult to insure, so we do not have specific coverage for disruptions to our businesses or losses generally in this respect, and have no current plans to increase such coverage. We do, however, take steps to back up such data in order to minimize disruption to our business.

As a result of the above, our total insured asset value is considerably lower than our total capitalization. If we suffer damage to our businesses or intangible assets without adequate insurance coverage, it could have a material adverse effect on our business, results of operations and financial conditions.

Risks relating to skilled personnel and our senior management

We may have difficulty retaining or hiring the highly skilled personnel on whom our business depends.

Our performance and future success depend on the talents and efforts of a large number of highly skilled individuals within the Group. Since 2011 the number of Group employees has increased from 2,665 full-time employees to 3,552 full-time employees, and we will need to continue to identify, hire, develop, motivate and retain highly skilled personnel for all areas of our organisation. Competition in the Internet industry, and in particular in Russia, for suitably qualified employees is high. As competition in the Internet industry increases, and in particular if larger multinational internet companies focus their attention on the Russian speaking market, it may be more difficult for us to motivate, retain and hire highly skilled personnel. If we do not succeed in retaining or motivating existing personnel or attracting additional highly skilled personnel, our business and results of operations may be materially and adversely affected. In addition, even if sufficient numbers of highly skilled personnel can be retained, salaries may rise significantly due to competition within the Internet industry in Russia, increasing our costs, which could have a material adverse effect on our business, results of operations and financial condition.

Our future success depends heavily upon the continuing services of our senior management team and a failure to retain those personnel could have a material adverse effect on our business.

Our future success depends heavily upon the continuing services of the members of senior management. If one or more members of senior management are unable or unwilling to continue in their present positions, we may not be able to replace them easily. Competition for senior management in the Internet industry, particularly in Russia, is high, the pool of qualified candidates is limited, and we may not be able to attract and retain high-quality senior executives in the future. In addition, if a member of MGL's senior management team, a co-founder or any other important employee within the Group joins a competitor or forms a competing company, MGL or other members of the Group may lose users, know-how and personnel. While each of the members of senior management has entered into an employment agreement containing confidentiality provisions, no assurance can be given that these agreements would be enforceable in all material respects. In addition, Russian law prevents us from effective use of non-compete provisions in our employment contracts, and accordingly we cannot fully prevent our competitors from approaching and hiring our personnel. A failure to retain senior management could have a material adverse effect on our business, results of operations and financial condition.

Risks relating to Internet infrastructure, capacity and penetration

Problems with our network infrastructure, information technology systems or the Moscow or other Internet, power or telecommunications infrastructure could impair our ability to provide our services.

Our ability to provide our services depends on the continuing operation and scalability of our network infrastructure and information technology systems, and on the performance and reliability of the Internet, power and

telecommunications infrastructure, among other, in Moscow and elsewhere in Russia. The risks we face in this area include:

- the Internet infrastructure, among other, in Moscow and elsewhere in Russia may not support the demands associated with continued increase in Internet usage in general or in relation to our business specifically. In the event of a disruption to or fault in Moscow's or Russia's Internet infrastructure, we may not have access to alternative networks, and our services could be interrupted or our systems damaged;
- our systems are also potentially vulnerable to damage or interruption as a result of terrorist attacks, war, earthquakes, floods, fires, extreme temperatures, power loss, telecommunications failures, technical error, computer viruses, interruptions in access to our websites through the use of "denial of service" or similar attacks, hacking and similar events;
- we may encounter problems when upgrading our systems or services and undetected programming errors could adversely affect the performance of the software we use to provide our services. The development and implementation of software upgrades and other improvements to our Internet services is a complex process, and issues not identified during pre-launch testing of new services may only become evident when such services are made available to our large user base; and
- although we operate our own data centre, we also rely on network and server capacity provided by third parties, and the limited availability of third party providers with sufficient capacity to house additional network facilities and broadband capacity may lead to higher costs or, if we are unable to meet our needs through our own data centre, limit our ability to offer certain services or expand our business.

These and other events could lead to significant interruptions or degradation of our services or the permanent loss of user data and uploaded content, any of which could damage our reputation or relationships with our users or advertisers and result in a material adverse effect on our business, results of operations and financial condition.

Risks relating to growth in Internet penetration, online advertising and IVAS revenues

If penetration rates in Russia for Internet and broadband Internet access, including mobile Internet access, and adoption of online or mobile device payment methods, do not increase, our ability to expand could be materially and adversely affected.

Penetration rates in Russia for Internet and broadband Internet access, including mobile Internet access, are relatively low compared to those in more developed countries. Although there has been some improvement in penetration rates in recent years, for example the number of households in Russia with broadband Internet access has increased from around 17.9 million in 2010 to around 29.7 million in 2014⁸ and the number of Internet users in Russia has increased from around 50 million in the end of 2010 to around 73.8 million in the end of 2014⁹, MGL believes that the Russian internet market is still underpenetrated relative to western markets. Investment by telecom and cable operators or other providers of broadband Internet services in Russia will be required in order to increase penetration rates. In addition, penetration rates for adoption of online payment methods and SMS payments are relatively low in Russia, compared to those in more developed countries. If these penetration rates do not increase, our ability to expand our number of users, games and advertising and IVAS revenues could be limited, which could have a material adverse effect on our business, results of operations and financial condition.

If the level of spending on advertising, and in particular on Internet advertising in Russia, does not increase, our ability to increase revenue could be materially and adversely affected.

The level of spending on advertising in Russia is relatively low compared to more developed countries and, in particular, the use of the Internet as a marketing channel is at a relatively early stage. In recent years Russian advertising spending growth has slowed, in particular with regard to spending on Internet advertising (which reduced from 35% growth in 2012 to 18% growth in 2014), and there is a risk that this slowdown in growth may continue. Also, in 2014, our advertising revenues were significantly impacted by the slowdown in the Russian economy and depreciation of the Rouble. In addition, many of the current and potential advertisers working with us have not historically devoted a significant portion of their advertising budgets to online advertising and may continue to focus on traditional forms of advertising such as print and broadcast media. The share of advertising budgets devoted to online advertising in Russia may fail to increase as quickly as currently expected or may decline from current levels. We also may fail to respond adequately to changing trends in online advertising or advertiser demands or preferences, or may have less success in selling contextual advertising than we have historically had in selling display advertising. If the online advertising market does not increase from current

⁸ J'son & Partners, iKS-Consulting

⁹ Public Opinion Foundation (FOM), winter 2014-2015

levels or we are unable to capture and retain a sufficient share of that market, our ability to maintain or increase our current level of online advertising revenues could be materially and adversely affected.

If the level of spending on IVAS, in particular in Russia, does not increase or our IVAS lose popularity, our ability to increase or maintain our current level of IVAS revenues could be materially and adversely affected.

IVAS are a recent development in the Russian Internet industry, and although recent growth in IVAS revenues has been encouraging, there is no certainty that similar rates of growth can be sustained. Certain IVAS revenue streams, particularly social games, are relatively new, and it is difficult to predict how the market for social games will develop over time or whether social games, on an individual basis or overall as a genre, will remain popular with customers. If the popularity of our MMO and social games were to wane and we were unable to replace them with new games with comparable popularity, our IVAS revenues could decline significantly, which could have a material adverse effect on our business, results of operations and financial condition.

There is also a risk of failure of any of the major new MMO titles to gain traction with users, which would lead to underperformance of the online games business and lower-than-expected revenues. Mobile games might also be unsuccessful as they may fail to achieve the required profitability targets due to high cost of marketing and revenue share payable to mobile platforms.

Risks relating to security and collection of personal data

Concerns about the security of the Internet may reduce our ability to increase our IVAS revenues.

A significant barrier to financial transactions or other electronic payment processing platforms over the Internet in general has been public concern over the security of online payments. If these concerns are not adequately addressed, they may inhibit the growth of paid online services generally. We derive a significant proportion of our revenues from IVAS, which users purchase using a variety of payment methods, including through SMS payments. If a well-publicised Internet or mobile network breach of security affecting the payment methods used by us were to occur, users concerned about the security of their transactions could become reluctant to purchase our IVAS, which could limit our ability to continue to increase our revenues from these services. If concerns about the security of financial transactions on the Internet or mobile networks limit our ability to expand our IVAS or reduce our revenues from such services or advertising, it could have a material adverse effect on our business, results of operations and financial condition.

Concerns about collection and use of personal data could damage our reputation and deter current and potential users from using our products and services.

Concerns about our practices with regard to the collection, use or disclosure of personal information or other privacy related matters, even if unfounded, could damage our reputation and operating results. While we strive to comply with all applicable data protection laws and regulations, as well as our own posted privacy policies, any failure or perceived failure to comply may result in proceedings or actions against us by government entities or others, or could cause us to lose users and customers, which could potentially have an adverse effect on our business. User and regulatory attitudes towards privacy are evolving, and future regulatory or user concerns about the extent to which personal information is shared with advertisers, IVAS providers or others may adversely affect our ability to share certain data with advertisers, which may limit certain methods of contextual advertising. Concerns about the security of personal data could also lead to a decline in general Internet usage, which could lead to lower user traffic on our websites. Any significant reduction in user traffic could lead to lower advertising revenues and/or lower IVAS revenues, which could have a material adverse effect on our business, results of operations and financial condition.

Spammers and malicious applications may make our services less user-friendly, and distort the data used for advertising purposes, which could reduce our ability to attract advertisers.

Spammers could use our networks and services to send targeted and untargeted spam messages to users, which may embarrass users and make usage of our services and networks more time consuming and less user-friendly. As a result, our users may use our services less or stop using them altogether. As part of fraudulent spamming activities, spammers typically create multiple user accounts, such as accounts being set-up for the purposes of sending spam messages. We do not validate information provided during the registration process and thus such registration is difficult to control. Inaccurate data with respect to the number of unique individuals registered and actively using our services may cause advertisers to reduce the amount spent on advertising through our websites. Also, spammers can succeed in manipulating our search results in a way that makes the results less relevant causing us to lose search users, which may discourage advertisers from placing advertisements on our websites. Similarly, use of applications that permit users to block advertisements may become widespread, which could make online advertising less attractive to advertisers. Any such activities could have a material adverse effect on our business, results of operations and financial condition.

Risks relating to user-generated content and intellectual property rights

We may be held liable to third parties for information or content displayed on, retrieved from or linked to our websites, or distributed to website users.

As we publish and distribute user-generated content or allow users to upload images, videos, music and other content on our websites, we may face liability for copyright, defamation, libel, negligence, patent or trademark infringement and other claims based on the nature and content of the materials that are published on our websites or delivered or shared through our services, if appropriate licenses and/or third party consents have not been obtained.

We have been subject to various legal procedures related to the violation of copyright and related rights in the past and from time to time. We could continue to be subject to claims based upon content that is posted by users on message boards, blogs, email, chat rooms, or video or image sharing websites or hypertext links to third-party websites that infringe the intellectual property of others. Although we have guidelines and procedures designed to reduce the likelihood that user content might be used without proper licenses or third party consents, these guidelines and procedures may not be effective in preventing the unauthorised posting of copyrighted material. Moreover, although we could seek to recover any losses resulting from the unauthorised posting of copyrighted material from the infringing users, it may be impractical for us to recover losses from such users.

We are regularly approached and asked to remove content uploaded by users on the grounds of alleged copyright infringement. In such cases, we investigate the claims and any uploads that appear to be infringing intellectual property rights of a third party are removed as a matter of policy. Although we remove such material when it is brought to our attention, it is not possible to review all content uploaded onto our websites and the risk of infringement of third party intellectual property rights remains. Additional limitations on any reproduction of the content without a copyright owner's consent and with no remuneration to the owner are applicable under Russian law. Although there have been a number of recent court proceedings concerning the unauthorised posting by users of copyrighted content on websites, there is no specific legislation or settled court practice in Russia that provides clear guidance as to whether or under what circumstances website owners and administrators of web space and Internet portals can be held liable for the unauthorised posting by users of copyrighted material. See "*Regulation—Regulation of the Russian Internet Industry*" for further details.

If users utilise our services for illegal purposes, it could have a material adverse effect on our reputation, business, results of operations and financial condition.

Although our user agreements prohibit the use of our services for illegal purposes, it may not be possible for us to comprehensively screen, monitor or prevent the use of our services for such purposes. We, or users of our websites, may be subject to investigation by the Russian government or other regulatory bodies in Russia or elsewhere if our websites and communications services are suspected of being used for unlawful purposes, such as the posting of pornography, terrorist propaganda or other illegal content.

We may incur significant costs in investigating and defending ourselves against any resulting government investigations. Moreover, if an investigation resulted in liability for us, a court could impose fines, order us to cease offering the service containing the illegal content, and/or require that our business cease operating. Any of these scenarios could have a material adverse effect on our reputation, business, results of operations and financial condition.

We may be exposed to infringement claims by third parties, or may have our own intellectual property rights infringed, which could materially and adversely affect our business and results of operations.

We may be subject to infringement claims from third parties in the future resulting from the technology and intellectual property used in the provision and marketing of our services. If we are found liable for infringement, we may be required to pay significant damages, and if we are unable to license or develop non-infringing technology on a timely basis, we may be unable to continue to offer the affected services without risk of liability.

Similarly, third parties may obtain and use our intellectual property without authorisation. In addition, our employees have access to our intellectual property and contractual protections may not in every case sufficiently protect our intellectual property rights. The validity, application, enforceability and scope of protection of intellectual property rights for many Internet-related activities are uncertain and still evolving, which may make it more difficult for us to protect our intellectual property, which could have a material adverse effect on our business, results of operations and financial condition.

Risks relating to third party suppliers and service providers

We purchase our servers and some other computer hardware from several companies, most of which import equipment into Russia, and in some cases directly from manufacturers outside Russia. If these companies are prevented from importing the servers and such other computer hardware into Russia, or are unable to supply the servers and such other computer hardware to us for any other reason, our business and results of operations could be materially and adversely affected.

The servers and some other computer hardware used by us in order to store data of our users and connect to the Internet are manufactured outside of Russia and are purchased either from companies who import such hardware into Russia, or directly from the manufacturers. If these companies are prevented from importing such hardware into Russia, or if they are unable to supply such hardware to us for any other reason, or if the price of such hardware is greatly increased by the manufacturers or importers due to increased customs or other charges for any reason, we may not be able to expand our business or maintain our operations at all or without incurring significant increased costs. Any of these scenarios could have a material adverse effect on our business, results of operations and financial condition.

We rely on third parties to provide a number of important services in connection with the business, and any disruption to the provision of these services to us could materially and adversely affect our business and results of operations.

Our business is to a significant extent dependent upon services provided by third parties. In particular, we indirectly outsource the sale of much of our context advertising to third parties. Many of our online games are developed by third parties, and if we are unable to obtain or extend licenses to such content, we could be required to devote greater internal resources and time to the production of such content. In addition, there is a risk of delays in the launch of new game titles due to insufficient staffing and/or failures from third party developers. Delays in launch time may disappoint users and lead to the loss of potential audience and revenue and/or result in higher than expected development spending.

If the third parties on which we rely fail to provide their services effectively, or terminate the related service or license agreements, we could suffer service diminution or interruptions, data loss, lower revenues or increased costs, any of which could have a material adverse effect on our business. In certain cases these third party service providers could be difficult and costly to replace, and any disruption to the provision of these services to us could have a material adverse effect on our business, results of operations and financial condition.

Risks relating to corporate governance matters

GDR holders currently have very limited voting rights, as a result of which GDR holders are largely unable to influence the affairs of the issuer.

Prospective investors should be aware that MGL's Ordinary Shares represented by GDRs are each entitled to one vote per share at shareholders' meetings, whereas MGL's Class A Shares are entitled to twenty five votes per share at shareholders' meetings. As a result of these arrangements, despite having an equal economic interest in MGL on a per share basis to holders of Class A Shares in MGL, GDR holders have significantly less voting power in MGL and currently have practically no influence in the affairs of MGL.

MGL's dual share capital structure, combined with the concentration of voting rights, results in the control of MGL by its major shareholders.

New Media and Technology Investment LP and Ardor Finance Limited ("**NMT Group**") beneficially owns and controls all of MGL's Class A Shares and a substantial number of MGL's Ordinary Shares, representing in aggregate 63.8% of the voting power of MGL's issued share capital. MIH Russia Internet BV ("**MIH**") also owns a significant number of MGL's GDRs, representing in aggregate 12.5% of the voting power of MGL's issued share capital. Accordingly, NMT Group and MIH control MGL, including having the power to appoint and dismiss the Board of Directors, to approve significant transactions and to appoint all of the non-independent members of the Board of directors (while independent directors are appointed by the Board so nominated). The voting power of NMT Group is substantially greater than its economic interest in MGL, and the ability of GDR holders to influence the conduct of MGL will be limited.

In addition, a disagreement between our major shareholders could prevent key strategic decisions from being made in a timely manner and could distract management from running the day to day operations of the Group's business. In the event that these shareholders are unable to continue to work well together with other minority shareholders and with other management, the Group's business could be harmed.

Furthermore, the Articles of Association of MGL provide that no non-Russian shareholder shall be entitled to cast votes in excess of 35% at shareholders' meetings. In addition, the aggregate vote cast by non-Russian shareholders in certain circumstances may be capped at 45%. Accordingly, there are limits on the ability of non-Russian shareholders to influence MGL.

Certain actions of MGL require a 75% resolution of the shareholders or can be invoked by holders of 25% or more of the voting rights of MGL, and NMT Group controls in excess of 25% and together with MIH controls in excess of 75% of the voting power of MGL.

The Articles of Association of MGL require a 75% shareholders' resolution for a number of actions, including amending the constitutional documents of MGL, winding-up MGL, issuing new Class A Shares and authorising any Substantial Transactions (as defined herein) of MGL or any core Consolidated Subsidiary, among other matters. MGL's Board of Directors resolved on October 25, 2010, that any shareholder holding (together with its affiliates) 25% or more of the voting rights in MGL as of the date of the resolution may cause MGL to repurchase GDRs under certain circumstances. NMT Group controls more than 25% of the voting rights in MGL, and accordingly can veto any resolution requiring a 75% shareholder vote or invoke the buyback provision, including in order to maintain its proportionate interests in MGL. See "*Corporate Governance—General Shareholders' Meeting*". Furthermore, NMT Group and MIH together control in excess of 75% of the voting power of MGL, which allows them together to control the outcome of matters requiring a 75% shareholder vote.

NMT Group holds the majority of voting rights in MGL and its interests may conflict with the interests of investors.

NMT Group currently holds 63.8% of the votes cast at a General Meeting of MGL. NMT Group is ultimately controlled by USM Holdings Limited. Mr. Usmanov is the largest beneficial owner of USM Holdings Limited with a total economic and voting interest in USM Holdings Limited of 48%. Mr. Moshiri also has a substantial voting interest in USM. See "*Principal Shareholders*". The current level of voting power in MGL together with provisions of the voting agreement (see section B.31/B.6 and "*Material Contracts—Voting Agreement*") means that at the board of directors election NMT Group can appoint five out of eight of the directors of MGL (the remaining two independent directors are appointed by the majority vote of the Board), which enables NMT Group to exercise significant influence over the management of MGL and strategic decisions taken by the Board. In addition, NMT Group has, directly or indirectly, the power, among other things, to pass ordinary resolutions of MGL.

Furthermore, although NMT Group is a party to the Investor Rights Agreement (see *Material Contracts—Investor Rights Agreement*) and must comply with the Articles of Association of MGL and applicable laws (including BVI corporate law), it is not party to a relationship agreement or similar contractual arrangement with MGL providing any kind of additional protection to MGL or minority investors such as GDR holders.

Consequently, the interests of USM Holdings Limited and its individual beneficial owners may not be the same as the interests of minority shareholders or investors in MGL, and they may make decisions that may potentially have a material adverse effect on an investment in the GDRs and on the business operations of the Group, and minority shareholders may have a limited ability to block or challenge such decisions through the constitutional documents of MGL.

We have engaged and may continue to engage in transactions with related parties that may present conflicts of interest.

We have engaged in transactions with related parties, including our Directors, management and beneficial owners, and companies controlled by such persons, and we may continue to do so in the future. The Articles of Association provide for decisions to enter into such transactions, above a specified threshold, to be approved by disinterested members of the Board of Directors or shareholders (see "*Corporate Governance—Related Party Transactions*"). Nonetheless, conflicts of interest may arise, potentially resulting in transactions on terms not determined on an arm's length or market basis.

The mandatory offer requirements in the Articles of Association of MGL do not apply to any existing shareholder of MGL as of August 27, 2010, do not preclude a shareholder from holding a majority of the voting rights in MGL, and do not preclude a shareholder from holding 75% or more of the voting rights in MGL if such threshold is crossed through accretion rather than acquisition, and accordingly in such cases do not provide protection for minority shareholders.

The Articles of Association of MGL contain a mandatory tender offer provision that stipulates that, where a transfer of issue of shares would result in a person (together with any parties acting in concert with such a person) holding 75% or more of the voting rights in MGL, then that person must make a tender offer to all other shareholders in MGL at the highest price paid for shares in MGL by that third party (or parties acting in concert) in the preceding 12 months (see "*Corporate Governance—Mandatory offer requirements*"). However, the provision does not apply to any existing shareholder in MGL as of August 27, 2010, which means such shareholders (including NMT Group) can acquire more than 75% of the voting power without making a tender offer. Similarly, the provision does not apply to accretions, so an existing holder or a third party that acquires less than 75% of the voting power but accretes above that level without acquiring additional shares, for example due to conversion of high voting Class A Shares held by others to Ordinary Shares, would not be required to make a tender offer. Furthermore, because the trigger is set at 75%, a third party or an existing shareholder could acquire a majority of the voting rights without making a tender offer, and that majority position would allow such shareholder to control the outcome of decisions that require only a simple majority vote.

Accordingly, the mandatory tender offer provision in the Articles of Association does not apply in a number of scenarios in which a shareholder, together with parties acting in concert if applicable, may have control over MGL.

Corporate governance standards in BVI and the Russian Federation are not of the same standard as those in Western Europe and the United States.

There is no corporate governance code or corporate governance regime in the BVI, and MGL is not required to comply with the U.K. Corporate Governance Code. Accordingly, there are fewer protections for investors than would otherwise be the case were MGL to comply with the U.K. Corporate Governance Code principles on corporate governance or similar standards of other European Union member states or the United States. For example, MGL currently only has two independent directors appointed to the Board, in contrast to the comply or explain regime applicable under the U.K. Corporate Governance Code, whereby certain issuers must have a majority of independent directors appointed to the board (or justify why they do not in their annual report). A limited number of independent directors on the Board may result in our majority shareholders having overall control of the Board and therefore effectively having day to day control of MGL (see “NMT Group holds the majority of voting rights in MGL and its interests may conflict with the interests of investors” above). Similarly, in relation to affiliates of MGL incorporated in the Russian Federation, corporate governance standards in the Russian Federation are not of the same standard as those in Western Europe and the United States, which may provide MGL, as equity holder in such Russian entities, and, indirectly, the shareholders of MGL, with less protection than corporate governance requirements that would apply in Western Europe or the United States.

Risks relating to negative media speculation

Negative media speculation or other negative public statements could adversely affect our reputation, which in turn could adversely affect our business and the trading price of our GDRs.

The media and others have speculated negatively from time to time about us and the largest individual beneficial owner of our controlling shareholder, which could adversely affect our reputation, potentially affecting our relationship with third parties who may give weight to media comment, distracting our senior executive officers from their management responsibilities, and adversely affecting the trading price of our Securities. See “Principal Shareholders”.

For example, the press has in the past speculated, and may in the future speculate, about the background of the largest individual beneficial owner of our controlling shareholder. In the 1980s, Mr. Usmanov spent six years in an Uzbek jail after he had been convicted in 1980 of fraud and embezzlement. In 1989, however, a Soviet court removed his criminal record, and, in 2000, the Supreme Court of Uzbekistan vacated the judgment of 1980 and terminated the case due to the absence of the constituent elements of a crime. Accordingly, the original conviction was not in accordance with law. Nonetheless, media and others have speculated negatively about Mr. Usmanov in the past and may do so in the future. For example, an Observer article in the late 1990s quoted Mr. Usmanov as having stated that he knew Mr. Gafur Rakhimov, whom the article claimed was a “drugs baron”. Future negative speculation in the media related to us and our existing and prospective direct or indirect shareholders could adversely affect our reputation, which in turn could result in a reduction in the value of the Securities.

Risks relating to expansion of our business

Our business and operations are experiencing rapid growth. If we fail to sustain our growth or manage it effectively, our business and operating results could be harmed.

We have experienced rapid growth in our operations, which has placed, and will continue to place, significant demands on our management, operational and financial infrastructure. If we do not effectively manage our growth, the quality of our products and services could suffer, which could negatively affect our brand and operating results. In addition, we may not be able to sustain our revenue growth rate and anticipate that there will be downward pressure on our operating margin. To sustain or manage this growth effectively, we will need to continue to improve our operational, financial and management controls, and our reporting systems and procedures. Failure to implement these improvements could hurt our ability to manage our growth and could have a material adverse effect on our business, results of operations and financial condition. Notwithstanding anything in this risk factor, MGL will be able to comply with its continuing obligations as a company with securities admitted to the official list.

We may not be successful in our efforts to integrate recent or future acquisitions and we may be unable to finance acquisitions we believe could be beneficial to our existing operations on terms desirable to us or at all.

Our acquisitions, such as the recent acquisition of VK, as well as any future acquisitions present numerous risks. The integration of newly-acquired businesses may be difficult for a variety of reasons, such as differing culture or management styles, poor records or internal controls and difficulty in establishing immediate control over cash flows. As a

result, the need to integrate acquired assets or any potential future acquisitions poses risks to our existing operations, including:

- additional demands placed on our senior management, who are also responsible for managing our existing operations;
- increased overall operating complexity of our business;
- additional cash expenditures or debt service costs;
- inability to take advantage of potential tax benefits;
- the overvaluation of the target and thus overpayment for the target;
- potential failure of the due diligence processes to identify significant problems, liabilities or other challenges; and
- exposure to litigation or other claims in connection with an acquisition.

Acquisitions of businesses and assets also create the need to attract and retain a greater number of qualified management and other personnel, for which there is significant competition. Any failure to successfully integrate past or future acquisitions could adversely affect our business, financial condition and results of operations. Moreover, even if we were successful in integrating newly acquired assets and acquiring additional assets, expected synergies and cost savings may not materialize, resulting in lower than expected profit margins.

Furthermore, the future performance of recent acquisitions, such as VK, may not meet our expectations or the assumptions that we based our valuations of such businesses on.

We also may be unable to generate and raise sufficient funds to finance future acquisitions that may be beneficial to our future operations or to do so at a reasonable cost. Lack of sufficient funds in the future may require us to delay or abandon some of our anticipated acquisitions.

Risks relating to our financial condition

Our failure to comply with the restrictive covenants in the Loan Agreement may cause the acceleration of our outstanding debt, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In September 2014, we received a RUB 22,037 million loan from Gazprombank maturing in 2018 to finance the acquisition of VK (the “**Loan Agreement**”). The Loan Agreement contains various restrictive covenants, including an obligation to maintain certain financial ratios, that we as a borrower are required to fulfill.

According to the terms of the Loan Agreement, certain of our actions aimed at developing our business and pursuing our strategic objectives, such as acquisitions, disposal of assets, investments into certain of our subsidiaries and others, are restricted and would require notice to or consent from the lender. We may enter into similar agreements in the future that further restrict us from engaging in these or other types of activities.

If we are unable to generate sufficient cash flows or otherwise obtain funds necessary to service or repay our indebtedness or fail to comply with our financial and other covenants contained in any of our loan agreements, including compliance with financial ratios and other covenants, or fail to obtain prior consent of lenders for certain actions, or fail to obtain extensions or waivers in respect of any breaches of our loan agreements or amend our loan agreements, such failure would constitute an event of default under the relevant loan agreement. This could result in acceleration of repayment of principal and interest under the relevant loan agreement, reduced opportunities for future borrowing, debt service obligations in excess of our ability to pay, liability for damages or inability to further develop our business and pursue our strategic objectives, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks relating to potential impairments

We may be required to record a significant charge to earnings if our goodwill, amortisable intangible assets, or investments in equity interests become impaired.

We are required under IFRS to test goodwill for impairment at least annually and to review our amortisable intangible assets and investments in equity interests for impairment when events or changes in circumstance indicate the carrying value may not be recoverable. Factors that could lead to impairment of goodwill and amortisable intangible assets include significant adverse changes in the business climate and declines in the financial condition of our business. Factors that could lead to impairment of investments in equity interests include a prolonged period of decline in the stock price or operating performance of, or an announcement of adverse changes or events by, any company in which we have invested. We have recorded and may be required in the future to record additional charges to earnings if a portion of our goodwill, amortisable intangible assets, or investments in equity interests becomes impaired. Any such charge would adversely impact our financial results.

Risks Relating to the Russian Federation

A substantial part of our assets are located in, and most of our revenues are derived from, Russia. There are certain risks associated with conducting business in Russia.

Political and social risks

Political instability or changes in government or in economic policy could adversely affect our business and the value of investments in the GDRs.

As a result of the dismantling of the political and economic apparatus of the former Soviet Union and the widespread privatisation of state assets, political conditions in the Russian Federation were highly volatile in the 1990s, which negatively impacted the business and investment climate. Although the political situation in the Russian Federation has stabilised since 2000, future political stability is not guaranteed and any instability could negatively impact the overall economic situation, including capital flight and a slowdown of investment and business activity.

Additionally, future shifts in governmental policy and regulation in the Russian Federation could also lead to political instability and disrupt or reverse political, economic and regulatory reforms, which could have a material adverse effect on the value of investments relating to the Russian Federation and the Securities in particular, as well as on our business, our ability to obtain financing in the international markets and our financial position or prospects.

Unlawful, selective or arbitrary government action may have an adverse effect on our business and financial condition.

Russian regulatory authorities have a high degree of discretion and at times appear to exercise their discretion selectively or arbitrarily, without hearing or prior notice, and in a manner that is contrary to law or influenced by political or commercial considerations. Selective governmental actions have reportedly included denial or withdrawal of licenses, sudden and unexpected tax audits, criminal prosecutions and civil actions. Federal and local government entities have also used common defects in matters surrounding share issuances and registration as pretexts for court claims and other demands to invalidate such issuances and registrations or to void transactions, often for political purposes. Moreover, selective, public criticism by Russian government officials of Russian companies has in the past caused the price of publicly traded securities in such Russian companies to sharply decline, and there is no assurance that any such public criticism by Russian government officials in the future will not have the same negative effect. We may from time to time be required to grant law enforcement authorities conducting investigations or regulatory inspections access to users' personal data, mailboxes and other account information. In addition, as an Internet company reaching a substantial portion of Russia's population, we may be of special concern to the Russian government. Finally, the possibility of unlawful, selective or arbitrary government action also enhances opportunities for official corruption, which is widely reported to be very high in Russia.

The use of governmental power against particular companies or persons, for example through tax, environmental or prosecutorial authorities, could adversely affect Russia's economic climate and, if directed against us, our executive officers or shareholders, could have a material adverse effect on our business, results of operations and financial condition. Russian authorities have challenged some Russian companies and prosecuted their executive officers and shareholders on tax evasion and related charges. In some cases, the results of such prosecutions and challenges have been significant claims against companies for unpaid taxes and the imposition of prison sentences on individuals. Some observers have speculated that in certain cases these challenges and prosecutions were intended to punish, and deter, opposition to the government or the pursuit of disfavoured political or economic agendas.

Economic and military risks

Economic instability in Russia could have an adverse effect on our business.

MGL is registered in the BVI, but most of the Company's operations are in Russia. Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in uncertainty regarding further economic growth, availability of financing and cost of capital, which could negatively affect the Company's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

In addition, since Russia produces and exports large quantities of crude oil, natural gas and other commodities, its economy is particularly vulnerable to fluctuations in world commodity prices. A sustained decline in the price of crude oil, natural gas and other commodities could materially adversely affect the Russian economy. Such has occurred in recent months as crude oil prices have dropped by nearly 49.2% between January 1, 2014 and January 1, 2015 and by an additional 1.4% in the first quarter of 2015 (according to Intercontinental Exchange). The Russian financial markets have experienced significant volatility in the second half of 2014 and expect to continue experiencing such volatility in 2015 and the Rouble's value against major world currencies has fallen significantly.

Any deterioration in the general economic conditions in Russia could adversely influence the level of consumer demand for the various services rendered by us and decrease advertiser demand, and therefore could have a material adverse effect on our business, results of operations and financial condition.

The involvement of the Russian Federation in any future economic and military conflicts could adversely affect our business and the value of investments in the GDRs.

Over the last several years, Russia has been involved in conflicts, both economic and military, with other countries, including former members of the Soviet Union. On several occasions, this has resulted in the deterioration of Russia's relations with other members of the international community, including the United States and various countries in Europe. For example, a military conflict in August 2008 between Russia and Georgia has resulted in the deterioration of Russia's relations with certain other countries. The Russian stock exchanges experienced heightened volatility and significant overall price declines following these events. The emergence of new or escalated tensions between Russia and other countries, including any escalation of such conflicts, or the imposition of economic or other sanctions in response to the tensions, could negatively affect economies in the region, including the Russian economy. In addition, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, military conflict and terrorist attacks. For example, the conflict in Chechnya brought normal economic activity within Chechnya to a halt for a period of time and also had a negative effect on the economic and political situation in neighbouring regions. Violence and attacks relating to the conflicts in the North Caucasus region also spread to other parts of Russia and resulted in terrorist attacks in Moscow and in various other places in Russia. In the future, such tensions, military conflicts or terrorist activities could have significant economic and political consequences in the Russian Federation, and accordingly have a negative adverse effect on our business and the value of investments in the GDRs.

Recently, the United States, the European Union and certain other countries have ordered sanctions against certain prominent Russian and Ukrainian officials and businessmen and Russian private banks and companies in response to the situation in Ukraine and Russia's signing of an agreement with the Republic of Crimea on the accession of the Republic of Crimea and the city of Sevastopol to the Russian Federation and on forming two new constituent entities within the Russian Federation. While the current sanctions do not target our group or our industry, these sanctions could have the indirect effect of damaging the Russian economy, further accelerating capital flight from Russia, exacerbating the negative investor sentiment towards Russia and making it harder for Russian companies to access international financial markets for debt and equity financing, all of which could have a material adverse effect on our business, financial conditions, results of operations and prospects and the value of our GDRs. Moreover, if the next level of sanctions ordered by the United States, the European Union or other governmental or international bodies directly target the Russian economy such as Russian exports or Russian financial and banking markets, such sanctions could have an even more serious material adverse effect on our business, financial condition, results of operations and prospects and the value of our GDRs. Overall, the situation in Ukraine and Crimea remains fluid and we cannot predict how the situation will unfold. In particular, an escalation of sanctions may occur or demands for autonomy from other regions may arise and we cannot predict how Russia and other countries will react to these events or to the actions of the others and how any of these developments may impact the Russian economy and Russian companies. We cannot assure that such developments will not have a material adverse effect

on our business, financial condition, results of operations and prospects. The value of our GDRs is expected to be highly volatile during the current situation.

The events in Ukraine have had an adverse effect on the Ukrainian economy, and may also adversely affect the Russian economy. For example, these events already caused significant fluctuations of the ruble exchange rate and Russian stock exchange indexes in recent months. Moreover, while the continued impact of these events and any continuing or escalating military action, public protests, unrest, political instability or possible sanctions is unclear, it could have a further adverse effect on the Ukrainian and Russian economies and consequently, a material adverse effect on our financial condition, results of operation and prospects.

Changes in currency exchange rates and currency swings could materially adversely affect our business, financial condition and results of operations.

Foreign currency markets have been marked by periods of high volatility and the Rouble has experienced sharp depreciation in the past. The Rouble has been volatile in real terms in recent years. In 2014, the Rouble depreciated significantly against the U.S. dollar and other currencies, plummeting to 67.79 Roubles to one U.S. dollar on December 18, 2014. In 2014, the Rouble depreciated in real terms against the U.S. dollar by 11.1% as compared with 2013, according to the CBR. There is no guarantee that the Rouble will remain stable in real terms or not depreciate further against the U.S. dollar or other major currencies in the future. We incur significant costs in currencies other than Rouble (mainly U.S. dollars and euros), principally to purchase hardware from vendors and acquire certain services, including online game development services by the third parties, and earn a majority of our revenues in Roubles. There is a risk that volatile exchange rates would increase the costs significantly, which would lead to a decrease in net profits, increased demand in cash funds in Roubles, threaten our ability to repay the loan on time or disrupt timely financing of our operations and capital expenditures. Changes in the value of the U.S. dollar against the Rouble can also have a significant impact on our financial statements.

Inflation could increase our costs.

The Russian economy has been characterised by high rates of inflation, including an annual inflation rate of 84.4% in 1998. According to Rosstat, the annual inflation rate in Russia was approximately 6.6% in 2012, 6.5% in 2013 and 11.4% in 2014, as measured by the consumer price index. The Ministry of Economic Development of the Russian Federation predicts inflation will rise sharply in 2015 and perhaps in subsequent years as a result of international sanctions imposed on Russian companies and individuals, the significant fall in the Rouble against the U.S. dollar and the euro and other factors. Our costs (in particular salaries) are sensitive to rises in the general price level in Russia. As a result, high rates of inflation could increase our costs, and there can be no assurance that we will be able to maintain or increase our margins.

Emerging markets such as Russia are generally subject to greater risks than more developed markets, and global financial or economic crises or even turmoil in any large emerging market country, could have an adverse effect on our business and the value of the GDRs.

Global financial or economic crises or even financial turmoil in any large emerging market country tend to adversely affect prices in equity markets of most or all emerging market countries as investors move their money to more stable, developed markets. The Russian equity markets were highly volatile beginning in the second half of 2008, principally due to the impact of the global financial and economic crises on the Russian economy. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Russia and adversely affect the Russian economy. In addition, during such times, businesses that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Potential investors are urged to consult with their own legal and financial advisers before making an investment in the GDRs.

We are only able to conduct banking transactions with a limited number of creditworthy banks in the Russian Federation, and another banking crisis could place severe liquidity constraints upon our business and financial condition

There are currently a limited number of creditworthy banks in the Russian Federation (including Russian subsidiaries of certain well-known Western banks) with which we conduct banking transactions. Our ability to reduce bank risk is limited due to the small number of creditworthy banks operating in the Russian Federation.

From April through July 2004, the Russian banking sector experienced its first serious turmoil since the financial crisis of August 1998. As a result of the circulation of various rumours and, in some cases, regulatory and liquidity problems, several privately owned Russian banks collapsed or ceased or significantly limited their operations. Several other privately owned Russian banks experienced liquidity problems and were unable to attract funds on the interbank

market or from their client base. Simultaneously, they faced large withdrawals of deposits by both retail and corporate customers. Russian banks owned or controlled by the Russian government and the CBR, as well as foreign-owned banks, generally remained unaffected by the turmoil.

Prior to the 2008-2009 global financial crisis, there was a rapid increase in lending by Russian banks, which many believe has been accompanied by deterioration in the credit quality of the borrowers. In addition, a robust domestic corporate debt market was leading to Russian banks (including the banks with which we conduct banking transactions) increasingly holding large amounts of Russian corporate ruble-denominated bonds in their portfolios; this further deteriorated the risk profile of Russian bank assets.

The 2008-2009 global financial crisis has led to the collapse or bailout of some Russian banks and to significant liquidity constraints for others. Profitability levels of most Russian banks were adversely affected. Indeed, the global crisis has prompted the government to inject substantial funds into the banking system amid reports of difficulties among Russian banks and other financial institutions. Notwithstanding the implementation of such anti-crisis measures, some Russian financial institutions have continued to demonstrate liquidity problems, and while some improvement of the situation in the financial markets is reported, no assurance can be given that similar liquidity problems will not occur in the future, or that the government will continue to implement state support measures to support the Russian banking sector.

Furthermore, recently, a number of Russian banks have experienced other difficulties, including failure to make sufficient loss provisions, that have caused them to become insolvent and have their licenses revoked or to recognise large loan impairments that required steps to replenish their capital. Intensified withdrawal of banking licenses as a result of inability of certain banks to meet the mandatory requirements of the CBR, failure to comply with anti-money laundering regulations or due to other reasons could result in lower investor confidence in Russian banking system generally and investors or depositors, as the case may be, reducing their exposure to Russian bank equities, debt or deposits.

As a result of the current state of the banking sector, considerable delays may occur in the transfer of funds within, and the remittance of funds out of, the Russian Federation. Any delay or other difficulty in transferring or remitting funds could limit our ability to meet payment and debt obligations as they become due, which could result in the acceleration of debt obligations and cross-defaults. In addition, any deterioration in the liquidity of the Russian banking system generally – and of the banks with which we conduct banking relationships in particular – could prevent us from accessing our funds or affect our ability to complete banking transactions in the Russian Federation or may result in the loss of our deposits altogether, which could have a material adverse effect on our business, results of operations, financial condition and prospects; our ability to meet our obligations under the Securities may also be adversely affected.

Legislative and legal risks

Weaknesses relating to the Russian legal system and Russian laws create an uncertain environment for investment and business activity in Russia and thus could have an adverse effect on our business.

Risks associated with the Russian legal system include, to varying degrees, the following:

- inconsistencies among: (i) federal laws; (ii) decrees, orders and regulations issued by the President, the government and federal ministers; and (iii) regional and local laws, rules and regulations;
- a lack of judicial and administrative guidance on interpreting the laws as well as a lack of sufficient commentaries on judicial rulings and legislation;
- the relative unavailability of Russian legislation and court decisions in an organised manner that facilitates understanding of such legislation and court decisions;
- the relative inexperience of lawyers, judges and courts in interpreting newly-adopted legislation and complex commercial arrangements;
- substantial gaps in the legal framework due to the delay or absence of implementing regulations for certain legislation;
- a lack of judicial independence from political, social and commercial forces;
- alleged corruption within the judiciary and the governmental authorities;
- problematic, time-consuming and unpredictable enforcement of both Russian and non-Russian judicial orders and international arbitration awards;

- a high degree of discretion on the part of governmental authorities, leaving significant opportunities for arbitrary government action; and
- bankruptcy procedures that are not well-developed and are subject to abuse.

There are currently few laws or regulations applicable to commercial online services or the Internet in Russia, and commercial activities via the Internet are mainly regulated by Russian general civil legislation. The current regulatory environment for Internet industry is uncertain. Due to the specific nature of Internet related activities, application of general legislation results in different interpretations of the courts and regulatory agencies and gives rise to legal uncertainty. Potential amendments to current legislation, addressing specific aspects of Internet-related activities and increase of the regulatory framework may require further investments, lead to changes to the business models for some of our activities or render them unprofitable. Regulatory and court authorities may disagree with our interpretations of existing laws or regulations or the applicability of such laws or regulations to our business, or they may alter their views on the activities of certain of our companies due to changes in the applicable regulatory framework, interpretations of existing laws or regulations or otherwise. If we fail to comply with existing or future regulatory or other legal requirements, it could have a material adverse effect on our business, results of operations and financial condition.

Russian tax legislation and regulations are complex, uncertain and often enforced in a manner that does not favour taxpayers, and we therefore may be subject to a greater than expected tax burden that could materially adversely affect our business and results of operations.

Generally, taxes payable by Russian companies are both substantial and numerous. These taxes include, among others, corporate income taxes, VAT, contributions to social security funds, corporate property tax and other taxes.

Before the introduction of the Russian Tax Code the tax environment in Russia had historically been complicated by the fact that various authorities had often issued contradictory pieces of tax legislation.

Although Russia's tax climate and the quality of tax laws have generally improved with the introduction of the Russian Tax Code, the possibility exists that Russia may impose arbitrary or onerous taxes and penalties in the future. In practice, Russian tax authorities often have their own interpretation of the tax laws that rarely favour taxpayers, who often have to resort to court proceedings to defend their position against the tax authorities. Differing interpretations of tax regulations exist both among and within government ministries and organisations at the federal, regional and local levels, creating uncertainties and inconsistent enforcement. Tax declarations, together with related documentation, are subject to review and audit by a number of authorities, each of which may impose fines, penalties and interest charges.

Our Russian subsidiaries are subject to periodic tax inspections that may result in tax assessments and additional amounts being claimed from such subsidiaries for prior tax periods. Generally, tax declarations of our Russian subsidiaries remain open and subject to audit by tax and/or customs authorities for three calendar years immediately preceding the year in which the decision to conduct an audit is taken. The Customs Code of Customs Union (effective in Russia as of July 2010) provides for the possibility to establish by law the longer term for customs audit but it may not be more than five years. However, the fact that a particular year has been reviewed by tax authorities does not preclude that year from further review or audit during the eligible three-year limitation period by a superior tax authority. On July 14, 2005 the Russian Constitutional Court issued a decision allowing the statute of limitations for tax liabilities to be extended beyond the three-year term set forth in the tax laws if a court determines that the taxpayer has obstructed or hindered a tax inspection. Moreover, amendments to the first part of the Tax Code, effective January 1, 2007, provide for the extension of the three-year statute of limitations if the actions of the taxpayer created insurmountable obstacles for the tax audit. Because none of the relevant terms are defined, tax authorities may have broad discretion to argue that a taxpayer has "obstructed", "hindered" or "created insurmountable obstacles" in respect of an inspection and to ultimately seek review and possibly apply penalties beyond the three-year term, and there is no guarantee that the tax authorities will not review our compliance with applicable tax law beyond the three-year limitation period. Moreover, in some instances, new tax regulations have been given retroactive effect.

It is possible for changes to be made to the results of a prior tax audit if a repeat tax audit takes place. Repeat tax audits may be carried out by: (i) the higher tax authorities monitoring the activities of the tax authorities which have performed the tax audit; or (ii) the tax authorities who carried out the tax audit if a revised tax return for a lower amount of taxes is filed. Under the current tax legislation of Russia the limitation period for a repeat tax audit is three years immediately preceding the year in which the decision to conduct a repeat tax audit is taken. Therefore, repeat tax audits for the years 2012, 2013 and 2014 may be conducted by the Russian tax authorities in 2015, 2016 or 2017 respectively. Tax audits may result in additional costs to us if the relevant authorities conclude that we did not satisfy our tax obligations in any given year. They may also impose additional burdens on us by diverting the attention of our management. The outcome of these audits may result in significant fines, penalties and enforcement measures which may have a material adverse effect on our business, results of operations and financial condition.

On October 12, 2006, the Plenum of the Supreme Arbitration Court of the Russian Federation issued Ruling No. 53 formulating the concept of “unjustified tax benefit”, which is described in the ruling by reference to specific circumstances, such as an absence of business purpose or transactions where the form does not match the substance, and which could lead to the disallowance of tax benefits resulting from the transaction or the re-characterisation of the transaction. There has been very little further guidance on the interpretation of this concept by the tax authorities or courts, but it is likely that the tax authorities will actively seek to apply this concept when challenging tax positions taken by taxpayers in Russian courts. While the intention of this Ruling might have been to combat abuse of tax laws, in practice there is no assurance that the tax authorities will not seek to apply this concept in a broader sense than may have been intended by the Supreme Arbitration Court.

Financial statements of Russian companies of the Group are not consolidated for tax purposes under Russian law. As a result, each entity in the Group pays its own Russian taxes and may not offset its profit or loss against the loss or profit of another entity in the Group, which may result in higher taxes for us than if taxes were assessed on a consolidated basis. Inter-company dividends are subject to a withholding tax of 13%, if being distributed to Russian residents, subject to new provisions of the tax law described below, and 15%, if being distributed to non-Russian residents that are legal entities and organisations as well as to individuals who are not Russian tax residents, subject to benefits under double tax treaties. Although the Group will seek to claim treaty protection to benefit from applying the reduced rates of withholding income tax in Russia, there is a risk that the applicability of the reduced rates may be challenged by the Russian tax authorities. As a result, there can be no assurance that the Group would be able to avail itself of the reduced withholding income tax rate in practice. Specifically, the Group may incur the 15% withholding income tax at source on dividend payments from the Russian subsidiaries if the treaty clearance procedures are not duly performed at the date when the dividend payment is made. In this case the Group may seek to claim as a refund the difference between the 15% tax withheld and the applicable reduced rate. However, there can be no assurance that such taxes would be refunded. Moreover, effective from 2015, the Russian legislator introduced an anti-avoidance mechanism with respect to double tax treaty benefits by using the concept of beneficial ownership of income, that restricts the benefits available under double tax treaties. This concept adds to the existing uncertainty and instability in the application of tax treaties in Russia, and may result in the inability for foreign entities of the Group to claim double taxation treaty benefits in Russia.

With effect from January 2008, the dividend income of Russian entities is subject to tax at the 0% tax rate provided that the recipient owns not less than 50% of the shares of the subsidiary paying the dividends entitling the recipient to at least 50% of the total amount of dividends for a period of not less than 365 calendar days as at the date the dividends are declared and provided that the consideration paid for the shares in the dividend paying company exceeded RUB 500 million. In December 2009, legislation was passed abolishing the RUB 500 million requirement, which came into effect from January 1, 2011 and applies to profits earned in 2010 and subsequent years. In the case of foreign subsidiaries, the 0% tax rate applies only if the subsidiary’s jurisdiction of tax residency is not included in the list of offshore jurisdictions published by the Ministry of Finance of the Russian Federation. For the 0% tax rate to apply, certain filing requirements need to be met. These tax requirements could impose additional tax burdens and costs on our operations, including management resources.

Starting from January 1, 2012 the Russian Tax Code envisages consolidated tax reporting to enable the consolidation of the financial results of Russian taxpayers that are part of one group for corporate income tax purposes. At this stage, such consolidated tax reporting principles only apply to major taxpayers, and do not apply to the Group.

The uncertainty relating to Russian tax laws exposes us to significant fines and penalties and to enforcement measures, despite our best efforts at compliance, and could result in a greater than expected tax burden. In addition to our substantial tax burden, these conditions, risks and uncertainties complicate our tax planning and related business decisions, potentially exposing us to significant fines and penalties and enforcement measures despite our best efforts at compliance, and could have a material adverse effect on our business, results of operations and financial condition.

Under recently introduced Russian deoffshorization law, foreign companies of the Group may be exposed to taxation in Russia if treated as a Russian tax resident or are not considered as beneficial owners of income received from Russian source. Also, a risk of having a Russian permanent establishment still exists for foreign companies of the Group.

The Russian Federation is actively considering measures that may be taken in order to prevent tax evasion, such as limiting the use of low tax jurisdictions and aggressive tax planning structures. Recent initiatives incorporated into Russian law include the concept of beneficial ownership, regulations relating to the tax residency of legal entities and the introduction of “controlled foreign companies” rules. Also, the Russian Government constantly seeks the conclusion of multilateral agreements for the exchange of information between tax authorities of different countries.

According to the recently adopted tax residency rule under the deoffshorization law, a non-Russian entity would be deemed a Russian tax resident based on the place of its effective management and control. The law lists a number of conditions to treat a non-Russian entity as having a place of effective management in Russia including, among other things, accounting and bookkeeping in Russia or keeping records of a non-Russian entity in Russia. Also, the law included a

definition of a “beneficial owner” of income for tax purposes, which is intended to disallow double tax treaty benefits to entities that do not determine “future economic destiny” of income received from Russia. In turn, the “controlled foreign companies” rule may result in certain types of income of certain types of foreign companies controlled by a Russian entity or individual that is not distributed to such Russian owner becoming subject to Russian taxation.

No assurance can currently be given as to how the above legislative changes will be interpreted by the Russian tax authorities and their potential impact on any Group company. Certain Group companies may be subject to additional tax liabilities as a result of such changes being applied to transactions carried out by the Group, which could have a material adverse effect on the Group’s business, financial condition and results of operations, and the value of the GDRs.

Also, the Russian Tax Code contains the concept of permanent establishment in Russia as a means for taxing foreign legal entities which carry on regular entrepreneurial activities in Russia beyond preparatory and auxiliary activities. Russia’s double tax treaties with other countries, including the Netherlands and Cyprus, also contain a similar concept. However, the practical application of the concept of permanent establishment under Russian domestic law is not well developed and so foreign companies having even limited operations in Russia, which would not normally satisfy the conditions for creating a permanent establishment under international norms, may be at risk of being treated as having a permanent establishment in Russia and hence being liable to Russian taxation.

Although the Group intends to conduct its affairs so that its non-Russian entities are not treated as having a permanent establishment in Russia, no assurance can be given that such entities will not be treated as having such a permanent establishment. If such entities were treated as having a permanent establishment in Russia, they would be subject to Russian taxation in a manner broadly similar to the taxation of a Russian legal entity.

Only the part of the income of a foreign entity that is attributable to a permanent establishment should be subject to taxation in Russia. The Russian Tax Code contains some attribution rules, which are not sufficiently developed. There is, therefore, a risk that the tax authorities might seek to assess Russian tax on the entire income of a foreign Group company. Having a permanent establishment in Russia may also have other adverse tax implications, including challenging a reduced withholding tax rate under an applicable double tax treaty, potential effect on VAT and property tax obligations. There is also a risk that penalties could be imposed by the tax authorities for failure to register a permanent establishment with the Russian tax authorities.

Recent events in the Russian Federation suggest that the tax authorities may be more actively seeking to investigate and assert that foreign entities operate through a permanent establishment in Russia. Any such taxes or penalties could have a material adverse effect on the Group’s business, operating results, financial condition or prospects and the trading price of the GDRs.

Government regulation of the Internet, and requirements related to data protection, could adversely affect our business.

The Internet and its associated technologies are subject to government regulation. In addition, new laws and regulations, or new interpretations of existing laws and regulations, may be adopted with respect to the Internet or other online services we provide.

For example, in October 2014, the Federal Law No. 305-FZ dated October 14, 2014 “On Amendments to the Federal Law on Mass Media” was adopted. According to the law, foreign companies and individuals, as well as certain other persons cannot own (directly or indirectly) more than 20% of shares in a Russian mass media or otherwise control it. Such persons are also not allowed to establish any mass media in Russia. The law will enter into force on January 1, 2016. As of the date of this Prospectus, we are not classified as a mass media organization. However, if any of our Group companies are classified as a mass media in the future, they will be required to comply with this law.

Also, in July 2014, a new law requiring databases involved in processing personal data of Russian citizens to be stored in Russia and setting out sanctions for non-compliance with such requirement (including blocking of web-sites) was adopted. The law will come into force in September 2015.

Additionally, on August 1, 2013, Federal Law No. 187-FZ dated July 2, 2013 “On Amendments to Certain Legislative Acts of the Russian Federation Related to Protection of Intellectual Property Rights in Information and Telecommunication Networks” (the “**Anti-Piracy Law**”) came into force. The amendments related to the protection of IP rights regarding the films, including motion pictures and television movies. The Anti-Piracy Law also describes the procedures for access restriction and the obtaining of a court ruling by a copyright holder, including a preliminary injunction. On May 1, 2015, the Federal Law No. 364-FZ dated November 24, 2014 “On Amendments to the Information Law and the Civil Procedure Code of the Russian Federation” came into force. It extended the regime provided by the Anti-Piracy Law to all copyrighted materials other than photos. In addition, it set out a procedure for permanent blocking of a website allowing repeated infringements in certain circumstances.

Further, on August 1, 2014, the Law No. 97-FZ regulating status of bloggers and organisers of the dissemination of information on the Internet dated May 5, 2014 came into force. According to the law, an organiser of the dissemination of information on the Internet is a person who enables the functioning of information systems and/or programs for computers which are designed and/or used for the reception, transmission, delivery and/or processing of user's e-mails through the Internet. Such persons shall notify the Roscomnadzor about the commencement of the aforementioned activities, store the data on receipt, transfer, processing of the users' information in the Russian Federation for the period of six months, share the information on users' actions with the authorised governmental body upon a relevant request, and be in line with certain technical requirements set by authorities. Access to the websites not complying with the requirements can be blocked. In addition, in accordance with the law, owners of web-sites and Internet pages with more than 3,000 daily users (bloggers) are required to be identified, registered with a special register and comply with certain requirements in respect of the materials published on web-sites and internet pages under their control.

The law on amending the Federal Law "On Information, Information Technologies and Protection of Information" (the "**Anti-extremism Law**") came into force on February 1, 2014. According to the Anti-Extremism Law, the Prosecutor General of Russia (or his deputies) may apply to the Roscomnadzor to block websites on which the Prosecutor General finds any prohibited information concerning appeals to mass riots, extremist activities or participation in mass (public) actions held in infringement of the established order.

Also, since November 2012, the legislation introducing the Unified Register of Domain Names, Sites and IP-addresses containing information prohibited for dissemination in Russia (the "**Black List**") has been in effect. Such information includes child pornography; information about production, distribution and sales locations of drugs; methods of suicide; information prohibited by anti-gambling legislation; and information on minors that became victims of crimes, allowing to identify the minors.

Our failure or the failure of our third party providers to accurately comply with the laws and regulations could create liability for us, result in adverse publicity, or could otherwise have a material adverse effect on our business, results of operations and financial condition, including blocking of our properties.

Certain companies of the Group may be qualified as "strategic enterprises" in the Russian Federation in the future.

In April 2009, the Russian Ministry of Communications and Mass Media discussed developing criteria, in accordance to which certain internet companies may be considered performing activities of strategic importance to the defense and security of the Russian Federation. Since then, the list of strategic activities has been extended several times but internet related activities have not been included to the list. However, if these or similar criteria were to be implemented and come into force in Russia, certain of our businesses may be treated as strategic enterprises. The consequence of being classified as such is that the enterprise in question would be required to comply with the Federal law "On Procedures for Carrying out Foreign Investments into Enterprises which Have Strategic Importance for Ensuring Defense and Security of the State" No. 57-FZ dated April 29, 2008, as amended (the "**Law on Strategic Enterprises**"), which places restrictions on certain transactions involving the direct or indirect investment by foreign investors in the enterprise (including the notification of the Federal Antimonopoly Service of the Russian Federation (the "**FAS**") and/or prior approval of the State Government Committee headed by the Prime Minister of the Russian Federation). See "*Regulation—Regulation of the Russian Internet Industry*" for further details. Transactions made in violation of the Law on Strategic Enterprises are void under Russian law, and foreign investors could be disenfranchised at shareholders' meetings as a consequence, or board resolutions by the enterprise in question invalidated.

If the criteria are developed and adopted it could affect certain transactions made by us, reduce our ability to obtain foreign investment, and accordingly restrict our business operations and/or lead to increased costs arising from compliance with the new legal requirements, which could have a material adverse effect on our business, results of operations and financial condition.

Russian transfer pricing rules may subject the Group transfer prices to challenge by the Russian tax authorities

As of January 1, 2012, new transfer pricing legislation was introduced into Russian tax law. Compared to the previous Russian transfer pricing rules, the new rules are more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the OECD.

The list of the "controlled" transactions under the new transfer pricing legislation includes, among others:

- cross-border transactions with certain types of commodities where the income attributable to one counterparty exceeds RUB 60 million;
- Russian domestic transactions between related entities if the total annual turnover of such transactions exceeds RUB 1 billion;
- transactions with residents of offshore jurisdictions included in the list established by the Russian Ministry of Finance where the income attributable to one counterparty exceeds RUB 60 million; and

- transactions between Russian legal entities and related foreign legal entities.

The amended transfer pricing law requires taxpayers to notify the Russian tax authorities of controlled transactions. Taxpayers are required to present to the Russian tax authorities transfer pricing documentation upon their request.

The amended transfer pricing rules may have a potential impact on our tax costs arising from the pricing mechanisms used in controlled transactions and, in particular, transactions with related parties (regardless of whether they are located in the Russian Federation or not) in and outside of the Russian Federation. The Russian tax authorities will be entitled to accrue additional tax liabilities if prices for the controlled transactions differ from those, which independent counterparties in similar conditions would have applied. As yet, it is still unclear what effect the new transfer pricing rules may have on taxpayers, including us.

As a result, due to the uncertainties in the interpretations of transfer pricing legislation, no assurance can be given that the tax authorities will not challenge the prices applied by us and make adjustments, which could affect our tax position. Unless such tax adjustments are successfully contested in court, we could become liable for increases in our tax payables. The amended Russian transfer pricing law, including the possible tax adjustments outlined above, could have a material adverse effect on our business, results of operations and financial condition.

MGL's earnings may be subject to taxation at a higher effective rate than the rate borne by comparable businesses.

Although MGL historically has not conducted any material business activities in the United States, some of MGL's assets are owned through a subsidiary organised under U.S. law. Earnings derived through this subsidiary will be subject to corporate income tax not only in Russia but also (if the earnings are remitted or deemed remitted to the United States) in the United States. The U.S. subsidiary will generally be able to reduce its U.S. tax payment obligations by claiming credits for Russian taxes on the same income, with the practical consequence that earnings derived by the U.S. subsidiary will be subject to taxation at the greater of the Russian and U.S. rates. Distributions by the U.S. subsidiary will be subject to U.S. withholding tax at a 30% rate unless the subsidiary qualifies for the benefit of a grandfather rule adopted in August of 2010 in connection with the repeal of a generally applicable withholding tax exemption for U.S. companies with predominantly foreign businesses. MGL believes that its U.S. subsidiary should qualify for the benefit of this grandfather rule, but the need to monitor compliance with the requirements of the rule, and avoid conduct that could jeopardise the availability of a withholding tax exemption, could impose practical constraints on the direct or indirect activities of the U.S. subsidiary. Modifications of the Company's legal structure made from time to time may result in additional taxes, interest, and penalties in various jurisdictions. Any such taxes or penalties caused by the Group's structure or its modifications could have a material adverse effect on the Group's business, operating results, financial condition or prospects and the trading price of the GDRs.

Restrictive currency regulations may adversely affect our business and financial condition

Notwithstanding significant liberalisation of the Russian currency control regime and the abolition of certain restrictions from January 1, 2007, Federal Law No. 173-FZ "On Currency Regulation and Currency Control" dated December 10, 2003, as amended (the "**Currency Law**"), current regulations still contain a number of limitations on currency operations. Certain currency control restrictions were not repealed and these include, for example, a general prohibition of foreign currency transactions between Russian companies (except for the transactions specifically listed in the Currency Law and the transactions between the authorised banks specifically listed in the regulations of the Central Bank of the Russian Federation (the "**CBR**")) and the requirement to repatriate, subject to certain exemptions, export-related earnings to the Russian Federation.

There can be no assurance that additional restrictions and other burdensome requirements governing currency operations will not be imposed in the future. For example, if the repealed restrictions were re-introduced, they could prevent or delay any acquisition opportunities outside Russia that we might wish to pursue. Additionally, any delay or other difficulty in converting Roubles into a foreign currency to make payments or any practical difficulty in the transfer of foreign currency could limit our ability to meet our payment and debt obligations, which could result in the acceleration of debt obligations and cross defaults. Also, any balances maintained in Roubles would give rise to losses if the Rouble were to depreciate against major foreign currencies.

Risks relating to the GDRs

International sanctions relating to the crisis in Ukraine could adversely impact the trading market for the GDRs.

The United States and the European Union introduced sanctions against certain Russian companies and individuals as a result of the crisis in Ukraine. If current sanctions are maintained and/or further sanctions are introduced, the trading market for the GDRs and the rights of the GDRs holders could be materially adversely affected.

In particular, if any of our existing or future shareholders, clients, suppliers or other counterparties become subject to or directly impacted by such sanctions, this may compel GDRs holders to sell their GDRs so as to remain in compliance with their respective internal rules on investments or with any applicable laws or regulations (which, due to the recent nature of the sanctions, are subject to wide-ranging interpretation). Such sales may decrease the market value of the GDRs and potentially inhibit other investors from purchasing the GDRs, thereby causing the trading market for the GDRs to become less liquid.

Moreover, should any sector in which we operate become subject to so-called “sectoral sanctions,” in either of the United States or the European Union, the relevant clearing systems, brokers and other market participants as well as the London Stock Exchange may refuse to permit trading in or otherwise facilitate transfers of the GDRs. As a result, applicable law or internal compliance requirements may prevent certain GDRs holders from continuing to hold the GDRs and potential GDRs holders may be prohibited from purchasing the GDRs. Any of the above could significantly reduce the trading market for, and materially adversely affect the value of, the GDRs.

The trading price of the GDRs may be highly volatile and an active and liquid market for the GDRs may not be sustained.

The global stock markets have experienced extreme price and volume fluctuations, especially since the financial and economic crises started in 2008-2009. There is no guarantee that an active, liquid trading market in the GDRs will be sustained. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. In addition, there is a limited public float of the GDRs, which can lead to increased price volatility. Consequently, the trading price of the GDRs is subject to wide fluctuations in response to a number of factors, including:

- variations in our operating results;
- variations in national and industry growth rates;
- changes in governmental legislation or regulation;
- general economic conditions within our business sectors or in Russia; and
- extreme price and volume fluctuations on the Russian or other emerging market stock exchanges.

The GDRs could be subject to significant fluctuation and investors may not be able to resell the GDRs at or above the price they paid for them.

Future sales or buybacks of GDRs may adversely affect the market price of the GDRs.

Sales, or the possibility of sales, of substantial numbers of GDRs in the public markets could have an adverse effect on the trading prices of the GDRs and could affect our ability to obtain further capital through an offering of equity securities. Further, subsequent equity offerings may reduce the percentage ownership of our existing shareholders.

In addition, MGL’s Board of Directors resolved on October 25, 2010, that any shareholder holding (together with its affiliates) 25% or more of the voting rights in MGL as of the date of the resolution may cause MGL to repurchase GDRs representing up to 1.25% per year of the fully diluted share capital of MGL in each of the seven years starting from 2011. The exercise of this right could reduce the number of GDRs outstanding or adversely affect the liquidity in GDRs, which could have an adverse effect on the trading prices of the GDRs. It could also require MGL to expend its resources to repurchase GDRs rather than pursuing other alternatives or returning cash to shareholders on a pro rata basis, which could adversely affect MGL’s working capital position or liquidity. NMT Group controls more than 25% of the voting rights in MGL, and accordingly can invoke this buyback provision, including in order to maintain its proportionate interests in MGL.

The Ordinary Shares underlying the GDRs are not listed and may be illiquid.

Unlike many other global depositary receipts traded on the London Stock Exchange, the Ordinary Shares are neither listed nor traded on any stock exchange and we do not intend to apply for the listing or admission to trading of the Ordinary Shares on any stock exchange. As a result, a withdrawal of Ordinary Shares by a holder of GDRs will result in that holder obtaining securities that may be significantly less liquid than the GDRs and any price obtained for those Ordinary Shares may be discounted as a result of such withdrawal.

Investors may have limited recourse against MGL or MGL's directors and executive officers because they generally conduct their operations outside the United States and the United Kingdom.

MGL's presence outside the United States and the United Kingdom may limit the legal recourse of investors against it or its directors or executive officers. All or a substantial portion of MGL's assets and the assets of MGL's current directors and executive officers are located outside the United States and the United Kingdom. As a result, investors may not be able to effect service of process within the United States or the United Kingdom upon MGL or its directors and executive officers or to enforce U.S. or U.K. court judgments obtained against MGL or its directors and executive officers in jurisdictions outside the United States and the United Kingdom, including actions under the civil liability provisions of U.S. securities laws. In addition, it may be difficult for investors to enforce, in original actions brought in courts in jurisdictions outside the United States and the United Kingdom, liabilities predicated upon U.S. or U.K. securities laws. Similarly, there is no treaty between the United States and the Russian Federation or the United Kingdom and the Russian Federation providing for reciprocal recognition and enforcement of foreign court judgments in civil and commercial matters. These limitations may deprive investors of effective legal recourse for claims related to their investment in the GDRs.

The Proposed European Financial Transaction Tax could apply to certain dealings in the GDRs

The European Commission has published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transactions tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in GDRs (including secondary market transactions) in certain circumstances.

Under current proposals, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in GDRs where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The FTT remains subject to negotiation between the Participating Member States and the legality of the proposal is uncertain. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate and/ or certain of the Participating Member States may decide to withdraw.

Joint statements issued by several Participating Member States indicate an intention to implement the FTT by January 1, 2016. Prospective holders of GDRs are advised to seek their own professional advice in relation to the FTT.

CAPITALISATION

The following table sets forth our cash and cash equivalents, capitalisation and indebtedness at December 31, 2014.

<i>(in RUB millions)</i>	December 31 2014
Cash and cash equivalents	4,585
Short-term loans:	5,857
Short-term portion of long-term interest-bearing loans	5,857
Long-term loans:	16,205
Long-term interest bearing loans	16,205
Shareholder's Equity	
Issued capital	-
Share premium	46,644
Treasury Shares	(1,301)
Retained earnings	97,665
Accumulated other comprehensive income/(loss)	(259)
Total equity attributable to equity holders of the parent.....	142,749
Non-controlling interests	16
Total equity	142,765
Total capitalisation¹	158,970

(1) Total capitalisation is the sum of long-term loans and total equity

As of 31 March 2015, the Group had RUR 5,710 million of cash (including term deposits) and RUR 20,598 million of debt outstanding (excluding interest payable of RUR 137 million), therefore the Group's net debt position was RUR 14,889 million, or USD 255 million

Other than as set out above there has been no significant change in our capitalisation since December 31, 2014.

DIVIDEND POLICY

MGL paid a dividend of U.S.\$4.30 per share on March 28, 2013 and a dividend of U.S.\$3.80 per share on August 28, 2012. MGL has not paid a dividend since March 28, 2013. Prior to August 28, 2012 MGL had never paid any cash dividends on its share capital. Previous dividend payments are not an indication of future dividend policy, and any recommendation as to payment of future dividends will depend upon the conditions then existing, including the Group's earnings, financial condition and requirements, availability of distributable reserves, future growth prospects, business conditions and other relevant factors.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth, in summary form, consolidated financial statement data, segment financial data and other operating information relating to the Group. The financial information has been derived from the financial statements of the Group prepared in accordance with IFRS. The reports of Ernst & Young LLC relating to the financial statements for the years ended December 31, 2012, 2013 and 2014 are incorporated by reference to this prospectus. The information presented below should be read in conjunction with such financial statements, reports and our Operating and Financial Review.

As outlined on page 27 of the 2012 Operating and Financial Review, starting from 2012, we have presented items in the statement of comprehensive income based on their classification by nature, rather than by function. The corresponding information for 2011 has also been presented by nature in our 2012 Audited Consolidated Financial Statements in order to achieve comparability.

Years ended December 31, 2014 and 2013

Consolidated Financial Statement Data

(in RUR millions)

	Year ended December 31,	
	2014	2013
	(audited)	
Online advertising.....	10,816	9,316
MMO games.....	7,628	6,254
Community IVAS.....	10,680	8,534
Other revenue.....	3,203	2,966
Total revenue.....	32,327	27,070
Net gain/(loss) on venture capital investments and associated derivative financial assets and liabilities.....	(5)	148
Personnel expenses.....	(6,008)	(7,189)
Office rent and maintenance.....	(1,591)	(1,262)
Agent/partner fees.....	(4,171)	(2,975)
Marketing expenses.....	(1,188)	(894)
Server hosting expenses.....	(1,320)	(866)
Professional services.....	(369)	(257)
Other operating expenses.....	(939)	(784)
Total operating expenses.....	(15,586)	(14,227)
EBITDA.....	16,736	12,991
Depreciation and amortisation.....	(3,856)	(2,722)
Impairment of intangible assets.....	(408)	(18)
Share of profit of strategic associates.....	220	240
Finance income.....	408	308
Finance expenses.....	(767)	-
Other non-operating income/(expense).....	9	(26)
Net gain on financial assets and liabilities at fair value through profit or loss over the equity of strategic associates, subsidiaries and other agreements.....	400	22
Net gain on disposal of shares in available-for-sale investments.....	-	15,620
Net gain on disposal of shares in strategic associates and loss of significant influence.....	6,482	3,310
Net gain on acquisition of control over strategic associates.....	40,831	-
Net foreign exchange gains.....	4,661	53
Profit before income tax expense.....	64,716	29,778
Income tax expense.....	(2,322)	(3,189)
Net profit.....	62,394	26,589
Attributable to:		
Equity holders of the parent.....	62,353	26,564
Non-controlling interest.....	41	25
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations:		
Differences arising during the period.....	(184)	(13)
Available-for-sale financial assets:		
Gains/(losses) arising during the period.....	(137)	7,188
Income tax effect.....	-	-
Reclassification adjustments for gains included in profit or loss.....	-	(15,620)

(in RUR millions)

	Year ended December 31,	
	2014	2013
	(audited)	
Income tax effect	-	-
Total other comprehensive loss, net of tax effect of 0 ...	(321)	(8,445)
Total comprehensive income, net of tax.....	62,073	18,144
Attributable to:.....		
Equity holders of the parent.....	62,032	18,116
Non-controlling interest.....	41	28
Earnings per share, in RUR:		
Basic earnings for the year attributable to ordinary equity holders of the parent	299.4	127.3
Diluted earnings for the year attributable to ordinary equity holders of the parent	294.2	126.4

Selected Segment Data

The Group has identified its operating segments based on the types of products and services the Group offers. The Group has identified the following reportable segments on this basis:

- Email, Portal and IM;
- Social Networks (excluding VK);
- Online Games;
- VK (VKontakte); and
- E-Commerce, Search and Other Services

The Email, Portal and IM segment includes email, instant messaging and portal (main page and verticals). It earns almost all revenues from display and context advertising.

The Social Networks (excluding VK) segment includes our two social networks (OK.RU and My World) and earns revenues from (i) user payments for virtual gifts, (ii) revenue sharing with application developers, and (iii) online advertising, including display and context advertising.

The Online Games segment includes online gaming services, including MMO, social and mobile games. It earns almost all revenues from (i) sale of virtual in-game items to users and (ii) royalties for games licensed to third-party online game operators.

The VK segment includes the Group's social network Vkontakte (VK.com) and earns revenues from (i) commission from application developers based on the respective applications' revenue, (ii) user payments for virtual gifts and stickers, and (iii) online advertising, including display and context advertising.

The E-Commerce, Search and Other Services segment primarily consists of search engine services earning almost all revenues from context advertising, e-commerce and online recruitment services and related display advertising. This segment also includes a variety of other services, which management considers insignificant for the purposes of performance review and resource allocation.

The Group measures the performance of its operating segments through a measure of earnings before interest, tax, depreciation and amortisation ("**EBITDA**"). Segment EBITDA is calculated as the respective segment's revenue less operating expenses (excluding depreciation and amortisation and impairment of intangible assets), including Group corporate expenses allocated to the respective segment.

EBITDA is not a measure of financial performance under IFRS. The calculation of EBITDA by the Group may be different from the calculations of similarly labeled measures used by other companies and it should therefore not be used to compare one company against another or as a substitute for analysis of the Group's operating results as reported under IFRS. EBITDA is not a direct measure of the Group's liquidity, nor is it an alternative to cash flows from operating activities as a measure of liquidity, and it needs to be considered in the context of the Group's financial commitments. EBITDA may not be indicative of the Group's historical operating results, nor is it meant to be predictive of the Group's potential future results. The Group believes that EBITDA provides useful information to the users of the Audited Consolidated Financial Statements because it is an indicator of the strength and performance of the Group's ongoing business operations, including the Group's ability to fund discretionary spending such as capital expenditure, acquisitions and other investments and the Group's ability to incur and service debt.

The Group's share of profits of strategic associates is not included in the financial information reviewed by the CODM.

The information about the breakdown of revenue from external customers by the customers' country of domicile and non-current assets by country is not available to the management of the Group, and it considers that the cost to develop such information would be excessive.

The income statement items for each segment for the year ended December 31, 2014, as currently presented to the CODM, are presented below:

<i>(in RUR millions)</i>	Email, Portal and IM	Social Networks (ex VK)	Online Games	VK	E-commerce, Search and other	Elimination s	Group
Revenue							
External revenue	4,568	12,422	8,826	4,318	5,644	-	35,778
Intersegment revenue.....	31	25	-	1	328	(385)	-
Total revenue.....	4,599	12,447	8,826	4,319	5,972	(385)	35,778
Total operating expenses	2,358	3,433	5,862	2,716	3,497	(385)	17,481
EBITDA.....	2,241	9,014	2,964	1,603	2,475		18,297
Net profit							12,518

The income statement items for each segment for the year ended December 31, 2013, as currently presented to the CODM, are presented below:

<i>(in RUR millions)</i>	Email, Portal and IM	Social Networks	Online Games	VK	E-commerce, Search and other	Eliminations	Group
Revenue							
External revenue	4,599	10,221	7,184	3,826	5,335	-	31,165
Intersegment revenue.....	28	34	-	-	322	(384)	-
Total revenue.....	4,627	10,255	7,184	3,826	5,657	(384)	31,165
Total operating expenses	1,898	2,784	4,799	2,791	3,155	(384)	15,043
EBITDA.....	2,729	7,471	2,385	1,035	2,502	-	16,122
Net profit							11,239

A reconciliation of total revenue, as currently presented to the CODM, to IFRS consolidated revenue of the Group for the years ended December 31, 2014 and 2013 is presented below:

<i>(in RUR millions)</i>	Year ended December 31,	
	2014	2013
Group aggregate segment revenue, as presented to the CODM	35,778	31,165
Adjustments to reconcile revenue as presented to the CODM to consolidated revenue under IFRS:		
Effect of operations disposed of and difference in dates of acquisition of control in subsidiaries.....	(2,935)	(3,756)
Differences in timing of revenue recognition.....	(735)	(578)
Barter revenue	51	76
Dividend revenue from venture capital investments	168	163
Consolidated revenue under IFRS.....	32,327	27,070

A reconciliation of EBITDA, as currently presented to the CODM, to IFRS consolidated profit before income tax expense of the Group for the years ended December 31, 2014 and 2013 is presented below:

<i>(in RUR millions)</i>	Year ended December 31,	
	2014	2013
Group aggregate segment EBITDA, as presented to the CODM	18,297	16,122
Adjustments to reconcile EBITDA as presented to the CODM to consolidated profit before income tax expense under IFRS:		
Effect of operations disposed of and difference in dates of acquisition of control in subsidiaries	(1,016)	(1,035)
Differences in timing of revenue recognition	(735)	(578)
Net gain/(loss) on venture capital investments and associated derivative financial assets and liabilities	(5)	148
Share-based payment transactions	117	(1,856)

Dividend revenue from venture capital investments	168	163
Other	(90)	27
EBITDA	16,736	12,991
Depreciation and amortisation	(3,856)	(2,722)
Impairment of intangible assets	(408)	(18)
Share of profit of strategic associates	220	240
Finance income	408	308
Finance expenses	(767)	-
Other non-operating income/(expense)	9	(26)
Net gain on financial assets and liabilities at fair value through profit or loss over the equity of strategic associates, subsidiaries and other agreements	400	22
Net gain on disposal of shares in available-for-sale investments	-	15,620
Net gain on disposal of shares in strategic associates and loss of significant influence	6,482	3,310
Net gain on acquisition of control over strategic associates	40,831	-
Net foreign exchange gains	4,661	53
Profit before income tax expense	64,716	29,778

A reconciliation of net profit, as currently presented to the CODM, to IFRS consolidated net profit of the Group for the years ended December 31, 2014 and 2013 is presented below:

(in RUR millions)	Year ended December 31,	
	2014	2013
Total net profit, as presented to CODM	12,518	11,239
Adjustments to reconcile net profit as presented to CODM to consolidated net profit under IFRS		
Share-based payments transactions	(117)	(1,856)
Differences in timing of revenue recognition	(735)	(578)
Effect of operations disposed of, difference in shareholding percentages and acquisition dates of subsidiaries	(343)	(43)
Amortisation of fair value adjustments to intangible assets and impairment thereof	(2,707)	(1,599)
Gain on financial instruments at fair value through profit or loss	395	170
Net gain on disposal of shares in available-for-sale investments	-	15,620
Net gain on disposal of shares in strategic associates and loss of significant influence	6,482	3,310
Net gain on acquisition of control over strategic associates	40,831	-
Net foreign exchange gains	4,661	53
Share in financial results of associates	220	240
Other	(92)	31
Tax effect of the adjustments and tax on unremitted earnings	1,047	2
Consolidated net profit under IFRS	62,394	26,589

Years ended December 31, 2013 and 2012

Consolidated Financial Statement Data

(in RUR millions)	Year ended December 31,	
	2013	2012
	(audited)	
Display advertising	5,486	5,071
Context advertising	3,830	2,431
Total online advertising	9,316	7,502
MMO games	6,254	4,590
Community IVAS	8,534	6,464
Total IVAS	14,788	11,054
Other revenue	2,966	2,349
Total revenue	27,070	20,905
Net gain on venture capital investments and associated derivative financial assets and liabilities	148	590
Personnel expenses	(7,189)	(6,723)
Office rent and maintenance	(1,262)	(489)
Agent/partner fees	(2,975)	(1,979)
Marketing expenses	(894)	(751)
Server hosting expenses	(866)	(633)

(in RUR millions)

	Year ended December 31,	
	2013	2012
	(audited)	
Professional services.....	(257)	(244)
Other operating expenses.....	(784)	(1,070)
Total operating expenses.....	(14,227)	(11,889)
EBITDA.....	12,991	9,606
Depreciation and amortisation.....	(2,722)	(2,703)
Impairment of intangible assets.....	(18)	(11)
Share of profit of strategic associates.....	240	112
Finance income.....	308	325
Other non-operating expense.....	(26)	(7)
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss over the equity of strategic associates, subsidiaries and agreements.....	22	(27)
Net gain on disposal of shares in available-for-sale investments	15,620	33,948
Net gain on disposal of shares in strategic associates.....	3,310	-
Net foreign exchange gains.....	53	764
Impairment losses related to strategic associates and available for sale investments.....	-	(718)
Profit before income tax expense.....	29,778	41,289
Income tax expense.....	(3,189)	(3,013)
Net profit.....	26,589	38,276
Attributable to:		
Equity holders of the parent.....	26,564	38,257
Non-controlling interest.....	25	19
Other comprehensive income.....		
Exchange differences on translation of foreign operations:		
Differences arising during the year.....	(13)	(1)
Available-for-sale financial assets:		
Gains/(losses) arising during the year.....	7,188	(16,448)
Income tax effect.....	-	(98)
Reclassification adjustments for gains included in profit or loss	(15,620)	(33,948)
Income tax effect.....	-	98
Total other comprehensive loss, net of tax effect of 0 ...	(8,445)	(50,397)
Total comprehensive income/(loss), net of tax.....	18,144	(12,121)
Attributable to:.....		
Equity holders of the parent.....	18,116	(12,140)
Non-controlling interest.....	28	19
Earnings per share, in RUR:		
Basic earnings for the year attributable to ordinary equity holders of the parent.....	127.3	183.6
Diluted earnings for the year attributable to ordinary equity holders of the parent.....	126.4	183.2

Selected Segment Data

For the years ended December 31, 2013 and 2012, the Group identified its operating segments based on the types of products and services the Group offered at the time. The Group identified the following reportable segments on this basis:

- Email, Portal and IM;
- Social Networks;
- Online Games and
- E-Commerce, Search and Other Services

The Email, Portal and IM segment includes email, instant messaging and portal (main page and content projects). It earns substantially all revenues from display and context advertising.

The Social Networks segment includes the Group's two social networks (OK and My World) and earns revenues from (i) user payments for virtual gifts, (ii) commission from application developers based on the respective applications' revenue, and (iii) online advertising, including display and context advertising.

The Online Games segment includes online gaming services, including MMO, social and mobile games. It earns substantially all revenues from (i) sale of virtual in-game items to users and (ii) royalties for games licensed to third-party online game operators.

The E-Commerce, Search and Other Services segment primarily consists of search engine services earning substantially all revenues from context advertising, E-commerce and online hiring / job search services and related display advertising. This segment also includes a variety of other services, which are considered insignificant by the Chief Operating Decision Maker (“CODM”) for the purposes of performance review and resource allocation.

There was no VK segment for the years ended December 31, 2013 and 2012 as control of VK was acquired by MGL in September 2014. See “*Business – Social Networks – VK – 2014 Acquisition of Control of VK*”.

The income statement items for each segment for the year ended December 31, 2013, as currently presented to the CODM, are presented below:

<i>(in RUR millions)</i>	Email, Portal and IM	Social Networks	Online Games	E-commerce, Search and other	Eliminations	Group
Revenue						
External revenue.....	4,599	10,221	7,249	5,335	-	27,404
Intersegment revenue	28	34	-	322	(384)	-
Total revenue	4,627	10,255	7,249	5,657	(384)	27,404
Total operating expenses	1,898	2,784	4,864	3,155	(384)	12,317
EBITDA	2,729	7,471	2,385	2,502	-	15,087
Net profit						11,453

The income statement items for each segment for the year ended December 31, 2012, as currently presented to the CODM, are presented below:

<i>(in RUR millions)</i>	Email, Portal and IM	Social Networks	Online Games	E-commerce, Search and other	Eliminations	Group
Revenue						
External revenue.....	4,052	7,856	5,329	3,914	-	21,151
Intersegment revenue	33	22	-	265	(320)	-
Total revenue	4,085	7,878	5,329	4,179	(320)	21,151
Total operating expenses	1,569	2,147	3,764	2,456	(320)	9,616
EBITDA	2,516	5,731	1,565	1,723		11,535
Net profit						8,412

A reconciliation of total revenue, as currently presented to the CODM, to IFRS consolidated revenue of the Group for the years ended December 31, 2013 and 2012 is presented below:

<i>(in RUR millions)</i>	Year ended December 31,	
	2013	2012
Total revenue, as presented to the CODM.....	27,404	21,151
Adjustments to reconcile revenue as presented to the CODM to consolidated revenue under IFRS:		
Differences in timing of revenue recognition.....	(578)	(436)
Barter revenue	81	78
Dividend revenue from venture capital investments	163	112
Consolidated revenue under IFRS.....	27,070	20,905

A reconciliation of EBITDA, as currently presented to the CODM, to IFRS consolidated profit before income tax expense of the Group for the years ended December 31, 2013 and 2012 is presented below:

(in RUR millions)	Year ended December 31,	
	2013	2012
Group aggregate segment EBITDA, as presented to the CODM	15,087	11,535
Adjustments to reconcile EBITDA as presented to the CODM to consolidated profit before income tax expense under IFRS:		
Differences in timing of revenue recognition	(578)	(436)
Net gain on venture capital investments and associated derivative financial assets and liabilities	148	590
Share-based payments expenses	(1,856)	(2,217)
Dividend revenue from venture capital investments	163	112
Other	27	22
EBITDA	12,991	9,606
Depreciation and amortisation	(2,722)	(2,703)
Impairment of intangible assets	(18)	(11)
Share of profit of strategic associates	240	112
Finance income	308	325
Other non-operating expense	(26)	(7)
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss over the equity of strategic associates, subsidiaries and other agreements	22	(27)
Net gain on disposal of shares in available-for-sale investments	15,620	33,948
Net gain on disposal of shares in strategic associates	3,310	–
Net foreign exchange gains	53	764
Impairment of available-for-sale investments	–	(718)
Profit before income tax expense	29,778	41,289

A reconciliation of net profit, as currently presented to the CODM, to IFRS consolidated net profit of the Group for the years ended December 31, 2013 and 2012 is presented below:

(in RUR millions)	Year ended December 31,	
	2013	2012
Total net profit, as presented to CODM	11,453	8,412
Adjustments to reconcile net profit as presented to CODM to consolidated net profit under IFRS		
Share-based payments expenses	(1,856)	(2,217)
Differences in timing of revenue recognition	(578)	(436)
Effect of operations disposed of, difference in shareholding percentages and acquisition dates of subsidiaries and associates	(6)	140
Amortisation of fair value adjustments to intangible assets and impairment thereof	(1,700)	(1,721)
Gain/(loss) on financial instruments at fair value through profit or loss	170	563
Net gain on disposal of shares in available-for-sale investments	15,620	33,948
Net gain on disposal of shares in strategic associates	3,310	–
Impairment of available-for-sale investments	–	(718)
Net foreign exchange gains (losses)	53	764
Share in financial results of non-core associates	12	27
Other	109	(45)
Tax effect of the adjustments and tax on unremitted earnings	2	(441)
Consolidated net profit under IFRS	26,589	38,276

BUSINESS

Mail.Ru Group Limited is a leading company in the Russian-speaking Internet market. In terms of number of users, Russia is the largest Internet market in Europe¹⁰. Our sites reach approximately 96% of Russian Internet users on a monthly basis¹¹. Based on total time spent on websites, we operate the world's sixth largest Internet business, according to comScore¹².

In line with our 'communitainment' (communications plus entertainment) strategy, we are moving rapidly to build an integrated communications and entertainment platform. We own Russia's leading email service and one of Russia's largest Internet portals, Mail.Ru¹³. We operate two largest Russian language online social networking sites, VKontakte ("VK") and Odnoklassniki ("OK.RU")¹⁴; and Russia's largest online games business. Our portfolio also includes a leading OpenStreetMap-based offline mobile maps and navigation service MAPS.ME, and two instant messaging services, Mail.Ru Agent and ICQ, popular in Russia and the Commonwealth of Independent States (CIS).

Our significant user base provides a strong foundation for the launch of new services. It also allows us to generate revenue from display and contextual advertising as well as a range of IVAS. These include online games, virtual gifts and other features. This strong position will help us achieve our goal of remaining the leading integrated communications and entertainment platform in the Russian-speaking Internet market. We offer a variety of online communication products and entertainment services:

- **Email, Portal and Instant Messaging.** We are the largest email service provider in the Russian-speaking Internet and Mail.Ru is one of Russia's largest portals¹⁵, based on monthly unique users in Russia. Worldwide, our email service is the sixth largest by monthly active users (63.8 mln, according to comScore). The Mail.Ru portal is an online destination that attracts millions of Russian-speaking users each day, allowing them to access the range of services we offer, including our content projects and cloud storage service. We operate two IM networks—Mail.Ru Agent, our original internally developed product, and ICQ, which we acquired from AOL in July 2010.
- **Online Social Networking Sites.** We operate two largest Russian-language social networking sites — VKontakte (VK) and Odnoklassniki (OK.RU). Our products include newsfeed, messaging services, status updates, photos, user-generated videos and other features. Users can play games together, send each other online gifts, recommend websites and keep track of events, such as birthdays. We frequently add new products and services to maintain and increase users' engagement. Mobile applications and web versions of our sites, which are optimised for use on smartphones and other mobile devices, have also been developed. Revenue is generated principally through online advertising and internet value-added services.
- **Online Games.** We operate the largest online games business in Russia with a focus on MMO and mobile games. Our portfolio titles include the leading Russian Internet MMO games such as Warface, Perfect World, Allods Online, and ArcheAge. In 2014 the average number of monthly paying users increased by 23% year-on-year to 664,000.
- **Search, E-commerce, and Other.** Our search service, Go.Mail.Ru, is the third largest in the Russian Internet market: in December 2014 it processed 6.4%¹⁶ of all web search queries. Search monetization is provided by Yandex technology. In addition to Russia, our search has a large presence in other CIS countries. Our online recruitment business is the largest in Russia and the former Soviet Union countries. The primary platforms for this business are HeadHunter and Rabota.Mail.Ru – two integrated services under common management. Online recruitment generates the majority of its revenue from subscriptions to a database of resumes, paid job postings and online advertising.

In November 2014, we acquired an award winning offline map service MAPS.ME, based on open-source map data. Listed among the Best Android Apps of 2014 by Google, the application provides fast, completely offline and highly detailed maps of all countries. All map data comes from OpenStreetMap where contributors from all over the world update the map on a daily basis. Because of this the maps are detailed and accurate.

In addition to these services, which we offer through our consolidated subsidiaries, we hold a non-consolidated equity stake in QIWI PLC ("QIWI"). QIWI, in which we hold a 1.31% stake, is a leading provider of next generation payment services in Russia and the CIS.

¹⁰ Source: comScore, Dec 2014

¹¹ Source: comScore, Dec 2014

¹² Source: comScore, Dec 2014

¹³ Source: TNS, all Russia, age 12-64, desktop, Dec 2014

¹⁴ Source: TNS, all Russia, age 12-64, desktop, Dec 2014

¹⁵ Source: TNS, all Russia, age 12-64, desktop, Dec 2014

¹⁶ Source: Liveinternet, 2014

We also hold a number of small venture capital investments in various internet companies in Russia, Ukraine and Israel.

Description of the Issuer

Corporate Information

Mail.Ru Group Limited, as Issuer of the Ordinary Shares, was registered on May 4, 2005 in the Territory of the British Virgin Islands (“BVI”), pursuant to the International Business Companies Act, Cap. 291.

The registered office of MGL is located at Trident Trust MGL (B.V.I.) Limited, Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands and the principal office of MGL is located at 25 Afroditis Str. Clarion Business Centre, 2nd floor, flat/office 206, 1060 Nicosia, Cyprus.

Group Structure

The following simplified structure chart summarises the principal entities that make up the core of our consolidated operations at the date of this Prospectus, including the dates of consolidation, as well as our non-consolidated investments and other Russian, Ukrainian and Israeli venture capital investments.

Mail.Ru Group Limited (Founded in 2005)	
<u>Core Consolidated Subsidiaries</u>	<u>Non-consolidated Investments</u>
LLC Mail.Ru (100% equity interest) (Email, Mail.Ru Portal, My World, Mail.ru Agent IM) <i>(Consolidated since December 2008)</i> <i>(Country of incorporation: Russia)</i>	QIWI PLC (1.31% economic interest) <i>(available-for-sale)</i>
LLC Mail.Ru Games (100% equity interest) (Online games) <i>(Consolidated since March 2009)</i> <i>(Country of incorporation: Russia)</i>	14 Russian, Ukrainian and Israeli Investments <i>(fair value through profit and loss accounting)</i>
LLC Odnoklassniki (100% equity interest) (OK Social Network) <i>(Consolidated since August 2010)</i> <i>(Country of incorporation: Russia)</i>	
LLC HeadHunter (100% equity interest) (Headhunter Online Recruitment Services) <i>(Consolidated since February 2009)</i> <i>(Country of incorporation: Russia)</i>	
LLC ICQ (100% equity interest) (ICQ IM) <i>(Consolidated since July 2010)</i> <i>(Country of incorporation: U.S.)</i>	
VK.Com Limited (100% equity interest) (VK Social Network) <i>(Consolidated since September 2014)</i> <i>(Country of incorporation: BVI)</i>	

Our Key Strengths

We believe we benefit from the following key strengths:

- **A leading Internet company in the Russian-speaking Internet markets.** Mail.Ru Group Limited is a leading company in the Russian-speaking Internet market. In Russia, the Group’s sites reach approximately 96% of Russian Internet users on a monthly basis. Based on time spent on websites, we operate the world’s sixth largest Internet business. We operate an integrated communications and entertainment platform that aims to

serve the 272 million Russian speakers worldwide¹⁷. Of our target audience, approximately 146 million live in Russia¹⁸. The rest are primarily based in the former Soviet Union, while others are located around the world. There are currently 73.8 million Internet users in Russia¹⁹.

- ***An integrated communication and entertainment platform that enhances the stickiness of our sites.*** We offer our users a comprehensive range of online communication and entertainment products. Our broad platform of communication and entertainment services combines the two leading Russian language social networking sites with two of Russia’s popular IM networks and Russia’s leading email service. We believe that by integrating our IM, email and other communication services with our social networks, we significantly enhance user experience by making it easier for users to find and interact with their friends. We believe helping users establish as many connections as possible on our social networks is the key to the “stickiness” of our sites. Once a user has an established group of friends using our network, the desire to connect with those friends helps encourage them to return more often and spend more time on our sites, and also makes the network more “robust and sustainable” because it can be difficult to persuade an entire community of friends to move to a different network. Active cross-product navigation enables users to see cross-product alerts and access email, social networks, games and other products from their current page.
- ***Focus on mobile products and mobile user experience.*** We continue to significantly invest in the development of mobile versions across all our core products as user behavior continues to move towards the mobile environment. In Q1 2015, the share of Russian monthly internet users accessing the web via mobile devices reached 61%²⁰.
- ***A highly engaged user base.*** We believe the range of opportunities to connect with other people that our communication and entertainment platform provides, together with the content we offer, including online games, music, video and entertainment, encourages users to visit our sites more often and spend more time on our sites when they visit.
- ***A proven monetisation model.*** We have proven our ability to monetise the large daily and monthly audience generated by our sites through both online advertising and IVAS. We generate online advertising revenue from display and contextual advertising, which we sell through a contract-based process managed by our own sales force, as well as through our self-service advertising platform and third-party online advertising networks. We believe the large daily and monthly audience generated by our communications and entertainment platform offers attractive opportunities to cross-sell the existing services and to introduce new services and help them rapidly reach scale. We generate IVAS revenues from MMO games targeted at “hardcore” gamers as well as from social games, virtual gifts and other features designed to appeal to our broader social networking audience.
- ***A technology and product-driven culture*** We benefit from a demonstrated scalable IT infrastructure and an in-house team of developers with strong product development capabilities (including for MMO and mobile games) as well as expertise in addressing the technical challenges involved in integrating IM, email and social networking services. We place a premium on engineering talent, and have recruited engineers from many of the top engineering universities in Russia and believe our reputation for a technology driven culture and the training opportunities we offer enhance our attractiveness to top engineering students. In expanding our IT infrastructure, we benefit from the added flexibility of owning our own data center while maintaining strong relationships with third-party server hosting providers.
- ***An experienced management team with strong industry relationships and a proven track record.*** We benefit from the experience and knowledge of our management team. Most of our key operational managers have been involved in the running of our Mail.Ru business for over ten years, which we believe has allowed them to accumulate valuable experience and knowledge from managing and growing our platform of Internet sites and communication services. We believe our market position and historical growth demonstrates a track record of identifying and seizing growth opportunities in the rapidly evolving Internet environment. Our management also has proven operational integration capabilities, as demonstrated by the successful integration of acquired businesses such as OK.RU and our online games business. We also benefit from our relationships with our major shareholders, including Tencent, China’s leading IM, social networking and online games provider, which operates in similar market segments in China and invested US\$300 million in our Group in 2010 and Naspers Group, a leading South African Internet investor and media group.

¹⁷ Source: M. Paul Lewis, Gary F. Simons, and Charles D. Fennig (eds.), 2013. Ethnologue: Languages of the world (17th edition)

¹⁸ Source: Russian Federal State Statistics Service, the estimate as of January 1, 2015

¹⁹ Source: Public Opinion Foundation (FOM), winter 2014 - 2015

²⁰ Source: TNS, FOM, all Russia, age 12+, Q1 2015

Strategy

Our principal strategic goals are to:

- ***Remain the leading communications and entertainment platform in the Russian-speaking Internet market.***
 - We focus on the rapidly expanding Russian-speaking Internet market, offering our users a comprehensive range of online communication and entertainment products. We integrate and upgrade our key products across both desktop and mobile platforms, making further significant steps in improving our email service, social networks (VK, OK.RU and My World) and instant messengers (Mail.Ru Agent and ICQ). We have introduced active cross-product navigation, enabling users to see cross-product alerts and access email, social networks, games and other products from their current page.
 - To enhance user experience and drive engagement, we intend to continue to:
 - Focus on mobile products and mobile user experience.
 - Increase our users' loyalty by continually improving their experience of our products and services.
 - Regularly introduce new entertainment services to our users, including online games and other innovative features.
- ***Leverage our large user base and exceptional reach to drive monetisation.***
 - We will leverage our wide reach and attractive user demographics to drive advertising revenue and utilise our leading sales force to capitalise on the growth in online advertising.
 - We will provide flexible and targeted services for advertisers.
 - We will increase paying users' take-up of existing and new products.
 - We will cross-promote products between our social networks and other services.
 - We will develop and launch new and innovative IVAS.
- ***Pursue international expansion.***
 - Explore opportunities to expand in international markets under the **my.com** brand.
- ***Attract and retain the best engineering talent.***

Our Products and Services

Our services attract millions of Russian speakers each day. Whether they are using email, IM, our social networks or our games, we aim to increase the time they spend on our sites by continuously offering new features and IVAS – including online games and virtual gifts.

Email and portal

Email

Mail.Ru Group provides the largest email service in the Russian-speaking Internet. In December 2014, our service had 45.6 million monthly active users and 18.3 million daily active users in Russia alone (TNS, all Russia, age 12-64, desktop). Worldwide, our email service is the sixth largest by monthly active users (63.8 mln, comScore). We only trail Hotmail, Yahoo!, Gmail, QQ Mail and 163.com.

Our email service is integrated with many of the Group's other communications services. These include Mail.Ru Agent, My World and several others. Currently our email service delivers approximately 450 million messages a day and has a data storage capacity exceeding twenty eight petabytes.

Revenue is generated through display and context advertising.

In mid-2014 we updated the branding of our portal and email service. We refreshed the color scheme and introduced a new portal menu which is based on common design and navigation principles for all portal projects and ensures a unified user experience across all platforms and device sizes.

We also integrated email with our cloud storage service Cloud.Mail.Ru. Users were allowed to save files to and attach files from the cloud, as well as edit attachments (documents, spreadsheets and presentations) via an online document editor in Cloud.Mail.Ru.

To facilitate working with a large amount of messages we released a handy tool “Clean up your mailbox”. On launch the tool analyses the entire mailbox and suggests sorting incoming messages from certain senders into folders Discounts, Social Networks and Newsletters. Before accepting changes the user can tailor filtering rules to his needs by dragging and dropping senders among these folders or completely deleting them. Upon completion the tool sorts existing messages as well as sets filters for new ones. In addition, the user is offered the option to create a filter if he moves several similar message in a row to a certain folder.

At the end of 2014 we introduced a conversation view option that groups all replies and their original messages in threads and allows users to easily follow extended conversations. In a single thread, or conversation, most recent messages are displayed at the top, unread messages are expanded and read messages are collapsed.

Among other new features launched in 2014 that enhance users’ productivity are the ability to save message templates; the ability to unpack and view archived files attached to emails directly in browser (on desktop and mobile web); keyboard shortcuts to navigate between messages and pages with message lists, scroll through attachments, delete messages; mass actions with messages; an “Archive” folder and the ability to archive a message with one click instead of deleting it.

Alongside the interface development we continued to focus on email service performance. We optimised the performance of email web interface for tablets, further increased message loading speed (servers respond in less than a half a second in over 99% of cases) and launched a light version of the email web interface for old browsers (IE6 and IE7). We also introduced an email zipping system that saved us about 18% of storage space.

As a provider of email services to millions of users, we recognise how important it is to protect privacy and security: secure services are instrumental in maintaining trust. On that front, we introduced two-factor authentication (password and code via SMS) across most Mail.Ru projects and mobile apps (including the email service). We made SSL-encrypted connection mandatory for all email clients accessing Mail.Ru servers via POP3 and SMTP protocols. On the main page we added support for Content Security Policy (fraud prevention) and restricted access to HTTPS only. On all content projects, HTTPS access was set as a default.

In addition, we launched Security.Mail.Ru, a special project with tips on how to enhance the security of email inboxes, as well as any accounts that require login and password, and a Bug Bounty reward program for finding vulnerabilities in the Mail.Ru email service, Cloud.Mail.Ru, Calendar.Mail.Ru and Mail.Ru for Business.

Mobile continued to be one of our primary focuses. We updated the interface of the mobile web version of our email service. In particular, we introduced new graphic design (new colors and icons in accordance with Mail.Ru portal rebranding, larger fonts, round avatars), quick actions on left swipe and multiple message selection by tapping an avatar.

By the end of 2014, the combined daily audience of Mail.Ru email applications reached over 4 million users, with the majority of them using Android- and iOS-based devices. The total number of mobile daily users, including applications and web, accounted for 22.5% of the daily audience of the email service.

Mail.Ru for Business

In February 2014 Mail.Ru for Business launched a new service called Migration. It allows businesses to move their corporate email from third-party servers to Mail.Ru while retaining all their correspondence and former email addresses. The businesses that use the Migration service enjoy all the benefits and advantages of the Mail.Ru email service: easy-to use web interface and mobile applications for all popular platforms, mailbox of unlimited size, the ability to preview and edit MS Office documents online, secure anti-spam and anti-virus systems, etc.

In August 2014 we launched Mail.Ru for Education, a free service for schools and universities which allows them to set up Mail.Ru-powered email services on their own domains.

Over the last year Mail.Ru for Business partnered with several domain name registrars, including Webnames.ru, Nethouse.ru, Registrant.ru, etc. When a client purchases a domain from one of these partners, he is offered the option of setting up a Mail.Ru-powered email service on that domain without leaving the registrar's website.

In addition, we significantly extended the range of tools for administrators to help them manage corporate email services and users more effectively. In particular, we introduced domain and email aliases, deferred account deletion, the ability to block users, restrict password changes, create groups (mailing lists) and export the list of accounts. Among other things, we introduced synchronisation with Active Directory and DKIM signature that associates an email message with a domain name and protects from forgery.

By the end of 2014 the cumulative number of domains powered by Mail.Ru reached 85,000.

Cloud.Mail.Ru

In June 2014 we launched an online document editor that initially supported .doc/.docx files. A few months later, in September 2014, we expanded its functionality by adding support for spreadsheets (.xls/.xlsx) and presentations (.ppt/.pptx). The document editor is based on internally developed technologies, while the spreadsheet and presentations editor is based on Microsoft Office Online. In November 2014, we allowed users to share folders with other people and to choose what type of access each invitee has in the shared folder: edit or view-only. The feature is available across all platforms.

To protect our users, as well as prevent the spread of viruses on the internet, we introduced automatic virus scanning. We scan all files with Kaspersky Anti-Virus right after they are uploaded to the cloud.

On the mobile side, we updated Cloud.Mail.Ru apps for iOS and Android with the ability to watch video (video streaming), to select a folder for the camera autoupload feature and to set up a PIN for additional security.

At the end of 2014, we announced that Cloud.Mail.Ru had moved from beta to full release. While free online storage space for new users had been reduced from 100GB to 25GB, it still remains the largest free offer on the Russian internet. Since the service was launched in August 2013, 24 million accounts have been registered and 3.2 billion files with a total size of 18.9 petabytes have been saved.

Calendar.Mail.Ru

Calendar.Mail.Ru received multiple improvements in 2014. We introduced agenda and year view for calendars, the option to import calendars from Google and Yandex, a new interface to manage calendars, calendars with friends' birthdays from social networks, and relaunched CalDAV.

Instant Messaging

Our instant messaging (IM) services are an integral part of our communications ecosystem. We operate two IM networks: Mail.Ru Agent, our original internally developed product, and ICQ, which we acquired from AOL in July 2010.

Users can access both IM networks from applications available on a range of popular operating systems, including Windows, Mac OS, iOS, Android, Symbian and Windows Phone. They provide all the "must-have" features of a modern messenger: one-on-one and group chats, voice and video calls, file sharing, notifications from email services and social networks and so on.

Our strategic goal is to create the most convenient tool for communicating with friends and acquaintances regardless of whether the user is at the desk or on the go. Therefore, we continue to introduce new features and enhance messengers' quality and performance across all platforms.

During 2014 we updated ICQ and Mail.Ru Agent apps for iOS and Android with a new lightweight interface, extended notification settings (push notifications, quick reply on lock screen, custom sounds, etc.) and the ability to send multiple photos and videos at once. We significantly improved performance of these apps, increased the speed of message sending and optimised photo/video/file sharing. iOS apps of both messengers were also optimised for iPhone 6 / 6 Plus.

In addition, we added synchronisation of chat history to Mail.Ru Agent mobile apps (iOS and Android), enabling users to access chat history and resume the conversation across all major platforms (mobile or desktop). In voice and video calls on iOS apps (ICQ and Mail.Ru Agent), we implemented adaptive switching between GPRS and Wi-Fi on the fly.

In addition, we switched ICQ to the general anti-spam system of Mail.Ru and introduced SSL encryption of messages on both ICQ and Mail.Ru Agent.

Content projects

The majority of our content projects hold leading positions in their respective categories. We maintain this leadership by focusing on the quality of their content and regularly offering special projects covering major cultural, entertainment and sport events. Our editorial staff successfully competes with off-line media by attracting a large number of new advertisers, who were previously sceptical about online publishing. We have also systematically launched localised versions of our content projects, primarily in the CIS countries.

Afisha.Mail.Ru introduced a new user-friendly interface with a focus on movies and TV series and continued increasing our catalogue of online video by signing agreements with major Russian online providers.

The Horoscopes project released its first iOS and Android apps. At the end of the year these apps were listed among the Best Android Apps of 2014 (by Google) and among the best new apps on the App Store (by Apple). Both apps are available in the Russian, English and Spanish languages. In addition, a completely new web version of Horoscopes, which tailors content for each authorised user, was introduced.

During the year, we also redesigned Auto.Mail.Ru, Health.Mail.Ru and Weather.Mail.Ru projects and launched new sections on Hi-Tech.Mail.Ru: Apps and Household Appliances.

Social Networks

We operate the three largest Russian language social networks – VKontakte (“**VK**”), Odnoklassniki (“**OK.RU**”) and My World. They enable users to find and communicate with friends, family and colleagues. Our products include newsfeeds, messaging services, status updates, photos, user-generated videos and other features. Users can play games together, send each other online gifts, recommend websites and keep track of events such as birthdays. We frequently add new products and services to maintain and increase users’ engagement. Mobile applications and web versions of our sites, which are optimised for use on smartphones and other mobile devices, have also been developed. Revenue is generated principally through online advertising and internet value-added services.

VK

MGL acquired an initial 24.99% equity interest in VK in June-July 2007. MGL increased its equity interests in VK in November 2010 to 32.55% and in July 2011 to 39.99%.

In April 2014 MGL acquired a further 12.00% interest in VK for a total cash consideration of approximately RUR 12.43 billion.

On 16 September 2014 MGL purchased the remaining 48.01% of VK from Blesmir Development Limited and Palagon Limited for a total consideration of approximately \$1.47 billion and as of that date has a 100% ownership interest in VK.

VK was founded in 2005 and is the largest Russian language social network. In December 2014, its global daily active audience reached 66.3 million users²¹ demonstrating 19% year on year growth. The average VK user spends over 30 minutes per day on VK from desktop devices only²².

VK users all over the world sent 2 billion messages on an average day in 2014, uploaded 13 million photos, clicked 600 million likes. In line with strategy of focusing on mobile, throughout 2014 VK released new versions of applications for all major platforms (iOS, Android, Windows Phone, Windows 8). In particular, iOS and Android apps received newly designed interfaces (optimised for iOS 8 and Android 5), extended community management features and photo auto enhance features. VK apps for iOS and Android combined are the most popular mobile apps in Russia in terms of both downloads²³ and audience²⁴.

²¹ Source: LiveInternet, Dec 2014

²² Source: comScore, Dec 2014

²³ Source: App Annie Index, Top Apps, iOS and Google Play combined, Russia, Overall, Jul 2014 – Feb 2015.

²⁴ Source: TNS, Russian cities with population over 700 thousand, age 12-64, Jan 2015.

Watching videos has become an important activity for users in Russia and VK gives particular attention to improving video service. In 2014 we significantly updated both the frontend (interface and design) and the backend (upload & storage optimisation speed). Other work included video content licensing which allowed VK to aggregated video content from major Russian right holders including TV, video bloggers and other content providers.

Messaging functionality has undergone significant improvements giving users a much more friendly experience. This includes multichats for up to 50 people, stickers, message featuring and multiple minor improvements.

User privacy and security improvement was another important area of work in 2014. We launched a 2-step verification process which offers three options to receive a code – SMS to mobile phone number linked to a user profile, reserve codes and a code generating app – and provided a user-friendly interface to enable this feature. We also set HTTPS access as a default, released activity history with device type and IP and introduced suspicious activity notifications.

New commercial products launched in 2014 included mobile ads, community promotion ads, branded gifts and stickers. In March 2015, VK participated in the launch of the advertising platform myTarget which combined the mobile traffic of all three social networks owned by MGL.

The following table summarises certain statistics for the VK social network for the periods indicated.

VK

(data provided on a global basis unless otherwise indicated)

	December 2014
Average daily active users in millions (Russia).....	26.0
Average monthly active users in millions (Russia)	55.7
Percentage of monthly active users accessing OK.RU via mobile devices	71%

Source: TNS data (all Russia, age 12-64, desktop) for daily and monthly active users; MGL data for all other figures.

OK.RU

OK.RU is the second largest Russian-language social networking site with 45.6 million²⁵ daily active users representing 9% year-on-year growth. In 2014, approximately 39% of OK.RU users were from outside Russia, primarily from the countries of the former Soviet Union.

During 2014, we focused on enhancing and promoting video service in OK.RU. We extended collection of licensed content (mostly popular Russian TV series and shows, but movies as well) and ensured timely updates with latest releases; improved the navigation menu, making it easier for users to find videos according to their interests; launched user-generated content channels and subscriptions to channels, thereby preparing the ground for videoblogging.

In addition, we introduced multiple updates to the video player. Besides showing the video itself, the player now shows a feed with recommended similar videos as well as other videos from the channel being watched. Users can also subscribe to the channel, turn on the autoplay option to automatically move to the next video or embed video on third party websites.

Another achievement was the implementation of adaptive video streaming which allowed automatic adjustment of video quality based on internet connection speed. As a result, the time before video starts to play has been reduced sixfold on desktop and twelvefold on iOS and Android platforms.

All the above allowed us to increase the audience of the OK.RU video service 5 times during 2014 and set a record of 210 million views per day in February 2015.

With respect to other services, we launched new photo layer for viewing and commenting on photos, enabled photo uploading in the background and launched a facial recognition feature that allows users to tag friends right after uploading photos. The music service was updated with extended tools for editing playlists, the option to upload multiple songs and suggestions in song search. We also introduced multiple enhancements to the chat service (completely redesigned interface, audio and video messages, photo and video attachments, stickers, etc.) and released a new builder of custom gifts.

²⁵ Source: LiveInternet Dec 2014.

Security and anti-spam systems received multiple improvements as well. Among them are validation of suspicious logins, logout from all devices, CSP and X-XSS-protection, http filters, new Moderator app for Android enabling users to moderate photos and videos from their smartphone and receive virtual gifts in return.

Mobile remains one of the key areas of our product development. In 2014 we released several updates of OK.RU apps for iOS, Android and Windows Phone, bringing in an updated look to the newsfeed, an improved navigation menu and completely new profile page, as well as allowing users to send audio and video messages in chat. On the mobile web version, we introduced a music player, a new chat interface with emoticon support, a new photo layer, a new profile page and several new portlets (with gifts, friendships, birthdays, etc.) in the newsfeed. These steps, together with a global trend of increasing internet usage via mobile devices, supported continuing growth of the share of mobile users among the OK.RU audience. In December 2014, the proportion of users accessing OK.RU via mobile reached 57%, compared with 49% a year ago.

The following table summarises certain statistics for the OK.RU social network for the periods indicated.

OK.RU

(data provided on a global basis unless otherwise indicated)

	December 2013	December 2014
Average daily active users in millions (Russia)	17.9	17.2
Average monthly active users in millions (Russia).....	41.5	41.1
Percentage of monthly active users accessing OK.RU via mobile devices	49%	57%

Source: TNS data (all Russia, age 12-64, desktop) for daily and monthly active users; MGL data for all other figures

My World

Launched in May 2007, My World is now Russia's third largest social network. In December 2014, My World had 26.3 million monthly active users and 4.2 million daily active users in Russia alone (TNS, all Russia, age 12-64, desktop). Approximately 50% of the network's user base is outside Russia.

The network benefits from its association with Mail.Ru's portal, Mail.Ru Agent, and email service. As part of the registration process for an email account with Mail.Ru, there is an option to activate a My World account. Furthermore, users of our IM service Mail.Ru Agent can publish their My World status updates directly from the IM client and can receive alerts regarding their friends' status and content updates.

In 2014 we introduced multiple updates to My World media services. In particular, we redesigned the video section and the video player, released a new HTML5 video uploader, launched video channels with licensed and user generated content and completely reworked the music service bringing in a new interface and music recommendations. Among other developments, we updated the layout of user and group profile pages, released a new people search and added English and Kazakh language interfaces.

To encourage gaming activity on the network we introduced a set of new mobile HTML5 games and a new games catalogue, as well as an API for third-party game developers allowing them to display achievements, scores and titles of users in games.

We also remained focused on mobile. During 2014 we updated My World apps for iOS and Android with video service, notifications in a sidebar menu, native sharing of content, a new games catalogue, the ability to edit the user profile and use the app without registration. On the mobile web version of My World we introduced videos in the newsfeed, multipost pages and a new look for the games notification section.

The following table summarises certain statistics for the My World network for the periods indicated.

My World

(data provided on a global basis unless otherwise indicated)

	December 2013	December 2014
Average daily active users in millions (Russia)	5.1	4.2
Average monthly active users in millions (Russia).....	30.3	26.3
Percentage of monthly active users accessing My World via mobile devices	22%	24%

Source: TNS data (all Russia, age 12-64, desktop) for daily and monthly active users. MGL data for all other figures.

Online Games

We operate the largest online games business in Russia. Our portfolio includes leading Russian internet MMO games such as Warface, Perfect World, Archeage and Allods Online. In 2014 the average number of monthly paying users increased 23% Y-o-Y to 644 thousand.

Historically, the bulk of our online games revenue has been generated by MMO games. These are played in “virtual worlds”, hosted by networked games servers that allow thousands of players to connect and play simultaneously. Our portfolio currently includes internally-developed games, such as Skyforge, Allods Online and Legend: Legacy of the Dragons. It also includes Russian versions of games licensed from third parties, such as Warface, Perfect World, ArcheAge and Crossfire.

We operate the largest online game platform in Russia which is comprised of gaming portal Games.Mail.Ru and games downloader GameCenter.Mail.Ru. The latter, once installed, serves as a single channel for our games distribution and allows users to seamlessly download and update games even with an unstable internet connection. By the end of 2014, GameCenter.Mail.Ru had about 1.8 million peak concurrent users.

The mobile games we offer are developed internally. Most of them are available on both the Apple App Store and Google Play, and feature cross-platform synchronisation which allows players to switch seamlessly between mobile devices and platforms and continue their game right where they left off. Cross-platform gameplay increases user engagement and retention. We market our mobile games through mobile advertising networks and cross promotion between mobile apps of our projects and services.

The games we offer on social networks are either developed internally or by third-party developers through APIs on the networks. We operate our games on Facebook as well as on our own social networks VK, OK.RU and My World.

MMO games

Our first person shooter, Warface, demonstrated a strong performance in 2014, solidifying its leading position in our gaming portfolio. Despite being 3-years old, Warface set another revenue record in December 2014, which indicates the game has not yet reached maturity.

We continue to develop cybersports in Russia on the basis of Warface. We host Warface tournaments regularly and the recent Warface Open Cup: Winter 2015 set a record for attendance and live streaming views. The final game attracted about 2.5 thousand and 276 thousand offline and online viewers respectively.

In February 2014 we launched ArcheAge, a new client-based game licensed from South Korean game developer XL Games. ArcheAge is described as a “sandpark” MMORPG, which is a hybrid of the open content style of a “sandbox” game and the more structured play experience of a “theme park” game. The project attracted strong user interest and engagement at launch, however in mid-2014 it encountered technical difficulties due to numerous hacker attacks which led to a decline in audience and revenue. In Q4 2014 the issue was largely rectified and the game managed to enter the top 3 list of our revenue generating titles.

We have recently launched our internally developed MMORPG Skyforge in Russia and are running closed beta tests in North America and Europe. The Russian launch took place in two stages: on 26 March 2015 early access was granted to players who had bought founder’s packs and on April 2, 2015 Skyforge became available to the general public. The overall feedback is positive and the game has become one of the most anticipated MMO games by the international gaming community.

Skyforge is a highly-stylised MMORPG featuring exciting dynamic combat inspired by console action games, where players can become mighty Gods. The game is developed by our internal studio Allods Team in collaboration with Obsidian Entertainment. It is published under our Mail.Ru Games brand in Russia and our My.com brand in North America and Europe.

Mobile games

In line with the global trend, mobile games continued to become an important component of our gaming business. In 2014 we launched two mobile games, Evolution: Battle for Utopia (“**Evolution**”) and Iron Desert, increasing our My.com game portfolio to five games (the other three games are Jungle Heat, Poker Arena and Lucky Fields). Evolution was well received by the gaming community and listed among the Best of 2014 in Google Play and Apple App Store annual ratings.

Among other developments, we released a social version of our mobile game Jungle Heat on Facebook, VK, OK.RU and My World in order to increase user engagement and provide a seamless continuous game experience across mobile and desktop platforms.

For 2014, Jungle Heat and Evolution were among our top-5 revenue generating games.

Coming launches

Our game pipeline includes three MMO titles to be released under the My.com brand – Skyforge, Armored Warfare and World of Speed.

Skyforge, an internally developed title, has been launched for Russian users only, while it is currently in closed beta testing in North America and Europe. Full international release is coming later this year.

Armored Warfare is an action-based MMO featuring modern tank combat with player vs environment (PvE) or player vs player (PvP) modes, developed by the US-based game developer Obsidian Entertainment. The game is under alpha testing in North America, Europe and Russia and is expected to go into closed beta in Q2 2015.

World of Speed is a graphically stunning racing MMO with strong focus on social elements such as team play and auto clubs, developed by the UK-based game developer Slightly Mad Studios. It will potentially go into closed beta in the second half of 2015.

Search and e-commerce

Search

Our search service, Go.Mail.Ru, is the third largest in the Russian internet market: in December 2014 it processed 6.4%²⁶ of all web search queries. In addition to Russia, our search has a large presence in other CIS countries. Search monetisation is provided by Yandex technology.

In 2014 we sped up search engine indexing to ensure that the most relevant and up-to-date news and facts show up on the search engine result page (SERP). Much work has been done with image and video search – in terms of both user interface and search results relevance. This led to the growth of user activity on the website.

Additionally, we continued to develop and improve our browser Amigo. In 2014 we introduced a browser-based app, Amigo Music, for listening to music from social networks and released a mobile version of Amigo for Android.

Decrease of our search market share²⁷ in 2014 was attributed to the change in the approach to search distribution.

E-commerce

We develop a number of online platforms for e-commerce and their respective infrastructure. Revenues from these businesses are generated through a combination of online advertising and listing fees.

²⁶ Source: LiveInternet

²⁷ Search market share means the share in total number of search queries

Jobs

Our online recruitment business is the largest in Russia and the former Soviet Union countries. The primary platforms for this business are HeadHunter and Rabota.Mail.Ru – two integrated services under common management. Online recruitment generates the majority of its revenue from subscriptions to a database of resumes, paid job postings and online advertising.

Price comparison

Our price comparison site, Torg.Mail.Ru, contains offers from e-retailers. The service is integrated with our search engine, Go.Mail.Ru, and monetised on a price-per-click basis. In June 2014 we launched a new mobile web version of Torg.Mail.Ru. Two months later we released Amigo and Chrome browser extensions with best price recommendations for online shoppers. In October 2014 a major backend update was implemented. It reduced the time to update goods information six-fold.

Money

Money.Mail.Ru is an internet payment system which is used to pay for online and offline products and services. Its main advantages are its common authorisation process with Mail.Ru and its large number of connected shops and services – including mobile communications and utilities. In 2013, we achieved compliance with PCI DSS, a widely accepted set of policies and procedures intended to optimize the security of credit, debit and cash card transactions and protect cardholders against misuse of their personal information. We introduced eMoney-to-cash and eMoney-to-card services and released a new version of a mobile app featuring eWallet registration using mobile phone numbers. In addition we launched a service which allows users to check and pay off various tax liabilities.

In November 2014, MGL sold the Money.Mail.Ru project to Qiwi, and it is no longer part of the Group.

MAPS.ME

In November 2014, we acquired an award winning offline map service MAPS.ME, based on open-source map data. Listed among the Best Android Apps of 2014 by Google, the app provides fast, completely offline and highly detailed maps of all countries. All map data comes from OpenStreetMap where contributors from all over the world update the map on a daily basis. Thanks to this the maps are detailed and accurate.

Just before acquisition a key routing function had been implemented to the app allowing users to create routes. This feature had switched the development direction from a travel tool to an everyday navigation service.

A few weeks after acquisition, we made MAPS.ME free (initially priced at \$5). This led to significant growth in downloads: in just two months the app doubled its installed base reaching 14m downloads worldwide. The app is actively used all over the world. Only 11% percent of users are from Russia, 8% of users live in the United States, 7% in Germany.

In March 2015 we released an update which is considered another step in making the app more convenient to use in everyday life. Maps now contain detailed information about points of interest: opening hours, phone number, website, cuisine type, ATM operator name, gas station operator name and more.

Currently we are focusing on further developing the navigation functionality and improving the quality of map data by supporting the OpenStreetMap community. By the end of 2015 we also plan to provide universal access to the app code to leverage the power of open source even further.

Non-consolidated Investments

In addition to our core consolidated subsidiaries, we also hold investments in QIWI (1.31% economic interest) and a number of smaller privately-held Russian, Ukrainian and Israeli Internet-related companies. These investments were mostly made prior to 2008 as part of a strategy of acquiring minority investments in a broad range of companies in targeted segments of the Russian Internet market.

We account for these investments on a fair value under IAS 39. We rely on the venture capital exemption provided by IAS 28 for the investments where we have significant influence.

QIWI is a leading provider of next generation payment services in Russia and the CIS. QIWI has deployed over 11 million virtual wallets and over 169,000 kiosks and terminals. We currently hold a 1.31% economic interest in QIWI.

On May 3, 2013 QIWI commenced an initial public offering of 12,500,000 Class B Shares in the form of American Depositary Shares (“ADS”) at a price of USD 17.00 per ADS. MGL sold 3,503,551 QIWI ADSs for a cash consideration of USD 52.5 million net of commissions. Further, MGL sold 2,400,000 ADSs at a price of USD 30.50 per ADS for a total cash consideration of USD 70.5 million net of commissions on September 30, 2013, and 2,542,334 ADSs at a price of USD 40 per ADS for a total cash consideration USD 98.6 million net of commissions in June-July 2014.

Between June and September 2014, we sold around USD 179 million of our shares in QIWI in the market, reducing our stake to 712,000 shares or 1.31% of QIWI.

Sales and Marketing

We sell advertising inventory through a contract-based process managed by our own sales force as well as through a self-service advertising platform. As of December 2014, we had 161 employees selling display and context advertising and 60 employees working on internal advertising technologies.

Our sales force is focused on attracting and retaining advertisers and providing support to them at all stages of the ad campaign. Advertising price is determined in the process of negotiations. Our internal sales force for display and context advertising works from the Moscow HQ and eleven regional offices throughout Russia. We have established regional sales offices to enable us to broaden our base of advertisers to regions outside the Moscow area, which have historically represented a smaller share of overall internet advertising in Russia. We also work through partners in Europe and CIS countries.

Our largest advertising clients are generally major FMCG companies, automotive manufacturers, mobile telecommunications operators and financial firms.

Our self-service ad platform allows advertisers to launch and manage their advertising campaigns online. Ad price is determined programmatically through an auction process which takes into account the bid on impression and estimated click-through rate. The higher the value of either metric, the more likely the given impression will be served.

After fully consolidating VK in September 2014 we started replacing our self-service ad platform Target.Mail.Ru with an integrated ad platform that would leverage extensive personal data on users across all three social networks, VK, OK.RU and My World, to provide advertisers with the best targeted solutions in Russian-speaking internet. As a first step, in March 2015 we launched the advertising platform myTarget. myTarget currently offers mobile ad inventory on VK, OK.RU and My World and desktop ad inventory on OK.RU and My World. The platform also allows third-party developers to monetise their mobile apps and websites by joining its affiliate program (ad network).

Being the largest source of mobile traffic, myTarget enables advertisers to reach almost any mobile user of the Russian-speaking internet. Among the key features of the platform are native newsfeed ads in social networks, more than 250 types of targeting, detailed statistics available online, technology that filters bots and click fraud, automated optimisation of ad campaigns to pay less, and support for popular mobile analytics services.

IT Infrastructure²⁸

Our network infrastructure is designed to meet the requirements of our operations and to support the growth of our business. This infrastructure includes services supplied internally as well as by third parties.

We locate our computer servers and networking equipment in owned data center as well as in rented ones. We also have a number of relationships with third-party IT providers which provide us with a range of telecommunication services, including internet access and internet (traffic) transit.

In 2014, our peak network traffic increased to 780 gigabits per second – up from 685 gigabits per second in 2013. In Moscow we have 25,500 servers with total storage capacity of 52.5 petabytes located in six data centers. This ensures load balancing and protection against the loss of data caused by network or power failures. Additionally, in 2014 we started using two international data center facilities – one in Amsterdam, the Netherlands and the other in San Jose, California,

²⁸ All data excluding VK

USA. They are aimed at serving North American and European users of our My.com products and currently host about 800 of our servers.

Our ability to provide products and services depends on the continuous operation of our network and IT infrastructure. It also relies on the provision of network facilities by third-party IT providers and on the performance and reliability of the internet, power and telecommunications infrastructure in Moscow and the rest of Russia.

We believe that our current access to network facilities and broadband capacity is sufficient to support our current operations and can meet the planned growth of our business for at least the next 12 months.

Our network infrastructure is administered by a staff of fulltime engineers. They handle the day-to-day system as well as hardware operations and maintenance.

We place high priority on providing our users with consistently high-quality service and support through our technical support staff. It is their job to handle general product and service enquiries and technical support issues.

Intellectual Property

The Group relies on a combination of trademark, copyright and other intellectual property-related laws and contractual restrictions to establish and protect its intellectual property rights, including rights related to its websites, software and online games. The Group has registered trademarks or trademarks for which registration is pending for its principal brands, and a broad portfolio of registered domain names for its various websites.

The Group's trademark portfolio includes, among others, such marks as "@Mail.Ru" (officially recognized as a generally known trademark in Russia), "Mail.Ru", "odnoklassniki", "OK" and "OK.ru", vkontakte, my.com, "ICQ" etc. registered, or pending registration in Russia and/or CIS and some other countries, including registrations through the Worldwide Intellectual Property Organization.

The Group has a great number of domain registrations in different domains, including "COM", "TV", "ORG", "NET" and national domain zones ("RU", "UA", "FR", "IT", "JP" etc.).

We explore the patentability of the Group's technology used in services and products.

The Group also protects its intellectual property through various arrangements, including confidentiality agreements and related provisions in employment agreements.

Internet, technology and media companies are frequently involved in litigation based on allegations of infringement or other violations of intellectual property rights. See *"Risk Factors—Risks Relating to our Business—Risks Relating to user-generated content and intellectual property rights—We may be held liable to third parties for information or content displayed on, retrieved from or linked to our websites or distributed to website users"* and *"—Legal Proceedings"* for further information.

Competition

The Internet industry in Russia is rapidly evolving and highly competitive. We face significant competition in almost every aspect of our business, particularly from companies that seek to provide an integrated offering of Internet communication, search and other products, but also from companies targeting specific niche areas within those services, such as social networking, instant messengers, online games or other.

We compete for online advertising revenues with all websites that sell online advertising targeted to Russian-speaking Internet users, including Yandex and Google.

We also face competition in specific areas, such as social networking products, where Facebook is the key competitor of VK, OK.RU and My World. Our main competitors in IM are Skype, WhatsApp and Viber. Competitors for email services include Google and Yandex, and in online games, Wargaming, Activision Blizzard, Electronic Arts, Supercell and King are key competitors. We also face competition from many other niche competitors who focus on specific areas that compete with our content projects, search and communication products. We compete with these companies and services for both users and advertisers. This fierce level of competition for both users and advertisers is likely to continue for the foreseeable future, and to increasingly focus on mobile Internet use.

Certain non-Russia competitors, particularly from the U.S., including Facebook and Google, have greater financial and other resources than we do, and may use those resources to rapidly expand their business activities in Russia.

Their resources may also allow them to react more quickly to changing user and advertiser requirements and demands, deliver competitive services at lower prices and effectively respond to new Internet technologies or technical standards. We expect to face more intense competition from these U.S. companies and other non-Russia based Internet companies as they increase their business activities in Russia. See *“Risk Factors—Risk Relating to our Business—Risks relating to competition and our ability to successfully respond to developments in technology and user preferences—If we are not able to effectively respond to competition in our markets, we may lose users to competitors, which could make us less attractive to advertisers and/or reduce the potential base of paying users for our IVAS”*.

The most significant recent trends affecting MGL and the Russian Internet industry include the focus by MGL and the wider Russian industry on mobile Internet and monetisation of mobile Internet use through advertising; constant and rapid change in technology, consumer preferences, the nature of services offered and business models; and fierce competition in the Internet market.

Employees

As of December 31, 2014, the Group had a total of 3,552 full-time employees, compared to 3,046 full-time employees as of December 31, 2013 and to 3,059 full-time employees as of December 31, 2012²⁹. We also work with sub-contractors from time to time. We value our employees and believe that our culture encourages individuality, creativity and commitment to providing excellent service to our users. A significant proportion of our employees possess a strong product and technical background, allowing them to contribute to our research and development effort. These activities help MGL to develop new products and enhance existing ones. During the 2014 financial year, our research and development activities have been primarily focused on communication products and online games.

None of the Group’s employees are members of unions, and the Group believes its relations with its employees are good.

Property

MGL’s principal office is in the Republic of Cyprus. In April 2013, the Group leased a new office building to accommodate most of its Russian operations and completed its move at the end of June 2013. The Group also has regional offices in, amongst others, Russia, Riga (Latvia), Tel-Aviv (Israel), Amsterdam (The Netherlands), and Dubai (United Arab Emirates). The Group leases all of its properties from unrelated third parties at market rates. These leases expire between 2014 and 2016, with the exception of our new headquarters building, which is leased until April 2021 and our data centre building, which is leased through June 2023.

The Group is not aware of any environmental issues at any of its properties that may adversely affect in any material respect its use of the properties in question.

Legal Proceedings

From time to time the Group is subject to court proceedings relating to, amongst other things, the violation of copyright and related rights concerning postings by users of video and audio on its websites. MGL usually defends itself against such claims vigorously and the amount of such claims currently outstanding is not material to the Group.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware), during the last 12 months which may have, or have had in the recent past a significant effect on MGL and/or the Group’s financial position or profitability.

²⁹ The number of employees as of December 31, 2014 includes the employees of VK.

Recent Developments

Preliminary Revenue Update

<i>In RUR millions, unaudited</i>	Three months ended March 31,	
	2015	2014
Online advertising	2,950	2,852
MMO games.....	2,293	2,132
Community IVAS.....	3,486	3,060
Other revenue (including other IVAS revenues)	702	743
Group aggregate segment revenue	9,431	8,787

Group aggregate segment financial information is derived from the financial information used by management to manage the Group's business by aggregating the segment financial data of the Group's operating segments and eliminating intra-segment and inter-segment revenues and expenses. Group aggregate segment financial information differs from the financial information presented on the face of the Group's consolidated financial statements in accordance with IFRS, as outlined in *Selected Consolidated Financial Information* and in note 5 on page 81 of the 2014 Audited Consolidated Financial Statements.

REGULATION

Regulation of the Russian Internet Industry

There are currently few laws or regulations applicable to commercial online services or the Internet. Performance of commercial activities via the Internet is mainly regulated by Russian civil legislation. However, given the variety and nature of Internet activities, the application of general civil legislation to such matters, and the absence of any specific regulations, give rise to legal uncertainty.

We are subject to certain specific laws and governmental regulations relating to the transfer of information, certain communications activities, advertising services and the provision of IVAS to consumers in Russia. For these activities, the relevant Russian laws are the following:

- Federal Law dated March 13, 2006 No. 38-FZ “On Advertising” (as amended) (the “**Advertising Law**”);
- Federal Law dated July 27, 2006 No. 149-FZ “On Information, Information Technologies and Protection of Information” (as amended) (the “**Information Law**”);
- Federal Law dated July 27, 2006 No. 152-FZ “On Personal Data” (as amended) (the “**Law on Personal Data**”);
- Law of the Russian Federation dated February 7, 1992 No. 2300-I “On Protection of Rights of Consumers” (as amended) (the “**Consumer Protection Law**”); and
- Federal Law No. 436-FZ “On Protection of Minors from the Information Harmful to their Health and Development”, dated December 29, 2010 (as amended) (the “**Minors Protection Law**”).

The Russian authorities that supervise and enforce these laws are the FAS, exercising supervision in the area of advertising activities, the Roscomnadzor, and the Federal Service for the Supervision of the Protection of Consumers’ Rights and Human Welfare, supervising Russian consumer protection legislation.

Amendments to existing legislation have addressed specific aspects of Internet-related activities and continue to be widely discussed.

Internet websites are not subject to a mandatory registration requirement under Russian law, and our activities are not regulated or supervised. However, a resolution of the Supreme Court of the Russian Federation “On Practice of Application of the Federal Law “On Mass Media” No. 16 as of June 15, 2010, has confirmed that although Internet websites are not subject to mandatory registration requirements, any violation of the legislation governing the distribution of information via the Internet may entail criminal, civil and/or administrative liability.

The Russian Ministry of Communications and Mass Media has held discussions in April 2009 relating to development of criteria, under which certain Internet companies may be considered as enterprises that have strategic importance for ensuring defense and security of the Russian Federation (“**strategic enterprises**”). The Law on Strategic Enterprises introduced certain restrictions and limitations on acquisition by foreign investors of shares in, control over, or property of strategic enterprises, as well as sets out an exhaustive list of activities considered to be of strategic importance to the national defense and security of Russia. The list currently includes, among other things, (i) production of periodic printed publications with annual circulation exceeding certain limits, (ii) television broadcasting/radio broadcasting in a territory whose population constitutes not less than 50% of the population of a constituent member of the Russian Federation. The Law on Strategic Enterprises applies to agreements that were entered into both in and outside of Russia if they lead to the acquisition of control over a strategic enterprise by a foreign investor.

The Law on Strategic Enterprises requires a prior approval of the state government committee for the acquisition of direct or indirect control over strategic enterprises by a foreign entity or any other person that is a member of the group with the participation of a foreign entity. In case a foreign entity directly or indirectly acquires 5% or more shares in a strategic enterprise, it shall notify the FAS in writing and provide information and documents relating to the transaction.

As of the date of the prospectus, Internet activities are not included in the list, and accordingly we do not qualify as a strategic enterprise. See “*Risk Factors—Risks Relating to the Russian Federation—Legislative and legal risk—Certain companies of the Group may be qualified as “strategic enterprises” in the Russian Federation in the future*”.

In October 2014, the Federal Law No. 305-FZ dated October 14, 2014 “On Amendments to the Federal Law on Mass Media” was adopted. According to the law, foreign companies and individuals, as well as certain other persons

cannot own (directly or indirectly) more than 20% of shares in a Russian mass media or otherwise control it. Such persons are also not allowed to establish any mass media in Russia. The law will enter into force on January 1, 2016. As of the date of this Prospectus, we are not classified as a mass media organization. However, if any of our Group companies are classified as a mass media in the future, they will be required to comply with this law.

Regulation in the Area of Advertising

Provisions of the Advertising Law that are applicable to Internet advertising contain general requirements for advertising and specific regulations regarding the content of advertisements for particular types of goods or services as well as specific rules on advertising by means of telecommunication.

Advertisers (e.g., producers or sellers of goods or services), advertising creators (i.e. advertising agencies, which create advertisements) and distributors of advertisements (such as Mail.Ru) are liable under separate provisions of the Advertising Law. In particular, advertisers and advertising creators are liable for violating the requirements and restrictions of the Advertising Law that relate generally to the content of advertisements. Such requirements and restrictions include, *inter alia*:

- (i) A requirement that an advertisement should be made in good faith and contain accurate information, each criteria as defined in the Advertising Law.
- (ii) Certain general prohibitions regarding the content of advertising that include, *inter alia*, prohibitions of:
 - the use of foreign words or phrases that may lead to the distortion of a meaning of information contained in an advertisement except for registered trademarks and firm names;
 - the indication that an object of an advertisement is approved by state authorities or their officials;
 - the advertising of alcohol via Internet and advertising of cigarettes is prohibited;
 - the use of images of medical and pharmaceutical personnel, except as allowed by the Advertising Law;
 - a reference to healing qualities, except as allowed by the Advertising Law;
 - the use of obscene or offensive images, comparisons or phrases, including in relation to gender, race, nationality, profession, social status, age, language of an individual, official state symbols, religious symbols, objects of historical or cultural heritage; and
 - an advertisement in which material information relating to an advertised commodity, or service, or terms and conditions of its purchase or use is omitted, if as a result of such omission the meaning of the information given in the advertisement is distorted such that the consumers of the advertisement are misled.
- (iii) Requirements that apply to the content of advertisements for particular types of goods or services (i.e., gambling, pharmaceuticals, military goods and arms, securities and financial services, services relating to conclusion of the annuity agreements, mediation services).

The amendments to the Advertising Law which came into force in July 2012 outlawed the advertising of alcohol (including beer) on the Internet as well as in the periodicals (with some exceptions), among other platforms. Pursuant to the clarifications of the FAS set out in its letter dated September 13, 2012, such restrictions apply to the advertising of alcohol on the websites registered in domain zones .SU, .ru and .PФ as well on the Russian language websites registered in other zones.

Further, Federal Law dated October 21, 2013 No. 274-FZ “On Amending the Code of the Russian Federation on Administrative Offences and the Federal Law on Advertising in Connection with Adoption of the Federal Law on Protection of Public Health against Exposure to Tobacco Smoke and the Consequences of Tobacco Consumption” prohibited the advertising of tobacco, tobacco products and smoking-related equipment.

According to the amendments to the Advertising Law, which came into force in November 2013, the advertising on the Internet of medical services and medical equipment that require a special training was outlawed.

An advertiser that has an Internet advertising services agreement with a group company must ensure that the content of advertisements that are to be placed on the relevant group company's website complies with the relevant provisions of the Advertising Law. Although compliance with such provisions is the advertisers' responsibility, the relevant group company must review nearly all advertisements that are to be placed on its website to verify their compliance with the Advertising Law. If the relevant group company identifies that the content of an advertisement is not in compliance with any applicable requirement of the Advertising Law, the group company must refuse to place such advertisement on its website.

Distributors of advertisements, for example Mail.Ru, are liable for violating the requirements for and restrictions on advertising set out in the Advertising Law that relate generally to the means of distribution, but include also those that relate to the content of advertisements. Such requirements and restrictions include, inter alia:

- (i) General requirements for advertising, e.g., the prohibition on advertising of goods that are subject to state registration or mandatory certification or any other mandatory confirmation of compliance of such goods with certain technical requirements or production and/or sale of which is subject to licensing, if the registration has not been effected or certificates or licenses have not been obtained as required by Russian law.
- (ii) Specific limitations and requirements apply to the advertising of gambling, pharmaceuticals, military goods and arms, securities and financial services, services relating to conclusion of the annuity agreements and mediation services.
- (iii) Advertisements that are distributed through telecommunication networks (including Internet, email service, mobile connection) must comply with the following requirements:
 - distribution of advertising by means of Internet/ mobile phones/ other new technologies may be distributed only if an addressee of such advertising expressly gave prior consent to receive it. If a person requests to stop the distribution of advertising, the distributor must do so;
 - once he has given his consent to receive advertising via email or via mobile phone through use of sms/mms, an addressee has the ability to rescind his consent at any time; and
 - Russian law prohibits any use of electronic communication networks for the purpose of advertisement distribution with automated technologies (e.g. automatic dial up, automatic mailing).

The Advertising Law also contains specific restrictions applicable to advertising distributed by particular means (such as advertising on TV, radio, in newspapers/magazines, on transport vehicles and outdoor advertising). These restrictions are not relevant to Internet advertising.

A person that has violated the Advertising Law is liable in accordance with Russian civil legislation, and individuals may also carry criminal liability. Violations of the Advertising Law are typically punishable by administrative fines. See *"Risk Factors—Risk Relating to our Business—Risks relating to user-generated content and intellectual property rights—We may be held liable to third parties for information or content displayed on, retrieved from or linked to our websites, or distributed to website users"*.

Copyright and Trademarks

Intellectual property rights, including copyright, rights related to copyright (i.e., intellectual property rights to, for example, performances and audio records) and proprietary rights to trademarks, are regulated and protected by Part IV of the Civil Code effective from January 1, 2008. Russia acceded to the World Trading Organisation in August 2012 and also became a party to the 1994 WTO TRIPS Agreement governing the principal aspects of the intellectual property protection afforded to the parties thereto.

As an example, our Mail.Ru portal provides users with access to a range of products, for which copyrighted materials and objects of related rights may be used, including textual, graphical, video, audio or other materials. Where third parties provide content, software or technologies for services and products (e.g., Software, Games, Weather Forecasts, Horoscopes, What's On Guide, News), we typically license the right to use such technologies. We also license certain other types of software from third parties for use in our general business operations (such as antivirus and anti-spam software).

Where content is posted by users of group company websites, for example on message boards, blogs, video or photo sharing webpages, copyrights or related intellectual property rights belonging to third parties may be infringed. The hosting providers, i.e. the companies that only provide website hosting and related technical services but do not own or

administer the website, are generally not held liable for such infringements. At the same time, there are currently no specific regulations or settled court practice in Russia that address the liability of website owners for such violations. In July 2013, the amendments to the Civil Code establishing a particular responsibility for information intermediaries (Article 1253.1) came into force.

An information intermediary is a person who (i) transfers any content through the telecommunications network, including the Internet, (ii) provides the possibility of placing any content or information necessary to obtain such content through a telecommunications network or (iii) who provides access to any content in a telecommunications network.

An information intermediary transmitting content through the telecommunications network shall not be liable for any violation of intellectual property rights which has occurred as a result of such transfer if the following conditions have been complied with:

- (i) the information intermediary does not initiate or define a recipient of this material.
- (ii) the information intermediary does not modify the material, except to the extent necessary for the transmission of such material.
- (iii) the information intermediary did not know or should not have known that the use of such material is illegal.

An information intermediary who provides the possibility of placing material or information necessary to obtain such material through a telecommunications network, or provides access to such material shall not be liable for any violation of intellectual property rights which has occurred as a result of the placing of such material by a third party or by such third party's orders, if the following conditions have been complied with:

- (i) the information intermediary did not know or should not have known that the use of such material is illegal.
- (ii) the information intermediary takes all necessary and reasonable measures to stop the infringement of intellectual property rights. The list of such measures and an order for their execution may be established by law.

According to the court practice, Article 1253.1 is applicable to hosting providers and they are generally not held liable for user generated illegal content. However, they may be ordered to block the infringing information. For example, in a number of cases, the former Supreme Arbitrazh Court and the Court for Intellectual Property Rights distinguished the scope of liability of the hosting providers and the website owners, performing administration functions and managing the website content. The courts stated that the hosting providers, having no access to the website administration, should not be held liable in case they did not initiate the uploading of and did not modify illegal content, as well as took measures to prevent copyright infringement. However, a hosting provider may be held liable if it received profit as the result of such infringement or was not cooperative in preventing or curing the violation.

As to the website owners, it is unclear whether Article 1253.1 applies to them and there is no settled court practice confirming whether they may be held liable for user generated illegal content. In particular, in November 2012, a court ruled against the owner of a popular Russian social network, which, being the domain administrator and the owner of the website on which a music video was uploaded without the copyright holder's consent, had the ability to delete from the website illegally shared materials, placed by any user. Recent court cases have also outlined criteria for holding website owners liable. Particularly, such criteria are related to the situations in which the website owner does not undertake all the necessary actions to prevent copyright infringements, which would arise in the course of its business activities (such as monitoring content of its website with due care and diligence, developing the restriction with regard to uploading of the content etc.). At the same time, in one of the recent decisions the court found that a video hosting website cannot be held liable for copyright violations given that the content of this website can be uploaded by any user. In addition, the website owners, similar to hosting providers, are often ordered to restrict access to infringing information.

See *“Risk Factors—Risk Related to our Business—Risks related to user-generated content and intellectual property rights—We may be held liable to third parties for information or content displayed on, retrieved from or linked to our websites, or distributed to website users”*.

Amendments to the Part IV of the Civil Code, approved by the President of the Russian Federation on October 4, 2010, introduced additional limitations to any reproduction of copyrighted content without a copyright owner's consent and with no remuneration to the owner. Previously, such reproduction was allowed for the user's own purposes. Under the new amendments, reproduction of the content for the user's own purposes will be allowed only in case of “necessity”. The criteria for “necessity” are unclear, and their interpretation is still a question of practice.

On August 1, 2013, the Federal Law No. 187-FZ dated July 2, 2013 “On Amendments to Certain Legislative Acts of the Russian Federation Related to Protection of Intellectual Property Rights in Information and Telecommunication Networks” (the “**Anti-Piracy Law**”) came into force. The amendments related to the protection of IP rights regarding the films, including motion pictures and television movies. The Anti-Piracy Law also describes the procedures for access restriction and the obtaining of a court ruling by a copyright holder, including a preliminary injunction.

On May 1, 2015, the Federal Law No. 364-FZ dated November 24, 2014 “On Amendments to the Information Law and the Civil Procedure Code of the Russian Federation” came into force. It extended the regime provided by the Anti-Piracy Law to all copyrighted materials other than photos. In addition, it set out a procedure for permanent blocking of a website allowing repeated infringements.

According to Part IV of the Civil Code, we have proprietary rights to the software and technologies that we develop internally, including internally developed software and technologies used for email and IM products, search engines (for example the Gogo.ru search engine we developed) and various content projects.

In addition, we obtain proprietary rights to materials that are subject to copyright protection and that are created for us based on agreements with the authors of such materials.

Under Russian law, the registration of copyrighted materials is not required. Software may be registered by a copyright holder, at its discretion, with the Russian Federal Service for Intellectual Property, Patents and Trademarks (the “**Federal Service for Intellectual Property**”). Due to the constant development and improvement of software, MGL considers registration of software to be inefficient.

Russian law generally provides for the legal protection of the trademarks duly registered with the Federal Service for Intellectual Property or with the Worldwide Intellectual Property Organisation if the registration extends to Russia. In the absence of such registration (i) the company using the designation may be not able to protect it against unauthorised use by a third party; and (ii) if a third party has previously registered a trademark similar to the designation in question, a company may be held liable for unauthorised use of such trademark.

Usage of a third-party’s trademark without the trademark owner’s consent is prohibited. Such consent is usually expressed through the trademark license agreement. The granting of the right to use a trademark shall be registered with the Federal Service for Intellectual Property. Absent such registration, the granting is invalid and any usage of a third party’s trademark will be deemed unauthorized and may therefore entail civil, administrative and criminal liability. Please see *“Risk Factors— Risk Related to our Business—Risks related to user-generated content and intellectual property rights—We may be exposed to infringement claims by third parties, or may have our own intellectual property rights infringed, which could materially and adversely affect our business and results of operations”*.

Registration of Domain Names

The Coordination Centre of the National Internet Domain (the “**CCNI**”) issues rules regarding the registration of second level domain names (i.e. <name>.ru and <name>.PФ) within the Country code Top Level Domains “RU” and “PФ”, and controls the accreditation of registrars involved in such registrations (previously, such rules were made by its predecessor, the Russian Research Institute of Public Networks Development (ROSNIROS)). Domain name registration is recognised as important in Russia for the protection of rights to use and administer domain names on an exclusive basis for the term of the registration. In particular, the Rules of the Registration of Domain Names in the Domain “RU” and “PФ” adopted by the CCNI on October 5, 2011, and effective from November 12, 2011, are binding on registrars of domain names and the entities seeking to register a domain name in the domain “RU” and “PФ”. Several accredited registrars currently operate, including ANO Regional Network Information Centre (RU-CENTRE) that registered our various domain names.

Russia neither has a specialised domain name dispute resolution body and respective special domain names dispute resolution rules, nor delegated the dispute resolution powers to the Worldwide Intellectual Property Organisation. CCNI developed and published on its website regulation on the procedures applied to the disputes arising out of the infringements of third parties rights as a result of registration and use of second level domain names in the domain “RU” and “PФ”. The regulation came into force on November 12, 2013.

The number of court cases related to infringements of intellectual property object rights such as rights to trademarks and firm names by registration of identical/confusingly similar domain names (cyber squatting) has increased during the last few years. Although we are aware of a number of cases where intellectual property owners have successfully defended their rights, the Russian court practice in this regard is still developing.

Licenses for the Provision of Communication Services

Pursuant to the Federal Law dated July 7, 2003 No. 126-FZ “On Communications” (as amended) (the “**Communications Law**”), licenses are required for activities of entities related to the provision of communication services (“**communication licenses**”). The Communications Law sets out in general terms the procedures and conditions for the issuance of such licenses, while the specific terms are determined by the regulations adopted thereunder. Under the Communication Law, the government is entitled to determine and annually review the list of communication activities that are subject to licensing. A list of such activities was adopted in February 2005, and has been periodically amended. Communication licenses are currently issued by the Roscomnadzor.

As an example, one of our subsidiaries holds communication license No. 113035 issued on December 26, 2013 and expiring on December 26, 2018. The above license includes terms and conditions of the provision of the relevant communication services with which the subsidiary is required by law to comply.

Violations of the terms of a license by a licensee may result in the suspension of the license by the Roscomnadzor, and potentially the revocation of a license in court upon a claim of the Roscomnadzor or any interested party, if the violations that caused the suspension of the license have not been remedied within a time period determined by the licensing authority.

However, we believe that the relevant products may not be subject to licensing requirements, as it is not entirely clear under Russian law whether the relevant provisions of Russian law are applicable to: (i) communication services of such nature as those provided by certain of our subsidiaries; and (ii) communication services rendered by certain of our subsidiaries free of charge, given that the licensed activities on the provision of communication services are defined by the Communications Law as those activities for which a payment has been made.

Certain of our subsidiaries may not be in full compliance with the terms of their communication licenses, but, for the reasons specified above, we believe that, even if their communication licenses were revoked, such revocation would not adversely affect their activities.

Regulation of the Transfer of Information

The Information Law requires that information distributed without the use of mass media must include true and accurate details of the owner of such information or any other person that distributes such information.

As operators of an information system, as defined by the Information Law, certain Group companies are required to ensure:

- the prevention of unauthorised access to information and/or its transfer to persons that are not entitled to access such information;
- timely identification of the facts of any unauthorised access to information;
- the prevention of adverse consequences resulting from any violation of the procedures regarding access to information;
- the prevention of any impact on the technical means of processing information, as a result of which operations are disrupted;
- the provision of measures for the immediate restoration of information that is modified or destroyed as a result of unauthorised access to such information; and
- constant supervision of information protection.

A person that has violated the Information Law is liable under the laws of the Russian Federation. Persons whose rights are violated due to the disclosure of information or any other unlawful use of such information, may claim compensation in the form of damages or seek protection of their reputation in court. Under Russian criminal law, individuals may be criminally liable for certain actions relating to computer information (e.g., creation or distribution of “virus” computer programs) and for violations of the privacy of correspondence.

As operators process (e.g., collect, store and transfer) personal data, as defined by the Law on Personal Data, certain Group companies must ensure the confidentiality of such data. As required by the Law on Personal Data, as a matter of policy, Group companies obtain the consent of individuals before processing their personal data. Operators shall also in

cases prescribed by law notify the governmental authority controlling compliance with the Law on Personal Data (currently Roscomnadzor) on their intent to process personal data prior to the commencement of processing and shall be included in the Register of the Operators Processing Personal Data, as maintained by Roscomnadzor.

In addition, when processing personal data, operators must undertake all necessary organisational and technical measures, including the use of cryptographic means, for the protection of personal data from unlawful or accidental access, destruction, modification, blocking, copying or distribution of personal data, as well as from other unlawful actions in relation to personal data. A person that has failed to comply with the privacy policies and provisions of the Law on Personal Data as well as other laws and regulations relating to privacy and protection of users' data is liable under the laws of the Russian Federation.

In July 2014, a new law requiring databases involved in processing personal data of Russian citizens to be stored in Russia and setting out sanctions for non-compliance with such requirement (including blocking of web-sites) was adopted. The law will come into force in September 2015.

Consumer Protection Regulation

Our subsidiaries provide certain IVAS to individual users, and these services may be subject to regulation by the Consumer Protection Law. In particular, consumers are entitled to receive such services within certain time periods, in the manner and in the quality set out for such services on the website of the relevant subsidiary.

If a Group company violates any applicable provisions of the Consumer Protection Law, it may be liable in accordance with the laws of the Russian Federation to any consumer whose rights have been violated, by means of compensation in the form of damages.

Regulation of Electronic Payments and Payments through Payment Agents in Russia

Electronic payments

We, and certain of our affiliates, process electronic payments in Russia. Electronic payment activities fall within the general scope of the Law on Payment Agents, the Law on Personal Data, the Consumer Protection Law and certain other laws.

On September 29, 2011, the Federal Law No. 161-FZ (as amended) "On the National Payment System" (the "**Law on NPS**") entered into force. In connection with the adoption of this law, amendments to certain legislative acts of the Russian Federation were introduced. The Law on NPS provides a legal definition of the term "electronic money" which means monetary funds, provided by one person to another where the latter accounts for the information on the amount of money provided without the opening of a bank account, and which is intended for the execution of payments and other transactions with third persons and in respect to which the person who has provided the funds may issue instructions via electronic means of payment.

Under the Law on NPS, payments with electronic money fall into the sphere of banking activities and such payments are regarded as a special transaction entered into without the need to open an account. Such transactions, however, have to be performed by a credit organisation supervised by the Central Bank of Russia. Moreover, the Law on NPS was amended to introduce a new type of electronic payment method (e-wallet) for clients that have undergone the simplified identification procedure.

In addition, on November 29, 2012 the Criminal Code of the Russian Federation was amended to introduce new categories of fraud, including fraud with payment cards and fraud in the field of computer information. Electronic payments are within the scope of the category of fraud in the field of computer information.

The Federal Law No. 110-FZ "On Amendments to Certain Legal Acts of the Russian Federation" came into force on May 16, 2014. In particular, the Federal Law dated August 7, 2001 (No. 115-FZ "On Counteraction to Legalization (Laundering) of the Income Received in an Illegal Way and Financing of Terrorism") was amended to reduce the range of transactions that credit institutions are allowed to provide without prior identification of a client. Concomitantly, the law was amended to introduce a new procedure for the identification of a client ("simplified identification") and to expand the list of entities which can proceed with the identification procedure on behalf of a credit institution.

To process electronic payments we have to maintain appropriate license. Otherwise in the future we may be required to enter into arrangement with a credit institution. See "*Risk Factors—Government regulation of the Internet, and requirements related to data protection, could adversely affect our business*".

In May 2014, a new legislation setting out a mechanism of sanctions for failures by international payment systems to process payments was adopted. Such payment systems were required to pay a security deposit to the Central Bank equivalent to the value of two days of transactions processed in Russia. After Visa and MasterCard expressed concerns about the future of their business in Russia, the payment systems were allowed not to pay the deposit, provided all Russian internal transactions effected through Visa and MasterCard systems are processed by the National Payment Card System (the “NPCS”) starting from April 1, 2015. The NPCS was established in July 2014 pursuant to the Federal Law No. 112-FZ “On Amendments to the Law on NPS and Certain Other Legislative Acts of the Russian Federation” to ensure uninterrupted operation of the Russian payments system infrastructure. The operator of the NPCS, a Russian entity fully owned by the CBR, provides payment processing and clearing services and contemplates issuance of its own payment cards in December 2015.

Both MasterCard and Visa, in January and February 2015, respectively, concluded agreements with the NPCS pursuant to which their payment operations in Russia are currently processed by the NPCS. However, in case the situation with the international payment systems deteriorates, it may negatively affect our existing channels for collecting payments.

Protection of Minors from Harmful Information

The Federal Law No. 436-FZ “On Protection of Minors from the Information Harmful to their Health and Development”, dated December 29, 2010 (the “**Minors Protection Law**”), which came into effect as of September 1, 2012, restricts circulation of certain identified categories of publicly available and distributed information that may be harmful for minors. In particular, there is a requirement to take administrative and technical measures to prevent dissemination of restricted information. In addition, the circulation of information products designated for specific age categories of minors must be accompanied by a relevant mark identifying the age restriction category of information. Advertising of information products must also be accompanied by a category identification mark.

Prior to the Minors Protection Law becoming effective, significant amendments were approved. In particular, the requirement for age category identification for information made available on the Internet was abolished (except for the websites registered as mass media) and is now voluntary. Furthermore, administrators of websites registered as mass media have been expressly relieved from the responsibility for age category identification with respect to commentaries and messages posted by users of the websites at their discretion.

Blocking of Websites Containing Illegal Information

The law amending the Federal Law “On Information, Information Technologies and Protection of Information” (the “**Anti-extremism Law**”) came into force on February 1, 2014. According to the Anti-Extremism Law, the Prosecutor General of Russia (or his deputies) may apply to Roscomnadzor to block websites on which the Prosecutor General finds any prohibited information concerning appeals to mass riots, extremist activities or participation in mass (public) actions held in infringement of the established order.

Since November 2012, the legislation introducing the Unified Register of Domain names, Sites and IP-addresses containing information prohibited for dissemination in Russia (the “**Black List**”) has been in effect. Such information includes child pornography; information about production, distribution and sales locations of drugs; methods of suicide; information prohibited by anti-gambling legislation; and information on minors that became victims of crimes, allowing to identify the minors.

Law on Bloggers and Organisers of the Dissemination of Information on the Internet

On August 1, 2014, the Law No. 97-FZ regulating status of bloggers and organisers of the dissemination of information on the Internet dated May 5, 2014 came into force. According to the law, an organiser of the dissemination of information on the Internet is a person who carries out activities to enable the functioning of information systems and/or programs for computers which are designed and/or used for the reception, transmission, delivery and/or processing of user’s e-mails through the Internet. The organisers shall notify the Roscomnadzor about the commencement of the aforementioned activities, store the data on receipt, transfer, processing of the users’ information in the Russian Federation for the period of six months, share the information on users’ actions with the authorised governmental body upon a relevant request, and be in line with certain technical requirements set by authorities. Access to the websites not complying with the requirements can be blocked. In addition, in accordance with the law, owners of web-sites and Internet pages with more than 3,000 daily users (bloggers) are required to be identified, registered with a special register and comply with certain requirements in respect of the materials published on web-sites and internet pages under their control.

CORPORATE GOVERNANCE

Overview

MGL is incorporated in the British Virgin Islands with its principal office in the Republic of Cyprus. MGL also has a branch in Dubai, U.A.E. Our current Memorandum and Articles of Association were approved by the shareholders' resolutions of May 20, 2014 (as amended on June 12, 2014), and are dated 1 July, 2014. Our management bodies are the shareholders' meeting and the Board of Directors.

In accordance with the Articles of Association of MGL and the applicable BVI law, our ultimate decision-making body is the shareholders' meeting. It is followed by the Board of Directors, which is responsible for the general management of MGL, including coordinating strategy and general supervision. We also have an audit committee (the "**Audit Committee**") and a remuneration committee (the "**Remuneration Committee**"). Senior managers are involved in the day-to-day running of MGL. A description of each of the shareholders' meeting and the Board of Directors is set out below.

General Shareholders' Meeting

Share Capital

Our share capital is divided into two classes of shares, Class A Shares, each of which carries twenty-five votes at shareholders' meetings, and Ordinary Shares, each of which carries one vote. See "*Description of Share Capital and Certain Requirements of BVI Law*".

Calling Shareholder Meetings

The shareholders' meeting is our supreme governing body. Shareholders' meetings are convened by the Board of Directors at such times as the Board consider necessary or desirable, or by the written request of shareholders holding in aggregate 30% or more of the outstanding voting shares in MGL.

The Board of Directors must give not less than 14 days' notice of Shareholders' meetings unless a shorter notice period is agreed by a resolution approved by at least 75% of all the votes attaching to issued shares ("**75% resolution**").

The agenda for the Shareholders' meetings is determined by the Board of Directors, but a shareholder or shareholders holding in aggregate 10% or more of the outstanding voting shares of MGL may add items to the agenda (i) no later than a week before the meeting; or (ii) at the meeting itself, with the consent of shareholders holding in aggregate more than 50% of the outstanding voting shares of MGL.

Voting

Matters determined at shareholders' meetings require a resolution of the shareholders passed by a simple majority of the votes cast at any particular meeting or in favour of any written resolution of shareholders (a "**simple majority resolution**"), unless the Articles of Association specify that a 75% resolution is required for a particular matter.

The following matters require a 75% resolution:

- any amendment to the Memorandum and Articles of Association of MGL (excluding variation in the authorised share capital which may be resolved upon by the Board of Directors) or other constitutional documents, except that any amendment to the mandatory offer requirements in the Articles of Association requires a 95% resolution of members, and that any amendment that varies or affects the rights attached to any class of shares requires a 75% resolution of that class;
- any liquidation, dissolution or winding-up (whether voluntarily or compulsorily) of MGL or of any Portfolio MGL (defined below), or MGL or Portfolio MGL ceasing to carry on business;
- any change to the authorised number of Directors;
- removal of the entire Board of Directors;
- any amendment to the constitutional documents of any Portfolio MGL in a way that causes either MGL or any entity it controls to lose any shareholder rights in relation to such Portfolio MGL (other than a bona fide

restructuring as a result of which either MGL or any other entity that it controls retains all such shareholder rights in relation to such Portfolio MGL);

- any issue (or obligation to issue) any new shares or securities convertible into shares or grant (or obligation to grant) any options for or over shares, provided however that, where such shares are Ordinary Shares (and not Class A Shares), such acts shall merely require a Resolution of Members (and not a 75% Resolution of Members);
- to disapply pre-emption rights for Class A Shares and Ordinary Shares;
- any issue of shares for non-cash consideration;
- to authorise or issue, or obligate itself to issue, any equity security (including any other security convertible into or exercisable for such equity security) either (a) having a preference over the Class A Shares and/or the Ordinary Shares or (b) in exchange for shares in any Portfolio MGL;
- to consummate any merger, consolidation or similar event that is a Substantial Transaction (defined below);
- to redeem, purchase or otherwise acquire (or pay into or set aside for a sinking fund for such purpose) any shares, unless such redemption, purchase or acquisition applies pro rata to all shareholders;
- MGL or any entity which it controls or Portfolio MGL agreeing, undertaking or discontinuing a Substantial Transaction;
- to exclude any company from the list of Portfolio Companies;
- to designate an entity as an “Affiliate” for the purposes of the Articles of Association;
- to designate a shareholder a “designated member” for the purposes of paragraph 5.4.4.2(i) of the Memorandum of Association and article 12.5 of the Articles of Association; and
- approving a Related Party Transaction (defined below) provided that the 75% Resolution is passed by 75% of those Non-Interested Shareholders (defined below) who cast their votes.

A **Portfolio Company** is (i) a company in which MGL, directly or indirectly holds shares and which has by a resolution of the Board of Directors been designated a “Portfolio Company” of MGL; (ii) a company in which MGL acquires a direct or indirect shareholding, which is valued at more than 10% of the Equity of MGL (defined below) at the time of the acquisition; and (iii) any other company in which MGL, directly or indirectly, holds shares if the audited annual financial statements of MGL for any financial year indicate that the value of such shareholding has increased to more than 10% of the Equity of MGL (defined below), provided that, in respect of each of (i), (ii) and (iii), such company has not been expressly excluded from the list of Portfolio Companies by a 75% Resolution.

A **Substantial Transaction** is either of the following:

1. A transaction by MGL or any entity which it controls where:

Gross assets the subject of the transaction = a percentage exceeding 15% of the Equity of the Company

or:

2. A transaction by any Portfolio Company where:

Gross assets the subject of the transaction \times PCH = a percentage exceeding 15% of the Equity of the Company

or:

3. Any action or omission (including (i) any disposal of shares or any securities convertible into shares or rights to shares and (ii) any consent to any amendment to any agreement) that results in the diminution below any threshold that needs to be maintained under applicable law or pursuant to an agreement in order for MGL or any entity that it controls to retain any voting, management, information or other control rights in relation to any Portfolio

Company, whether held at law, at equity or by contract (provided that any such disposal that does not result in any such rights falling below any such applicable threshold shall not be deemed to be a Substantial Transaction).

For the purposes of the calculations described above:

The **“Equity of the Company”** means (i) the number of shares in issue at the relevant date multiplied by (ii) the weighted average of the daily closing prices (adjusted to a per share basis in the case of GDRs) during the immediately preceding quarter.

The **“Gross Assets the subject of the transaction”** means: (i) in the case of an acquisition or disposal of assets, the monetary value of the consideration paid or received for assets plus any liabilities assumed; (ii) in the case of any loan, pledge, guarantee or other liability, the amount of such loan, pledge, guarantee or the maximum liability that might be reasonably expected to be incurred.

“PCH” means the percentage of MGL’s direct or indirect shareholding in the relevant Portfolio Company, expressed as a decimal (such that, if MGL were to hold 24.99% of a particular Portfolio Company, PCH would be 0.2499).

Related Party Transactions

A **“Related Party Transaction”** is when MGL knowingly enters into (i) a transaction with a Mail.Ru Group Connected Person that has a total value of more than U.S.\$100,000 (other than contracts or amendments of contracts concluded on arm’s length terms with any consultant, employee, officer or Director of MGL, or any company that MGL controls); or (ii) a transaction between MGL and a Member Connected Person that has a total value of more than U.S.\$500,000 (other than a transaction concluded on arm’s length terms).

MGL requires a 75% Resolution (approved by 75% of the Non-Interested Shareholders) to enter in any Related Party Transaction involving any of the reserved matters listed in Article 9.21.1 to 9.21.11 of the Articles of Association). For the approval of all other Related Party Transactions, a resolution of Directors (approved by a majority of Non-Interested Directors) is required. Notwithstanding the foregoing, a shareholder of Board of Directors’ resolution is not required for (i) the provision of any legal professional services by any officer of MGL in the normal course on arm’s length terms, (ii) a transaction with a Member Connected Person by a Portfolio Company that MGL does not control or (iii) a bona fide fundraising transaction offered to all shareholders pro rata.

A **“Mail.Ru Group Connected Person”** means (i) an employee, officer or Director of MGL; (ii) any immediate family member of the persons included in (i) above; and (iii) any corporation, partnership or other entity which such person or family member controls.

A **“Member Connected Person”** means (i) any shareholder of MGL holding Class A Shares carrying more than 3% of the total votes that may be cast at MGL’s shareholders’ meetings; (ii) a Director of such shareholder; (iii) a person who controls (or persons who together control) any corporate shareholder of MGL holding Class A Shares and/or Ordinary Shares carrying more than 2% of the total votes that may be cast at MGL’s shareholders’ meetings; (iv) any immediate family member of the persons included in (i) - (iii) above; and (v) any corporation, partnership or other entity which such person or family member controls.

A **“Non-Interested Director”** shall be any Director other than a Director elected to the Board of Directors following his nomination by a shareholder who is the Mail.Ru Group Connected Person or Member Connected Person that is a party to the Related Party Transaction in question.

A **“Non-Interested Member”** shall be any shareholder other than a shareholder who is the Mail.Ru Group Connected Person or Member Connected Person that is a party to the Related Party Transaction in question.

Limitations on voting powers of Non Russian Shareholders

The Memorandum of Association provides that no Non Russian Shareholder (defined below), whether by itself or with its affiliates or in combination with any other Non Russian Shareholder with whom it has a voting agreement or arrangement (except for the voting agreements that were approved by a 75% Resolution) shall be entitled to cast more than 35% of the votes actually cast at any shareholders’ meeting. In addition, Non Russian Shareholders in aggregate may not cast more than 45% of the votes at any shareholders’ meeting, and any such excessive votes shall be discounted for the purpose of calculating the number of votes actually cast, provided that (i) the discounting of votes described above shall not reduce the votes attaching to any shares held by the Designated Member, but shall rather reduce, down to the 45% ceiling, the votes attaching to any other Class A Shares that may have been transferred to any Non-Russian Shareholder(s) other than the Designated Member (such reduction, where there are more than one such Non-Russian Shareholder transferees of

Class A Shares, to be made pro rata to the total number of votes held by such Non-Russian Shareholders inter se); and (ii) if a shareholders' meeting has to be adjourned because it is inquorate, then at the adjourned meeting, the 45% ceiling shall not apply unless at least one of the Key Russian Shareholders (as it is defined in the Articles of Association) is present and casts its votes at that adjourned meeting.

A “**Non Russian Shareholder**” is a shareholder of MGL who is not a Russian person (and for these purposes a ‘Russian person’ means (i) an individual who is a Russian citizen; (ii) a legal entity established and existing under the laws of Russia with its primary place of management and control in Russia which is not under the control of individuals who are not Russian citizens or of entities established under the laws of a jurisdiction other than Russia; and (iii) any other member of MGL ultimately beneficially owned (as to more than 50%) or ultimately controlled by one or more individuals or entities specified in paragraphs (i) and/or (ii) above). For the avoidance of doubt, GDR holders are treated as Non-Russian Shareholders for the purposes of determining the aggregate number of votes held. Upon the applicable threshold being exceeded, the discounted votes shall be those votes belonging to the Non-Russian Shareholder whose purchase of shares caused the threshold to be exceeded. For this purpose, purchases of GDRs will not be considered to be a purchase of shares.

For certain additional provisions affecting corporate governance, see “*Material Contracts—Investors’ Rights Agreement*”.

Mandatory offer requirements

Where a transfer of issue of shares would result in a person, together with that person’s concert parties, holding shares that together carry 75% or more of the voting rights of MGL (the “**75% Threshold**”), such person must simultaneously make an unconditional cash offer to the other shareholders to purchase their shares. The offer price will be determined by the highest price paid for shares in MGL by such a person (or its concert parties, if applicable) in the preceding 12 months, including the acquisition in which that person reached the 75% Threshold.

The requirements do not apply to any existing shareholder of MGL (or the affiliates of such a shareholder) as of August 27, 2010 where that shareholder acquires or obtains, through whatever means, 75% or more in the voting rights of MGL. They also do not apply in case of accretion over 75% without a purchase. See “*Risk Factors—Risks Relating to our Business—Risks relating to corporate governance matters*”.

For the purposes of these requirements, a person who acquires an interest in GDRs shall be taken to have acquired an interest in the underlying shares.

Board of Directors

Current Board of Directors

The Board of Directors currently consists of the ten members listed below. The business address for the Board of Directors is MGL’s principal office in the Republic of Cyprus.

<u>Name</u>	<u>Position</u>	<u>Date of Birth</u>	<u>Date of Election</u>	<u>Expiry of Term</u>
Dmitry Grishin.....	Chairman	October 15, 1978	June 5, 2015	2017 AGM
Verdi Israelian	Elected Director	November 8, 1975	June 5, 2015	2017 AGM
Matthew Hammond	Elected Director	February 4, 1975	June 5, 2015	2017 AGM
Vladimir Streshinskiy	Elected Director	October 2, 1969	June 5, 2015	2017 AGM
Charles Searle	Elected Director	February 14, 1964	June 5, 2015	2017 AGM
Mark Remon Sorour	Elected Director	December 6, 1961	June 5, 2015	2017 AGM
Vasily Brovko	Elected Director	February 6, 1987	June 5, 2015	2017 AGM
Vasileios Sgourdos	Elected Director	January 4, 1970	June 5, 2015	2017 AGM
Jan Buné	Independent	March 3, 1953	June 5, 2015	2017 AGM
	Director			
Sang Hun Kim	Independent	September 11, 1963		2017 AGM
	Director		June 5, 2015	

Biographies

Dmitry Grishin—Co-founder, Chief Executive Officer (Russia) and Chairman

Dmitry Grishin co-founded Mail.Ru Group in 2005. He was appointed Chief Executive Officer (Russia) in November 2010 and Chairman in March 2012. Dmitry joined Mail.Ru in 2000 and was promoted to Technical Director in

2001. From 2003 to 2010, he led the business as CEO. Dmitry graduated from the Faculty of Robotics and Complex Automation at Moscow State Technical University and in 2012 founded Grishin Robotics, a global investment company that is dedicated to supporting personal robotics around the world.

Verdi Israelian

Verdi joined an affiliate of Mail.Ru in 2009 and was appointed COO (Russia) of Mail.Ru Group in November 2010 and CFO in August 2011. In June 2013 Verdi was appointed to the Board as an Elected Director and stepped down from his position as Chief Financial Officer and Chief Operating Officer (Russia). Verdi was previously co-head of the European Special Situations Group (CIS operations) at Goldman Sachs in Moscow. Before working at Goldman Sachs, Verdi was deputy head of Russia Investment Banking at Morgan Stanley. He has also worked at Arthur Andersen and Lehman Brothers. Verdi holds an MBA from the Rotterdam School of Management, Erasmus University.

Matthew Hammond—Managing Director, Chief Financial Officer

Matthew Hammond was appointed to the Board in May 2010 and became Managing Director in April 2011. In June 2013 Matthew was also appointed as Chief Financial Officer of MGL. Matthew graduated from Bristol University, UK, in 1996, with a degree in Economics and History. From 1997 to 2008, he was a technology analyst at Credit Suisse and was ranked number 1 in the Extell and Institutional Investor Survey eight times. Matthew is a non-executive director of Strike Resources and Puricore.

Vladimir Streshinskiy

Vladimir Streshinsky was appointed to the Board in August 2008. He presently holds the positions as follows: Director of USM Holdings Limited, General Director of USM Advisors LLC, CEO and Director of Garsdale Services Investment Limited, Chairman of the Board of Directors of LLC Management MGL Metalloinvest, Member of the Boards of Directors of OJSC MegaFon, , UTH Russia Limited and JSC “Kommersant”. He graduated with honors in applied mathematics from Moscow Physics and Technology Institute in 1992.

Charles Searle

Charles Searle is currently Chief Executive Officer of Naspers Internet Listed Assets. He serves on the boards of a number of companies associated with the Naspers Group, including Tencent Holdings Ltd. Prior to joining the Naspers Group, he held positions at Cable & Wireless plc and at Deloitte & Touche in London and Sydney. Mr. Searle is a graduate of the University of Cape Town and a member of the Institute of Chartered Accountants in Australia. Mr. Searle has more than 20 years of international experience in the telecommunications and internet industries.

Mark Remon Sorour

Mark Sorour was appointed to the Board in August 2010. A chartered accountant, he joined the Naspers Group in 1994 and has been Chief Investment Officer since 2000 and currently serves on the Naspers Board. This role gives Mark worldwide responsibility for the Naspers Group’s M&A, corporate finance and capital-market fundraising activities. Mark’s 18 years’ experience in Internet, technology and pay TV businesses includes business development and dealmaking in Africa, the Middle East, Thailand, India, China, Europe, the USA, Latin America and South-East Asia.

Vasily Brovko

Vasily Brovko was appointed to the Board in March 2014. Vasily graduated from the Faculty of Psychology at Lomonosov Moscow State University with a degree in Public Relations in Politics. He is a founder of the center for strategic communication Apostol which is engaged in production of TV content, integrated communications (PR, social media, analytics) and software development. Since 2013 Vasily has been Head of PR department of “Russian Technologies” State Corporation.

Vasileios Sgourdos

Vasileios Sgourdos was appointed to the Board in October 2010. A chartered accountant, he became Group Chief Financial Officer for MIH which owns South African listed Naspers’ Internet and Pay TV businesses in January 2009. On April 1, 2014, he was appointed as Naspers’ Group Chief Financial Officer. He was formerly director of Abril SA, Latin America’s leading magazine publisher and serves on the Board of a number of other companies in the Naspers Group. From 2007, he was General Manager for Business Development Pay Television and from 1997 to 2007, was CFO at Thai listed pay TV operator UBC. He graduated with a Bachelor of Commerce degree from the University of Witwatersrand,

South Africa, and is an Honours Bachelor in Accounting Science from the University of South Africa. He is a registered member of the South African Institute of Chartered Accountants.

Jan Buné

Jan Buné was appointed to the Board in October 2013. He has extensive experience in public accounting and business advisory in the technology, media and telecommunications sector and the financial services sector. He was a senior audit partner at Deloitte Netherlands until May 2013. He currently serves as Commissioner at the Dutch Supervisory Authority for the Media sector, Non-Executive Director of Burgland Real Estate BV, Arbitrator at the Netherlands Arbitration Institute in Rotterdam and Independent Civil Court Witness in financial disputes. In addition he is Chairman of the Advisory Committee on governance, risk and compliance of the Royal Dutch Institute of Accountants in Amsterdam. He is also a member of the Board of Trustees of Artis Natura Magistra, the Royal Amsterdam zoo.

Sang Hun Kim

Sang Hun Kim was appointed to the Board in February 2011. He has been Chief Executive Officer of South Korea's NAVER Corporation since April 2009 and was previously its Executive Vice President of Business Management. Sang Hun graduated in law from Seoul National University before going on to earn a Master's degree in law from Harvard Law School. He has served as a judge at the Seoul Central Court.

Appointment and Powers of the Board of Directors

The Board of Directors is responsible for the general management of MGL, including the co-ordination of strategy and general supervision, and for the particular matters described below.

Appointment of Directors

The Articles of Association specify that there shall be ten Directors, consisting of eight Directors nominated and elected by shareholders (the “**Elected Directors**”) and two independent Directors (the “**Independent Directors**”) elected by the Board of Directors.

The Elected Directors are appointed by majority voting, with voting on each candidate being treated as a separate vote and with each shareholder being entitled to vote on each proposed candidate. The eight candidates who attract the highest number of votes will be elected as Elected Directors. Elected Directors shall be appointed for a period from the date of their appointment until the second Annual General Meeting of shareholders after the date of their appointment. Upon expiry of their term of appointment, Elected Directors must resign, but are eligible for re-election. Any shareholder or group of shareholders holding in aggregate not less than 5% of the total number of votes attached to the issued shares or of the total number of issued and outstanding shares, is entitled to nominate Directors for election to the Board of Directors not less than 21 days prior to any Annual General Meeting at which an Elected Director shall resign.

On April 25, 2014, NMT Group and MIH entered into a voting agreement, which specifies how each shareholder will cast their voting rights in electing the eight directors nominated and elected by the members (the “Elected Directors”) pursuant to the Articles of Association.

For additional information on the voting agreement, see “*Material Contracts—Voting Agreement*”.

The Board of Directors elects one of their number to act as Chairman.

Any Director may be removed from office, with or without cause, by a shareholders' resolution.

Powers of the Board of Directors

The Board of Directors is granted the authority to manage the business affairs of MGL, and has the authority to decide, among other things, the following:

- (subject to shareholders' consent) the right to offer, allot, grant options over, or otherwise dispose of, shares to such persons at such times and for such cash consideration (non-cash issues require a 75% Resolution) and generally on such terms and conditions as the Directors may determine by resolution, provided that no shares shall be issued at a discount below their par value and further provided that a 75% Resolution is required to disapply pre-emption rights;
- the approval of the annual budget and annual financial statements of MGL;

- the declaration of any dividend;
- the convening of any shareholders' meeting;
- the appointment of MGL's auditor;
- the appointment of any committee of the Board of Directors, including MGL's Audit Committee and Remuneration Committee (see below);
- the exercise of all rights of MGL in relation to ICQ LLC
- the approval of any proposal under which MGL or any subsidiary of MGL delegates any substantial management authority to any other entity;
- the approval of transactions which are not Substantial Transactions (as defined in the Articles of Association) and which the Managing Director is not empowered to approve;
- the appointment and removal of any officer of MGL, or any officers or directors of any direct subsidiary of MGL (including but not limited to any Chief Executive Officer, Chief Financial Officer or Chief Operating Officer); and
- the determination of the scope of authority of the Chief Executive Officer, and the adoption of any guidelines for the exercise of such authority, as adopted by the Board of Directors from time to time.

Without prejudice to the rights of the shareholders, including reserved matters listed in Article 9.21.1 of the Articles of Association, the shareholders do not have the power to pass any resolution in conflict with the resolutions of the Board of Directors made in accordance with the Articles of Association.

Proceedings of the Board of Directors

The Board of Directors, or any committees thereof, meet when and how the Directors determine to be necessary or desirable. Meetings are held in MGL's principal office in the Republic of Cyprus, or such other place as a majority of the Directors agree.

A resolution at a duly constituted meeting of the Board of Directors or of a committee of Directors is approved by a simple majority vote of the Directors present at a meeting. A resolution consented to in writing is approved by an absolute majority of all the Directors. For the purposes of establishing a majority, the Chairman of the Board (or chairman of the meeting as the case may be) has a casting vote in the event of a tie.

Senior Management

Senior Managers

The following table sets forth the name, position, year of appointment and location of each of our senior managers ("Senior Managers"):

<u>Name</u>	<u>Position</u>	<u>Year Appointed</u>
Dmitry Grishin.....	Chief Executive Officer (Russia)	2010
Matthew Hammond	Managing Director, Chief Financial Officer	2011, 2013
Vladimir Nikolsky	Chief Operating Officer (Russia)	2013
Dmitry Sergeev.....	Deputy Chief Executive Officer (Russia)	2014

Dmitry Grishin—Chief Executive Officer (Russia) and Chairman

See above.

Vladimir Nikolsky—Chief Operating Officer (Russia)

Vladimir Nikolsky joined Mail.Ru Group as Vice President of Online Games business in 2009 and became Chief Operating Officer (Russia) in 2013. He was previously CEO of online game holding Astrum Online Entertainment (from 2007 to 2009) which subsequently became a part of Mail.Ru Group, and co-founder and CEO of online game company IT Territory (from 2004 to 2007). Vladimir graduated from Ivanovo State Power Engineering University.

Matthew Hammond—Managing Director, Chief Financial Officer

See above.

Dmitry Sergeev—Deputy Chief Executive Officer (Russia)

Dmitry Sergeev joined Mail.Ru Group in September 2014, when MGL fully consolidated VK, and was appointed Deputy Chief Executive Officer (Russia) in October 2014. He has been Chief Operating Officer of VK since January 2014. Dmitry graduated from the Moscow State Institute of International Relations in 1998, with a degree in International Law. He worked at several investment companies and then at Alfa-Bank. Since 2002, Dmitry was COO of Regional Media Group working on the consolidation of certain Russian media assets. From 2005 to 2006, he was a director for corporate development at TV-3 television channel. In 2007, Dmitry was appointed COO of Media One Group, and in 2009-2010 and 2011 he held positions of COO and CEO of UTH Holding, respectively (which main assets are U Channel, Disney Channel and cable channel “MUZ-TV”). From 2012 to 2013, Dmitry was the president of Kommersant Publishing House.

The Audit and Remuneration Committees

MGL has an Audit Committee and a Remuneration Committee.

The Audit Committee

The Audit Committee is appointed by MGL’s Board of Directors and meets on a regular basis, but not less than once every six months. The purpose of the Audit Committee is to assist MGL’s Board of Directors in fulfilling its responsibilities in respect of:

- the quality and integrity of MGL’s integrated reporting including its financial statements;
- MGL’s compliance with key applicable legal and regulatory requirements as relating to financial reporting;
- the quality and independence of MGL’s external auditors;
- the performance of MGL’s internal audit function and the external auditors;
- the adequacy and effectiveness of internal control measures, accounting practices, risk management, information systems and audit procedures; and
- monitoring compliance with MGL’s code of ethics.

The Audit Committee is responsible, among other things, for:

- annual financial statements and interim financial results;
- regular internal reports to management prepared by the internal auditing department and management’s response;
- external auditors’ reports – including the receipt and review of reports, which furnish, in a timely fashion, information relating to various accounting matters – and matters relating to internal controls if applicable;
- annually reviewing and reporting on the quality and effectiveness of the audit process. Assessing the external auditors’ independence, deducing whether they have performed the audit as planned and establishing the reasons for any changes. Obtaining feedback about the conduct of the audit from key members of our management, including the CFO;

- reviewing the performance of the external auditors and evaluating the lead partner and discharging and replacing, in consultation with the Board, the external auditor or lead audit partner when circumstances warrant;
- presenting the Committee's conclusions in respect of the external auditors to the Board; and
- evaluating and providing commentary on the external auditors' audit plans and scope of findings, identifying issues and reports, and approving non-audit services performed by the external auditor.

The Members of the Audit Committee are Jan Buné (Chairman), Vaselios Sgourdos and Sang Hun Kim.

The Remuneration Committee

The Remuneration Committee is responsible for approving the terms of appointment and remuneration of senior managers of MGL, and the approval of options and Restricted Stock Units to be granted under the option or the Restricted Stock Units plan.

The Members of the Remuneration Committee are Vladimir Streshinskiy (Chairman), Charles Searle, Sang Hun Kim and Dmitry Grishin.

Internal control system in relation to the financial reporting process

Internal control is exercised by the Board of Directors, executive and regulatory bodies, officers and other employees of MGL. Their aim is to secure the achievement of goals set by the Group in the following areas:

- efficiency and effectiveness of business activity of MGL;
- reliability and credibility of MGL's reporting; and
- compliance with the requirements of regulatory acts and internal documents of MGL.

The following functions are performed by the Internal Audit Department:

- carrying out internal audits, reviews and other engagements with respect to the Group's subsidiaries;
- assessing the effectiveness of the internal control systems of MGL, including its subsidiaries and associates and proposing recommendations as a result of those assessments;
- assessing the effectiveness of the risk management process within MGL and proposing recommendations as a result of those assessments; and
- providing necessary consultations to the management of MGL and its subsidiaries and associates on appropriate corrective action plans flowing from internal audits.

Risk management system

Mail.Ru Group is subject to certain risks that affect the company's ability to operate, serve its clients and protect the assets. Controlling these risks through a formal program is necessary for the well-being of the Group. MGL is committed to identifying and managing risks in line with international best corporate governance practices.

The existing risk management system operates as follows:

- the Board of Directors has a responsibility to ensure that it has dealt comprehensively with the governance of the risk;
- the CEO is accountable to the Board of Directors for the enterprise-wide management of the risk;
- the Management is responsible for the risk in accordance with approved plans and policies;
- the Risk Committee assists the Management in carrying out its responsibility for the risk governance and, in particular, advises on, formulates, implements and executes an adequate internal control framework, manages the risk management system and monitors MGL's risk profile;

- the Audit Committee assists the Board of Directors in its responsibility for overseeing financial reporting risks and internal financial controls, including fraud and IT risks as they relate to financial reporting, adequacy and effectiveness of the risk management; and
- internal audit provides assurance on the adequacy and effectiveness of the risk management process across MGL.

The Risk Committee comprises principal operating managers of the Company (heads of principal business units) appointed by the CEO or his Deputy. The chairman of the Risk Committee is appointed by the CEO. Members of the Risk Committee, taken as a whole, must comprise individuals with risk management skills and experience.

BVI Corporate Governance Requirements

MGL is in compliance with the corporate governance requirements of applicable BVI law.

Interests of Members of our Board of Directors and our employees

Certain members of our Board of Directors and senior management, and employees have beneficial ownership interests in our Ordinary Shares and GDRs.

The following table provides information on the holdings of MGL's directors in MGL together with any options over the Ordinary Shares in MGL as of the date of this Prospectus.

	Class A Shares (direct and indirect)	Ordinary Shares/GDRs (direct and indirect)	Total % of MGL's issued share capital represented by outstanding shares	Outstanding options or Ordinary Shares on which options are granted
Dmitry Grishin	-	4,045,792	1.84%	1,750,000
Verdi Israelian	-	100,000	0.04%	429,500
Vasily Brovko	-	-	-	-
Matthew Hammond	-	-	-	114,240
Sang Hun Kim	-	-	-	36,032
Charles Searle*	-	-	-	-
Vasileios Sgourdos*	-	-	-	-
Mark Remon Sorour*	-	-	-	-
Vladimir Streshinskiy	-	-	-	53,532
Jan Buné	-	-	-	-

(*) 160,596 options granted to the Directors nominated by MIH were assigned to the shareholder that nominated such Directors.

None of the members of our Board of Directors or our Senior Managers are related to one another for the purposes of the Prospectus Rules.

The aggregate beneficial interest in MGL (excluding options granted over Ordinary Shares) held by Directors, senior managers and employees of MGL as of the date hereof is about 2.17%.

Our directors and the shareholders that nominated them are generally not prohibited from owning or acquiring interests in companies that could compete with us in the future for investments or business, and each of them has a range of business relationships outside the context of their relationship with us that could influence their decisions. MIH, represented on the Board of MGL by Mark Remon Sorour, Charles Searle and Vasileios Sgourdos, is a member of the Naspers Group, which has interests in a number of different Internet companies, some of which could compete with us in the future. See “—General Shareholders’ Meeting—Related Party Transactions” for details as to how MGL addresses potential conflicts of interest.

Other than the potential conflicts of interest described above, there are no actual or potential conflicts of interest between the duties that any member of the Board of Directors or any Senior Manager owes to MGL and their private interests or other duties.

Compensation

In 2014, the total cash remuneration of the members of the Board of Directors of MGL amounted to RUR 55 million. In addition to the cash remuneration, Directors of MGL were granted options to acquire Ordinary Shares at the exercise price of US\$27.70 (subsequently reduced to US\$19.60), of which 250,160 remain unexercised and fully vested.

None of the options were granted to Directors in 2014 and 2013. During year ended December 31, 2014, Directors did not forfeit or exercise any options over shares of MGL. The share-based payment expense recognized by MGL with respect to Directors' options was negative RUR 215 million in 2014.

The total cash remuneration of the key management of MGL (including remuneration of Matthew Hammond and Dmitry Grishin as senior managers of MGL) amounted to RUR 459 million in 2014. In addition to the cash remuneration in 2014, key management of MGL were granted options to acquire 23,000 Ordinary Shares at the exercise price of US\$19.60. During the year ended December 31, 2014, key management of MGL (excluding Directors) forfeited options over 7,500 shares of MGL and exercised options over 572,738 shares of MGL. The corresponding share-based payment expense amounted to RUR 552 million in 2014.

None of our Directors or Senior Managers are entitled to pension, retirement or similar benefits from MGL.

As of the date hereof, there are the following types of options over MGL's shares:

options for 6,423,842 Ordinary Shares granted to the Mail.Ru Employee Benefit Trust on 11 November 2010 with the initial exercise price of US\$27.70, which was then reduced by US\$3.80 on 17 August 2012 and further reduced by US\$4.30 on 20 March 2013 resulting in the current exercise price of US\$19.6. Out of these options 3,119,127 options are currently allocated for the benefit of the Directors, employees and consultants of MGL, 2,989,352 of which are vested. Except for the options allocated for the benefit of the Directors, the options generally have a 4-year vesting schedule. Options allocated for the benefit of the Directors have a 2-year vesting schedule and are fully vested. Out of 6,423,842 options, 3,252,008 options were exercised; and

- options for 4,282,561 Ordinary Shares granted to the Mail.Ru Employee Benefit Trust on 22 December 2011 with the initial exercise price of US\$25.60, which was then reduced by US\$3.80 on 17 August 2012 and further reduced by US\$4.30 on 20 March 2013 resulting in the current exercise price of US\$17.5. Out of these options, 2,600,250 options are currently allocated for the benefit of the employees and consultants of MGL, 1,763,250 of which are vested. The options generally have a 4-year vesting schedule. Out of 4,282,561 options, 904,375 options were exercised.

In March, 2015 the Shareholders of MGL approved the issue of up to 10,977,971 Ordinary Shares, all of which have been issued to Mail.Ru Employee Benefit Trust to establish an incentive plan for employees, directors, officers and consultants of MGL, to be known as the 2015 Restricted Stock Unit Plan. The Restricted Stock Units ("RSU") will be granted at the discretion of the Remuneration Committee of MGL's Board.

During the 2014 financial year, MGL itself did not acquire any of its own shares. However, the Mail.Ru Employee Benefit Trust in accordance with 2014 GDR buying program during 2014 spent US\$36.7 million to acquire 1,012,885 GDRs at an average price of US\$36.2. All of the GDRs purchased during 2014 are held by the Mail.Ru Employee Benefit Trust to be used over the lifetime of the option program.

Employment Contracts with Directors and Senior Managers

The employment contracts between MGL and its Directors and Senior Managers contain customary terms and conditions, including as to severance.

Litigation Statement about Directors and Officers

At the date of this prospectus, none of the members of our Board of Directors or our Senior Managers for the previous five years:

- has had any convictions in relation to fraudulent offences; nor
- has held an executive function in the form of a senior manager or a member of the administrative, management or supervisory bodies, of any company at the time of or preceding any bankruptcy, receivership or liquidation; nor
- has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

RELATED PARTY TRANSACTIONS

During the period covered by our Audited Consolidated Financial Statements and from December 31, 2014 up until the date of this prospectus, MGL has not entered into any transactions with affiliates and other entities and persons known to MGL, in which either MGL or its management, directors or major shareholders have a controlling interest or over which any of the foregoing have a significant influence, which MGL believes are material to it or to the other party.

For a description of certain other transactions with related parties, see Note 23 to our 2012 Audited Consolidated Financial Statements, Note 23 to our 2013 Audited Consolidated Financial Statements and Note 22 to our 2014 Audited Consolidated Financial Statements. All related party transactions were made in accordance with contractual terms and conditions on the arm's lengths basis.

MATERIAL CONTRACTS

We have entered into the following selected contracts within the two years immediately preceding the date of this prospectus. These contracts are, or may be, material or have been entered into at any time by any member of our Group and contain provisions under which any member of our Group has an obligation or entitlement which is, or may be, material to our Group as at the date of this prospectus. The following selected contracts are not intended to represent all of our material contracts.

Long-term Office Lease

In April 2013, MGL entered into a long-term lease for office space. The Group expects to pay an aggregate of RUR 7,822 in minimum lease payments for the years 2015-2019 under the agreement, which will be financed through the Group's operating cash flows. Lease payments denominated in currency other than the Rouble are calculated based on the CBR exchange rate as at December 31, 2014.

Investors' Rights Agreement

On October 18, 2010, MGL entered into an Investors' Rights Agreement ("**IRA**") with some of its shareholders, as amended on April 25, 2014 by IRA Amendment Agreement entered by and between New Media and Technology Investment, L.P. ("**NMT**"), Ardor Finance Limited, MIH Mail Investment Company B.V. ("**MIH**"), TCH Amur Limited ("**Tencent**") and MGL.

The IRA requires the parties to vote their shares in MGL to give effect to its provisions. MGL gives a number of covenants in the IRA, including the following:

- whilst NMT, Tencent and MIH hold above a certain number of shares, MGL agrees not, without the consent of each of those shareholders (as applicable), to (i) create or issue a new class of shares, or (ii) redeem, purchase or otherwise acquire shares unless such redemption occurs on a pro rata basis or pursuant to MGL exercising a Priority Option under the "Right of First Offer" provisions of the Articles of Association (see "*Related Party Transactions*");
- whilst NMT and MIH hold not less than a certain percentage in the issued share capital of MGL, MGL shall not, without the prior written consent of such shareholders, issue, whether through one transaction or a series of transactions pursuant to the same agreement, new shares in the issued share capital of MGL, which shares would constitute more than 15% of the issued share capital of MGL;
- whilst Tencent and MIH maintain a threshold shareholding in MGL, they shall be entitled to appoint an observer to the Board of Directors, who shall be entitled to receive all notices and information circulated to the Board of Directors, and to attend all meetings of the Board of Directors. The observer shall not be entitled to vote, but shall participate in discussions of the Board. If the Board believes that the observer is acting in competition with MGL at any given time, acting in good faith, the Board may decline to provide any information to the observer;
- in the event MGL, by a 75% shareholders' resolution, has disappplied pre-emption rights for a new issue of Class A Shares, MGL will make an offer to each party to the Investors' Rights Agreement who did not vote in favour of such disapplication of such number of Class A Shares as would be required for them to maintain their pro rata level of Class A Shares;
- MGL shall always maintain an Audit and a Remuneration Committee. Whilst MIH retains a certain percentage of MGL's issued share capital, MIH shall be entitled to appoint a representative to the Audit Committee. The Remuneration Committee must comprise a majority of directors that are not executive officers of MGL and ensure that the compensation of all officers of MGL shall be market-based;
- the rights attaching to Class A Shares or Ordinary Shares held by parties to the Investors' Rights Agreement shall not be varied without that shareholder's consent;
- whilst NMT, Tencent and MIH have a shareholding in MGL above a certain threshold, their consent will be required before a 75% shareholders' resolution on designating that a person is an "Affiliate" for the purposes of the Articles of Association;
- each of NMT, Tencent and MIH shall be entitled to meet with the management of MGL quarterly to discuss any accounts and reports of MGL and to review progress made in achieving MGL's budget and business plan;

- MGL has passed a resolution that, in order for the Naspers Group to comply with its mandatory public financial reporting obligations resulting from its listing on the Johannesburg Stock Exchange, MGL will provide the Naspers Group with (i) analyses, work papers, schedules and supporting information sufficient to allow the Naspers Group to reflect the effect of material transactions and events on MGL and (ii) access for the Naspers Group and its auditors to MGL's CFO and Audit Committee in order to clarify any questions they may have in relation to any material transactions or events, such as to permit compliance with its financial reporting obligations; this resolution may not be revoked or amended without a 75% shareholders' resolution (see "*Corporate Governance—Interests of Members of our Board of Directors and our employees*"); and
- the definitions of "Designated Member" and "Key Russian Shareholder" included in the Memorandum and Articles of Association, shall not be amended without both (i) a 75% shareholders' resolution and (ii) the written consent of the person so designated.

The Investors' Rights Agreement includes an anti-avoidance provision.

The Investors' Rights Agreement is governed by English law.

Voting Agreement

On April 25, 2014, NMT group and MIH entered into a voting agreement, which specifies how each shareholder will cast their voting rights in electing the eight directors nominated and elected by the members (the "Elected Directors") pursuant to the Articles of Association.

A summary of the voting arrangements is as follows:

- As long as MIH and NMT Group (each together with any of their Affiliates) in aggregate hold a majority of the voting power of MGL, MIH and NMT Group agree to have five candidates nominated by NMT Group as Elected Directors.
- The number of Elected Directors being candidates nominated by MIH will vary depending on the percentage of shares it holds against NMT Group's holding:
 - If MIH in aggregate holds either the same or a greater number of shares of any class in the company as or than NMT Group, MIH and NMT Group agree to have three candidates nominated by MIH as Elected Directors.
 - If MIH in aggregate holds at least 50% but less than 100% of Shares of any class in the company as or than NMT Group, MIH and NMT Group agree to have two candidates nominated by MIH as Elected Directors.
 - If MIH in aggregate holds at least one-third but less than 50% of Shares of any class in the company as or than NMT Group, MIH and NMT Group agree to have one candidate nominated by MIH as an Elected Director.

Acquisition of Outstanding Shares in VK.Com Limited

In April 2014, the Group acquired 100% of Bullion Development Limited, the beneficial owner of 12.0% shares of VK.Com Limited ("**VK**"). As a result of the acquisition, MGL had a 51.99% economic interest in VK.

On September 16, 2014 MGL entered into a share purchase agreement (the "**SPA**") relating to the purchase by MGL of shares representing 48.01% of VK held by Blesmir Development Limited and Palagon Limited. The consideration payable by MGL pursuant to the SPA was approximately \$1.47bn. The SPA contained certain limited representations, warranties and indemnities in favour of MGL.

Loan Agreement Relating to Acquisition of Outstanding Shares in VK.Com Limited

In September 2014 the Group entered into a loan agreement (the "**Loan Agreement**") with Gazprombank for RUB 22,037 million (the "**Loan**"). The Loan is guaranteed by MGL. The Loan matures on 10 September 2018 and has a fixed interest rate of 11.5%. The Loan Agreement contains restrictive financial and non-financial covenants that the Group is obliged to fulfill. Restrictive covenants include maintaining certain financial ratios.

PRINCIPAL SHAREHOLDERS

As at the date of this prospectus, MGL had issued a total of 11,500,100 Class A Shares and 208,582,082 Ordinary Shares and options over a total of 5,719,377 Ordinary Shares are outstanding. See “*Description of Share Capital and Certain Requirements of BVI Law*”.

Major Shareholders

The following section sets forth our shareholders who own at least 1% of our Class A Shares and Ordinary Shares as of the date of this prospectus, as they appear on our register of shareholders.

Shareholder	Total Class A Shares	Total Ordinary Shares	Total GDRs	Total % of issued share capital	Total % of votes cast at a General Meeting
MIH Mail Investment Company BV ⁽¹⁾	-	-	60,636,000	27.6	12.5
New Media and Technology Investment L.P. (“NMTI”) and Ardor Finance Limited ⁽²⁾	11,500,100	21,940,148	-	15.2	63.8
TCH Amur Limited ⁽³⁾	-	-	16,228,000	7.4	3.3
National City Nominees Limited ⁽⁴⁾	-	-	94,832,211 ⁽⁵⁾	43.0	19.6
Mail.Ru Employee Benefit Trustees Limited.....	-	10,977,971	-	5.0	0.0 ⁽⁶⁾

(1) Beneficially owned by Naspers Group.

(2) Beneficially owned by USM Holdings Limited (“USM”). Mr Usmanov is ultimately the largest beneficial owner of USM with 48% voting and economic rights. Mr. Skoch holds a 30% economic interest in USM but has no voting rights. Mr. Moshiri has a 10% economic and voting interest in USM as well as an additional 30% voting interest in shares in which Mr. Skoch has the economic interest. MGL understands that 10% of the USM shares were allocated among various senior executives, including Ivan Streshinsky, Ivan Tavrin, and other members of the Board of Directors of USM. The remaining 2% of the USM shares are held by two other long term partners of Mr. Usmanov.

(3) Beneficially owned by Tencent Limited.

(4) The Custodian for the Depositary.

(5) Except for GDRs held by MIH Mail Investment Company BV and TCH Amur Limited .

(6) Mail.Ru Employee Benefit Trustees Ltd waived its voting rights.

New Media and Technology Investment L.P. and Ardor Finance Limited (“NMT Group”) currently holds 63.8% of the votes cast at a General Meeting of MGL. NMT Group is ultimately controlled by USM Holdings Limited. Mr. Usmanov is the largest beneficial owner of USM Holdings Limited with a total economic and voting interest in USM Holdings Limited of 48%. Mr. Moshiri also has a substantial voting interest in USM. This level of voting power in MGL means that at the board of directors election NMT Group can appoint five out of eight of the elected directors of MGL (the remaining two independent directors are appointed by the majority vote of the Board), which enables NMT Group to exercise significant influence over the management of MGL and strategic decisions taken by the Board. In addition, NMT Group has, directly or indirectly, the power, among other things, to pass ordinary resolutions of MGL.

USM Holdings Limited and its individual beneficial owners have a number of other business interests in a variety of sectors, and although none of these other business interests are currently in direct competition with the Group in any of the markets in which the Group operates, the shareholders and directors of MGL are generally not prohibited from owning or acquiring interests in companies which could compete with the Group in the future for investments or business. As such, USM Holdings Limited and its individual beneficial owners’ interests may potentially conflict with the interests of other investors. See “*Risk Factors—Risks Related to our Business—Risks Relating to Corporate Governance Matters—NMT Group holds the majority of voting rights in MGL and its interests may conflict with the interests of investors*”.

Except for the additional rights attached to Class A Shares and rights arising from the Investors’ Rights Agreement, none of our shareholders has any voting rights different from any other holders of our shares. We are not aware of any arrangements that may result in a change of control.

DESCRIPTION OF SHARE CAPITAL AND CERTAIN REQUIREMENTS OF BVI LAW

We describe below our share capital, the material provisions of our memorandum and articles of association in effect on the date of this prospectus and certain requirements of BVI law. This description, however, is not complete and is qualified in its entirety by reference to our memorandum and articles of association and any applicable BVI law. References in this section to “we”, “us” and “our” refer to MGL only.

Description of Authorised and Issued Share Capital

The authorised and issued share capital of MGL, as at the date of this prospectus, is as follows:

Class of Shares	Authorised		Issued	
	Number	Nominal Amount	Number	Nominal Amount
Class A Shares	10,000,000,000	U.S.\$0.000005	11,500,100	U.S.\$0.000005
Ordinary Shares	10,000,000,000	U.S.\$0.000005	208,582,082	U.S.\$0.000005

The Class A Shares and the Ordinary Shares are all in registered form and are denominated in U.S. dollars. Both Class A Shares and the Ordinary Shares are freely transferable.

MGL does not issue certificates in respect of its shares other than as required by the Depositary, but any shareholder may request MGL Secretary to provide such shareholder with an extract from the share register showing that shareholder's shareholding.

In respect of Ordinary Shares, GDRs representing interests in those Ordinary Shares have been issued by Citibank NA and are traded on the London Stock Exchange.

As at the date of this prospectus, MGL had issued a total of 220,082,182 shares comprising of 11,500,100 Class A Shares and 208,582,082 Ordinary Shares.

History of the share capital of MGL

Since January 1, 2010, there have been the following changes in the authorised and issued share capital of MGL:

- at January 1, 2010, the number of issued shares was 62,670, divided into 61,887 Ordinary Shares and 783 Class B Shares, and in addition, MGL had issued 9,333 Class C Shares. The number of authorised shares was 5,000,000 Ordinary Shares, 8,374 Class B Shares and 9,333 Class C Shares, each with a nominal value of US\$0.01;
- by a shareholders' resolution on April 12, 2010, the issuance and allotment of 8,114 Ordinary Shares;
- by a shareholders' resolution on April 12, 2010, an amendment to the Memorandum and Articles of Association to effect the redesignation of all Ordinary Shares as Class A Shares, with twenty-five votes per share, and all Class B Shares as Ordinary Shares, with one vote per share. The authorised share capital of MGL was therefore US\$110,000, divided into 5,000,000 Class A Shares, 5,000,000 Ordinary Shares and 1,000,000 Class C Shares, each class with a nominal value of US\$0.01 per share;
- at June 30, 2010, the number of issued shares was 70,799, divided into 61,902 Class A Shares and 8,897 Ordinary Shares, and in addition, MGL had issued 9,333 Class C Shares. The number of authorised shares was 5,000,000 Class A Shares, 5,000,000 Ordinary Shares and 1,000,000 Class C Shares, each class with a nominal value of US\$0.01 per share;
- by a shareholders' resolution on July 13, 2010, the issuance and allotment of 21,561 Class A Shares, 3,649 Ordinary Shares and the redemption and cancellation of 9,333 Class C Shares reducing the total Class C Shares to 0;
- by a shareholders' resolution on October 1, 2010, the subdivision of each of the issued and unissued Class A Shares of US\$0.01 par value into 2,000 Class A shares of US\$0.000005 par value (including the original share), resulting in a total Class A Share issuance of 151,698,000 shares;

- by a shareholders' resolution on October 1, 2010, the subdivision of each of the issued and unissued Ordinary Shares of US\$0.000005 par value into 2000 Class A shares of US\$0.000005 par value (including the original share), resulting in a total Ordinary Share issuance of 40,824,000 shares;
- at October 4, 2010, the number of issued shares was 192,522,000, divided into 151,698,000 Class A Shares and 40,824,000 Ordinary Shares. The number of authorised shares was 10,000,000,000 Class A Shares, 10,000,000,000 Ordinary Shares;
- in July 2014, the number of issued shares was 209,104,211, divided into 11,500,100 Class A Shares and 197,604,111 Ordinary Shares. The number of authorised shares is 10,000,000,000 Class A Shares and 10,000,000,000 Ordinary Shares; and
- in March 2015, the shareholders of MGL approved the issue of 10,977,971 Ordinary shares, all of which have been issued, which resulted in the total number of issued shares as at the date of this prospectus being 220,082,182, divided into 11,500,100 Class A Shares and 208,582,082 Ordinary Shares. The number of authorised shares is 10,000,000,000 Class A Shares and 10,000,000,000 Ordinary Shares.

Memorandum and Articles of Association

The Memorandum and Articles of Association of MGL contain provisions (amongst others) to the following effect:

Objects

Under its Memorandum of Association, MGL has full capacity to carry on or undertake any business or activity, or enter into any transaction.

Rights attaching to shares

Voting Rights

Each Class A Share has the right to twenty-five votes at a meeting of the shareholders of MGL or on any resolution of the shareholders of MGL.

Each Ordinary Share has the right to one vote at a meeting of the shareholders of MGL or on any resolution of the shareholders of MGL.

Votes by Non Russian Shareholders are capped at 35%. See "*Corporate Governance—Limitations on voting power of non Russian Shareholders*". When a Non Russian Shareholder exceeds this threshold, the excess votes are disregarded, increasing the effective voting power of the remaining shareholders.

Redemption Rights

MGL may, subject to any limitations imposed by the BVI Business Companies Act, 2004 and its Articles of Association, purchase, redeem or otherwise acquire and hold its own shares but only out of surplus or in exchange for newly issued shares of equal value.

Issue of shares and pre-emptive rights

The Directors may offer, allot, grant options over, or otherwise dispose of shares to such persons at such times and for such cash consideration and generally on such terms and conditions as the Directors may determine by resolution, provided that no shares shall be issued at a discount below their par value. However, the issue of Ordinary Shares (including the issue of securities that are convertible into Ordinary Shares and the grant of options over Ordinary Shares) require a simple resolution of the shareholders and the issue of Class A Shares requires a 75% shareholders' resolution (including the issue of securities that are convertible into Class A Shares and the grant of options over Class A Shares). Non-cash issues also require a 75% shareholders' resolution.

Moreover, unless disapplied by a 75% shareholders' resolution, MGL shall not issue Class A Shares or Ordinary Shares without offering to each shareholder such amount of Class A Shares and/or Ordinary Shares as may be necessary to maintain the same percentage economic interest in the shares as such shareholder had immediately prior to the new share issue.

If the preemption rights are disapplied by a 75% shareholders' resolution but the resolution is not approved by 100% of the shareholders, MGL may still, at its discretion, offer to some or all of the shareholders who did not approve the resolution such number of shares as may be necessary to maintain the same percentage economic interest in the shares as such shareholder had immediately prior to the new share issue.

See also "*Material Contracts—Investors' Rights Agreement*".

Conversion

Upon written request to the Board made by a member holding any Class A Shares, such shares (in respect of which the request is made) shall automatically convert into Ordinary Shares on the basis that each Class A Share shall automatically convert into one Ordinary Share and the Ordinary Shares resulting from such conversion shall rank *pari passu* in all respects with the existing Ordinary Shares then in issue.

See also "*Material Contracts—Investors' Rights Agreement*".

Right of First Offer

The shares are freely transferable and rights of first offer do not apply.

Dividends

MGL may by a resolution of the Directors or a shareholders' resolution declare and pay dividends in money, shares, or other property but dividends shall only be declared and paid out of surplus. In the event that dividends are paid in specie, the Directors shall have responsibility for establishing and recording in the resolution of directors authorising the dividends, a value for the assets to be so distributed. Interim dividends may be paid from time to time as appear to the Directors to be justified by the profits of MGL.

All dividends unclaimed for 3 years after having been declared may be forfeited by resolution of the Directors for the benefit of MGL.

The Class A Shares and the Ordinary Shares have the right to an equal share in any dividend or other distribution paid by MGL, and any dividend or other distribution may only be declared and paid by MGL to the holders of the Class A Shares and the Ordinary Shares together.

See "*Dividend Policy*".

Variation of rights

Any amendment to the Memorandum and Articles of Association of MGL that varies or affects the rights attached to any class of share requires a resolution of 75% of the shareholders of that class.

See also "*Material Contracts—Investors' Rights Agreement*".

Mortgages and charges of shares

Any shareholder is entitled to mortgage or charge its shares in MGL without any restriction.

Distribution of assets on a liquidation

Class A Shares and Ordinary Shares have the right to an equal share in the distribution of any surplus assets of MGL upon the winding-up of MGL, and rank *pari passu* with all other Class A Shares and Ordinary Shares.

TERMS AND CONDITIONS OF THE GLOBAL DEPOSITARY RECEIPTS

The following terms and conditions (the “**Conditions**”) will apply to the GDRs and will be endorsed on each GDR certificate (the “**GDR Certificates**”):

The GDRs are issued in respect of the ordinary shares, nominal value U.S.\$0.000005 each (the “**Shares**”), of Mail.Ru Group Limited (the “**MGL**”) pursuant to and subject to (i) in the case of the Regulation S GDRs, the Regulation S Deposit Agreement, dated November 8, 2010 (the “**Regulation S Deposit Agreement**”), by and between MGL and Citibank, N.A., as depositary (the “**Depositary**”), and, in the case of the Rule 144A GDRs, the Rule 144A Deposit Agreement, dated November 8, 2010 (the “**Rule 144A Deposit Agreement**” and together with the Regulation S Deposit Agreement, the “**Deposit Agreements**”), by and between MGL and the Depositary. Each GDR represents the right to receive, subject to the terms of the Deposit Agreements and the Conditions, one (1) Share on deposit under the terms of the Deposit Agreements.

Pursuant to the provisions of the Deposit Agreements, the Depositary has appointed Citibank International PLC as custodian to receive and hold on its behalf the Shares from time to time deposited under the Deposit Agreements (the “**Deposited Shares**”), and all rights, securities, property and cash deposited with the Custodian which are attributable to the Deposited Shares (such rights, securities, property and cash together with the Deposited Shares, the “**Deposited Property**”). The Depositary shall hold Deposited Property for the benefit of the Holders and Beneficial Owners (each as defined below) as bare trustee in proportion to the number of Shares in respect of which the GDRs held by them are issued. In the Conditions references to the “**Depositary**” are to Citibank, N.A. and/or any other Depositary which may from time to time be appointed under the Deposit Agreements, references to the “**Custodian**” are to Citibank International plc or any other Custodian from time to time appointed under the Deposit Agreements and references to the “**Office**” mean, in relation to the Custodian, the principal office of the Custodian in London (currently at 33 Canada Square, London E14 5LB).

References in the Conditions to the GDRs shall include the GDRs issued pursuant to the terms of the Regulation S Deposit Agreement (the “**Regulation S GDRs**”) and the GDRs issued pursuant to the terms of the Rule 144A Deposit Agreement (the “**Rule 144A GDRs**”).

References in the Conditions to the “**Holder**” of any GDR shall mean the person registered as Holder on the books of the Depositary maintained for such purpose. References in the Conditions to “**Beneficial Owner**” of any GDR shall mean any person or entity having a beneficial interest deriving from the ownership of the GDRs. The Conditions include summaries of, and are subject to, the detailed provisions of the Deposit Agreements, which include the forms of the applicable GDR Certificate in respect of the GDRs. Copies of the Deposit Agreements are available for inspection at the principal office of the Depositary. Holders and Beneficial Owners are deemed to have notice of, and be bound by, all of the provisions of the Deposit Agreements. Terms used in the Conditions and not defined herein but which are defined in the Deposit Agreements have the meanings ascribed to them in the Deposit Agreements.

The Depositary shall hold Deposited Property for the benefit of the Holders and Beneficial Owners as bare trustee in proportion to the number of Shares in respect of which the GDRs held by them are issued and the Holders and Beneficial Owners will accordingly be tenants in common of such Deposited Property to the extent of the Deposited Property corresponding to the GDRs in respect of which they are the Holders. For the avoidance of doubt, in acting hereunder the Depositary shall have only those duties, obligations and responsibilities expressly specified in the Deposit Agreements and the Conditions and, other than holding the Deposited Property as bare trustee as aforesaid, does not assume any relationship of trust for or with the Holders or the Beneficial Owners or any other person. Any right or power of the Depositary in respect of Deposited Property is reserved by the Depositary under its declaration of trust contained in this paragraph and is not given by way of grant by any Holder or Beneficial Owner.

Holders and Beneficial Owners of GDRs are not parties to the Deposit Agreements and thus, under English Law, have no contractual rights against, or obligations to, MGL or Depositary. However, the Deed Poll executed by MGL in favour of the Holders provides that, if MGL fails to perform the obligations imposed on it by certain specified provisions of the Deposit Agreements, any Holder may enforce the relevant provisions of the Deposit Agreements as if it were a party to the Deposit Agreements and was the “**Depositary**” in respect of that number of Deposited Shares to which the GDRs of which it is the Holder relates.

Holders and Beneficial Owners are deemed, by virtue of being a Holder or Beneficial Owner and owning, acquiring or holding, as the case may be, a GDR, to have notice of and be bound by all applicable provisions of the Deposit Agreements and the Conditions. The Depositary is under no duty to enforce any of the provisions of the Deposit Agreements or the Conditions on behalf of any Holder or Beneficial Owner of a GDR or any other person.

*GDRs will initially take the form of global GDRs evidenced by one or more Master GDR Certificates (each a “**Master GDR Certificate**”) registered (i) in the case of Regulation S GDRs, in the name of Citivic Nominees Limited as nominee for Citibank Europe Plc, as Common Depositary (the “**Common Depositary**”), and will initially be held by the*

Common Depositary for Clearstream Banking, Société Anonyme (“**Clearstream**”) and Euroclear Bank, S.A./N.V., as operator of the Euroclear System (“**Euroclear**”), for the account of accountholders in Euroclear or Clearstream (“**Euroclear Participants**” and “**Clearstream Participants**”, respectively), as the case may be, and (ii) in the case of Rule 144A GDRs, in the name of “Cede & Co.”, as nominee for The Depository Trust Company (DTC) for the account of accountholders in DTC (“**DTC Participants**”). The Master GDR Certificates will be exchangeable for a certificate evidencing GDRs (“**GDR Certificate**”) in definitive registered form in the limited circumstances as described below.

If at any time DTC, Euroclear or Clearstream, as the case may be, ceases to make its respective book-entry settlement systems available for the GDRs, MGL and the Depositary will attempt to make other arrangements for book-entry settlement. If alternative book-entry settlement arrangements cannot be made, the Depositary will make available GDR Certificates in definitive registered form.

Under the terms of the GDRs, each purchaser of GDRs is deemed to have represented and agreed, among other things, that the GDRs have not been and will not be registered under the Securities Act and may be offered, sold, pledged or otherwise transferred only in a transaction exempt from the registration requirements of the Securities Act. Each GDR will contain a legend to the foregoing effect.

1. Deposit of Shares

- A. The Depositary may, in accordance with the terms of the Deposit Agreements but subject to the Conditions, and upon delivery of (x) a duly executed order (in a form approved by the Depositary) and (y) a duly executed deposit certificate substantially in the form attached to the Deposit Agreements by or on behalf of any investor who is to become the Beneficial Owner of the GDRs from time to time issue and deliver further GDRs having the same terms and conditions as the GDRs which are then outstanding in all respects and, subject to the terms of the Deposit Agreements, the Conditions and applicable law, the Depositary shall accept for deposit any further Shares in connection therewith, so that such further GDRs shall form a single series with the already outstanding GDRs. References in the Conditions to the GDRs include (unless the context requires otherwise) any further GDRs issued pursuant to this Condition and forming a single series with the already outstanding GDRs.

The deposit certificate to be provided pursuant to the Regulation S Deposit Agreements certifies, among other things, that the person providing such certificate is not an “affiliate” of MGL, is located outside the United States and will comply with the restrictions on transfer applicable to Regulation S GDRs set forth under “Selling and Transfer Restrictions—Transfer Restrictions”.

The deposit certificate to be provided pursuant to the Rule 144A Deposit Agreements certifies, among other things, that the person providing such certificate is not an “affiliate” of MGL, is a “Qualified Institution Buyer” (as defined in Rule 144A under the Securities Act), and will comply with the restrictions on transfer applicable to Rule 144A GDRs set forth under “Selling and Transfer Restrictions—Transfer Restrictions”.

- B. Subject to the terms and conditions of the Deposit Agreements and applicable law, upon (i) physical delivery to the Custodian of Shares, or book-entry transfer of, Shares to an account of the Custodian, (ii) delivery to the Depositary of the applicable deposit certificate, and (iii) payment of necessary taxes, governmental charges (including transfer taxes) and other charges as set forth in the Deposit Agreements and fees of the Depositary as set forth in Clause 10.1 of the Deposit Agreements and Condition 19, the Depositary will (i) adjust its records for the number of GDRs issued in respect of the Shares so deposited, (ii) notify DTC or the Common Depositary, as the case may be, to increase the number of GDRs evidenced by a Master GDR Certificate, and (iii) make delivery of the GDRs so issued to the applicable DTC, Euroclear or Clearstream Participant specified in the applicable order received for such purpose.

Each person receiving a GDR will be deemed to make the representations, covenants and acknowledgements set forth under “Selling and Transfer Restrictions—Transfer Restrictions”.

- C. Subject to the limitations set forth in the applicable Deposit Agreements and applicable law, the Depositary may (but is not required to) issue GDRs prior to the delivery to it of Shares in respect of which such GDRs are to be issued against evidence to receive rights from MGL (or any agent of MGL involved for MGL in the maintenance or ownership or transactions records for the Shares) in the form of a written blanket or specific guarantee of ownership furnished by MGL (or any agent of MGL involved for MGL in the maintenance or ownership or transactions records for the Shares). No such issue will be deemed a “Pre-Release Transaction” as defined in Condition 1E.

- D. Any further GDRs issued pursuant to Condition 1(A) which (i) represent Shares which have rights (whether dividend rights or otherwise) which are different from the rights attaching to the Shares represented by the outstanding GDRs, or (ii) are otherwise not fungible (or are to be treated as not fungible) with the outstanding GDRs, will, subject to Clause 3 of the Deposit Agreements be represented by a separate Master Partial Entitlement GDR Certificate. Upon becoming fungible with outstanding GDRs, such further GDRs shall be evidenced by a Master GDR Certificate (by increasing the total number of GDRs evidenced by the relevant Master GDR Certificate or by the number of such further GDRs, as applicable).
- E. Subject to the further terms and provisions of the Deposit Agreements, Citibank, N.A., its agents and affiliates, on their own behalf, may own and deal in any class of securities of MGL and its affiliates and in GDRs. In its capacity as Depositary, the Depositary shall not lend Shares or GDRs; provided, however, that the Depositary may (i) issue GDRs prior to the receipt of Shares pursuant to Condition 1 and Clause 3 of the Deposit Agreements, and (ii) deliver Shares prior to the receipt and cancellation of GDRs pursuant to Condition 2 and Clause 3 of the Deposit Agreements, including GDRs which were issued under (i) above but for which Shares may not have been received (each such transaction a “**Pre-Release Transaction**”). The Depositary may receive GDRs in lieu of Shares under (i) above and receive Shares in lieu of GDRs under (ii) above. Each such Pre-Release Transaction will be (a) subject to a written agreement whereby the person or entity (the “**Applicant**”) to whom GDRs or Shares are to be delivered (w) represents that at the time of the Pre-Release Transaction the Applicant or its customer owns the Shares or GDRs that are to be delivered by the Applicant under such Pre Release Transaction, (x) agrees to indicate the Depositary as owner of such Shares or GDRs in its records and to hold such Shares or GDRs in trust for the Depositary until such Shares or GDRs are delivered to the Depositary or the Custodian, (y) unconditionally guarantees to deliver to the Depositary or the Custodian, as applicable, such Shares or GDRs, and (z) agrees to any additional restrictions or requirements that the Depositary deems appropriate, (b) at all times fully collateralised with cash, U.S. government securities or such other collateral as the Depositary deems appropriate, (c) terminable by the Depositary on not more than five (5) business days’ notice, and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The Depositary will normally limit the number of GDRs and Shares involved in such Pre-Release Transactions at any one time to thirty percent (30%) of the GDRs outstanding (without giving effect to GDRs outstanding under (i) above), provided, however, that the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate. The Depositary may also set limits with respect to the number of GDRs and Shares involved in Pre Release Transactions with any one person on a case by case basis as it deems appropriate.

The Depositary may retain for its own account any compensation received by it in connection with the foregoing. Collateral provided pursuant to (b) above, but not the earnings thereon, shall be held for the benefit of the Holders (other than the Applicant). The Depositary may require that the person to whom any Pre Release Transaction is to be made pursuant to this Condition 1(E) deliver to the Depositary a duly completed certification and agreement in substantially the form set forth as Schedule 3 Part A to the Deposit Agreements.

- F. Any person delivering Shares for deposit under the Deposit Agreements and Condition 1 and any Holder or Beneficial Owner may be required and will be deemed to accept, by virtue of being a Holder or a Beneficial Owner, that, from time to time, it will be required to furnish the Depositary or the Custodian with such proof, certificates and representations and warranties as to matters of fact, including without limitation the citizenship and residence of the depositor, taxpayer status, payment of all applicable taxes or governmental charges, exchange control approvals, legal or beneficial ownership of GDRs and Deposited Property, compliance with all applicable laws, the terms of the Deposit Agreements, the Conditions and the provisions of, or governing, the Deposited Property and the identity and genuineness of any signature on any of the supporting instruments or other documents, and with such further documents and information as the Depositary may deem necessary or appropriate for the administration or implementation of the Deposit Agreements and the Conditions. The Depositary, the Registrar or the Custodian may withhold acceptance of Shares for deposit, withhold delivery or registration of issuance or transfer of all or part of any GDR Certificate, withhold adjustment of the Master GDR Certificate to reflect increases in Shares represented thereby or withhold the distribution or sale of any dividend or distribution of rights or of the net proceeds of the sale thereof or the delivery of any Deposited Property, until such proof or other information is filed or such certifications are executed, or such representations are made or such other documentation or information is provided in each case to the satisfaction of the Depositary, the Registrar or the Custodian.
- G. Notwithstanding anything else contained in the Deposit Agreements or the Conditions, the Depositary shall not be required to accept for deposit or maintain on deposit with the Custodian (a) any fractional

Shares or fractional Deposited Property, or (b) any number of Shares or Deposited Property which, upon application of the ratio of GDRs to Shares or Deposited Property, as the case may be, would give rise to fractional GDRs.

- H. Each person depositing Shares under the Deposit Agreements and the Conditions shall be deemed thereby to represent and warrant that (i) such Shares (and the certificates therefor) are duly authorised, validly issued, fully paid, nonassessable and legally obtained by such person, (ii) all pre-emptive (and similar) rights with respect to such Shares have been validly waived or exercised, (iii) the person making such deposit is duly authorised so to do, (iv) the Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, and (v) the Shares presented for deposit have not been stripped of any rights or entitlements, and are not, and the Regulation S GDRs will not be, restricted securities within the meaning of Rule 144(a)(3) under the Securities Act. Such representations and warranties shall survive the deposit and withdrawal of Shares and the issuance and cancellation of GDRs in respect thereof and the transfer of such GDRs. If any such representations or warranties are false in any way, MGL and the Depositary shall be authorised, at the cost and expense of the person depositing Shares, to take any and all actions necessary to correct the consequences thereof.

Each person depositing Shares, taking delivery of or transferring GDRs or any beneficial interest therein, or surrendering GDRs or any beneficial interest therein and withdrawing Shares under the Deposit Agreements and the Conditions shall be deemed thereby to acknowledge that the GDRs and the Shares represented thereby have not been and will not be registered under the Securities Act, and may not be offered, sold, pledged or otherwise transferred except in accordance with the restrictions on transfer set forth in the applicable Securities Act Legend, and such person shall be deemed thereby to represent and warrant that such deposit, transfer or surrender or withdrawal complies with the foregoing restrictions. Such representations and warranties shall survive any such deposit, transfer or surrender and withdrawal of the Shares or the GDRs or any beneficial interest therein.

2. Withdrawal of Deposited Property

- A. Subject to the terms and provisions of the Deposit Agreements, the Conditions and applicable law, any Holder may request withdrawal of the Deposited Property attributable to any GDR upon production of such evidence that such person is the Holder of, and entitled to, the relative GDR as the Depositary may reasonably require at the principal office of the Depositary accompanied by:
- (i) a duly executed order (in a form approved by the Depositary) requesting the Depositary to cause the Deposited Property being withdrawn or evidence of the electronic transfer thereof to be delivered to or upon the order in writing of, the person or persons designated in such order or;
 - (ii) the payment of such fees, taxes, duties, charges and expenses as may be required under the Conditions or the Deposit Agreements including, but not limited to the fees of the Depositary set forth in Clause 10.1 of the Deposit Agreements and Condition 19;
 - (iii) (x) surrender of a GDRs Certificate at the Principal New York Office or Principal London Office of the Depositary, if DTC, Euroclear or Clearstream book-entry settlement system is not then available for GDRs, or (y) receipt by the Depositary at the Principal New York Office of instructions from DTC, Euroclear or Clearstream, or a Participant, or their respective nominees, on behalf of any Beneficial Owner together with a corresponding credit to the Depositary's account at DTC, Euroclear or Clearstream for the GDRs so surrendered, if the book-entry settlement system is then available for GDRs, in either case for the purpose of withdrawal of the Deposited Property represented thereby; and
 - (iv) the delivery to the Depositary of, in the case of Rule 144A GDRs, a duly executed and completed withdrawal certificate pursuant to the Rule 144A Deposit Agreement.
- B. Withdrawals of Deposited Shares may be subject to such transfer restrictions or certifications, as MGL or the Depositary may from time to time determine to be necessary for compliance with applicable laws.
- C. Upon production of such documentation and the making of such payment as aforesaid in accordance with paragraph (A) of this Condition 2, the Depositary will direct the Custodian, within a reasonable time after receiving such direction from such Holder, to deliver at its office to, or to the order in writing of, the person(s) designated in the accompanying order:

- (i) a certificate for, or other appropriate instrument of title to, or evidence of book-entry transfer of, the relevant Deposited Shares, registered in the name of the Depositary or its nominee and accompanied by such instruments of transfer in blank or to the person or persons specified in the order for withdrawal and such other documents, if any, as are required by law for the transfer thereof; and
- (ii) all other property forming part of the Deposited Property attributable to such GDR, accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof as aforesaid or evidence of the electronic transfer of such other Deposited Property;

provided that the Depositary:

- (x) may make delivery of (a) any cash dividends or cash distributions or (b) any proceeds from the sale of any distributions of Shares or rights which are held by the Depositary in respect of the Deposited Property represented by the GDRs surrendered for cancellation and withdrawal; and
- (y) at the request, risk and expense of any Holder surrendering a GDR for cancellation and withdrawal, will direct the Custodian to forward any cash or other property (other than securities) held by the Custodian in respect of the Deposited Property represented by such GDRs to the Depositary,

in each case at the principal office from time to time of the Depositary located in New York or London (if permitted by applicable law from time to time).

- D. Delivery by the Depositary and the Custodian of all certificates, instruments, dividends or other property forming part of the Deposited Property as specified in this Condition will be made subject to any laws or regulations applicable thereto.
- E. If any GDR surrendered and cancelled represent fractional entitlements in Deposited Property, the Depositary shall cause the appropriate whole number of Deposited Property to be withdrawn and delivered in accordance with the terms of the Deposit Agreements and this Condition 2 and shall, at the discretion of the Depositary, either (i) issue and deliver to the person surrendering such GDR a new GDR representing any remaining fractional Share, or (ii) sell or cause to be sold the fractional Share represented by the GDR surrendered and remit proceeds of such sale (net of (a) fees and charges of, and expenses incurred by, the Depositary, and (b) taxes withheld) to the person surrendering the GDR.
- F. Notwithstanding anything to the contrary in the Deposit Agreements or the Conditions, the Depositary shall not knowingly accept any Rule 144A GDRs for cancellation and withdrawal of the Deposited Property represented thereby if the recipient thereof has instructed the deposit of such Deposited Property into any unrestricted depositary receipts facility the depositary receipts of which are not “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, unless the Depositary shall have received an opinion of counsel reasonably satisfactory to it stating that the Deposited Property so withdrawn are not at such time “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act.

3. Suspension of Issue of GDRs and of Withdrawal of Deposited Property

The issuance and delivery of GDRs against deposits of Shares generally or deposits of particular Shares may be suspended or withheld, or the registration of transfer of GDR Certificates in particular instances may be refused, or the registration of transfers generally may be suspended or refused, during any period when the transfer books of the Depositary, MGL, a registrar of GDRs or any registrar of Shares are closed, or if any such action is deemed necessary or advisable by MGL or the Depositary in good faith, at any time or from time to time because of any requirement of law, any government or governmental body or commission or any securities exchange on which the GDRs or Shares are listed, or under any provision of the Deposit Agreements, the Conditions, or the provisions of or governing the Deposited Property, or any meeting of shareholders of MGL or for any other reason. The Depositary may restrict the transfer of Deposited Shares where MGL notifies the Depositary in writing that such transfer would result in ownership of Shares exceeding any limit under any applicable law, government resolution or the Articles of Association or would otherwise violate any applicable laws.

The Depositary will refuse to accept Shares for deposit under the Rule 144A Deposit Agreement, if it has been notified by MGL in writing that the Deposited Shares or any depositary receipts corresponding to Shares are listed

on a U.S. Securities Exchange or quoted on a U.S. automated inter dealer quotation system unless accompanied by evidence satisfactory to the Depositary that any such Shares are eligible for resale pursuant to Rule 144A.

Notwithstanding any provision of the Deposit Agreements, the Conditions or any GDR Certificate to the contrary, Holders and Beneficial Owners are entitled to surrender outstanding GDRs to withdraw the Deposited Shares at any time subject only to (i) temporary delays caused by closing the transfer books of the Depositary or MGL or the deposit of Shares in connection with voting at a shareholders' meeting or the payment of dividends, (ii) the payment of fees, taxes and similar charges, (iii) compliance with any laws or governmental regulations relating to the GDRs or to the withdrawal of the Deposited Shares.

4. Transfer and Ownership

- A. GDRs are issued in registered form. Title to the GDRs passes by registration in the records of the Depositary. The Depositary will refuse to accept for transfer any GDRs if it reasonably believes that such transfer would result in a violation of applicable laws. The Holder of any GDR will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not any payment or other distribution in respect of such GDR is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, any certificate issued in respect of it) and no person will be liable for so treating the Holder.

The Depositary will maintain GDR Holder records, including a register of GDR Holders, at its principal office in New York.

Interests in the Rule 144A GDRs may be transferred to a person whose interest in such GDRs is subsequently represented by the Master Regulation S GDR Certificate only upon receipt by the Depositary of written certifications and agreements from the transferor under the Regulation S Deposit Agreement. Interests in Regulation S GDRs may be transferred to a person whose interest in such GDRs is subsequently represented by the Master Rule 144A GDR Certificate only upon receipt by the Depositary of written certifications and agreements from the transferor and transferee under the Rule 144A Deposit Agreement. Any interest in GDRs represented by one of the Master GDR Certificates that is transferred to a person whose interest in such GDRs is subsequently represented by the other Master GDR Certificate, will, upon transfer, cease to be an interest in the GDRs represented by such first Master GDR Certificate and, accordingly, will be subject to all transfer restrictions and other procedures applicable to interests in GDRs represented by such other Master GDR Certificate for so long as it remains such an interest.

For a description of the restrictions on the transfer of the GDRs see “*Selling and Transfer Restrictions*” and “*Subscription and Sale*”

- B. Notwithstanding any other provision of the Deposit Agreements or the Conditions, each Holder and Beneficial Owner, by virtue of their ownership of any GDR or any Deposited Property, shall be deemed thereby to agree to comply with requests from MGL or the Depositary pursuant to BVI laws and any stock exchange on which the Shares may be registered, traded or listed, if applicable, or the Articles of Association, which are made to provide information, *inter alia*, as to the capacity in which such Holder or former Holder, Beneficial Owner or former Beneficial Owner holds or held, owns or owned a beneficial ownership interest in GDRs (and Deposited Property, as the case may be) and regarding the identity of any other person interested in such GDRs (and Deposited Property), the nature of such interest and various related matters, whether or not they are Holders and/or Beneficial Owners at the time of such request.
- C. Applicable laws and regulations may require holders and beneficial owners of Shares, including the Holders and Beneficial Owners of GDRs, to satisfy reporting requirements or obtain regulatory approvals in certain circumstances. Holders and Beneficial Owners of GDRs are solely responsible for complying with such reporting requirements and obtaining such approvals. By virtue of their ownership of any GDR or any Deposited Property, each Holder and Beneficial Owner shall be deemed thereby to agree to file such reports and obtain such approvals to the extent and in the form required by applicable laws and regulations as in effect from time to time. None of the Depositary, the Custodian, MGL or any of their respective agents or affiliates shall be required to take any actions whatsoever on behalf of Holders or Beneficial Owners to satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

5. Cash Distributions

Whenever the Depositary receives confirmation from the Custodian of the receipt from MGL of any cash dividend or other cash distribution on or in respect of the Deposited Shares or receipt of proceeds from the sale of any Shares, rights, securities or other entitlements under the terms of the Deposit Agreements or the Conditions, the Depositary shall, if at the time of receipt thereof any amounts received in Foreign Currency can in the judgment of the Depositary (pursuant to Condition 11) be converted on a practicable basis into Dollars transferable to the U.S., promptly convert, or cause to be converted, such dividends, distribution or proceeds into Dollars in the terms described in Condition 11 and will promptly distribute the amount thus received (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes withheld) to the Holders entitled thereto. The Depositary shall distribute only such amount, however, as can be distributed without attributing to any Holder a fraction of one cent, and any balance not so distributable shall be held by the Depositary (without liability for interest thereon) and shall be added to and become part of the next sum received by the Depositary for distribution to Holders of GDRs then outstanding at the time of the next distribution. If MGL, the Custodian or the Depositary is required to withhold and does withhold from any cash dividend or other cash distribution in respect of any Deposited Property an amount on account of taxes, duties or other governmental charges, the amount distributed to Holders in respect of the GDRs representing such Deposited Property shall be reduced accordingly. Such withheld amounts shall be forwarded by MGL, the Custodian or the Depositary to the relevant governmental authority. Evidence of payment thereof by MGL shall be forwarded by MGL to the Depositary.

6. Distributions of Shares

If any distribution upon any Deposited Property consists of a dividend in, or free distribution of, Shares, MGL shall cause such Shares to be deposited with the Custodian and, if applicable, registered in the name of the Depositary, the Custodian or any of their nominees, as the case may be. Upon receipt of confirmation of such deposit from the Custodian, the Depositary shall establish the GDR Record Date upon the terms described in Condition 10 and shall, subject to the terms of the Deposit Agreements and the Conditions, either (i) distribute to the Holders as of the GDR Record Date in proportion to the number of GDRs held as of the GDR Record Date, additional GDRs, which represent the aggregate number of Shares received as such dividend or free distribution, subject to the other terms of the Deposit Agreements and Conditions and net of (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes, by either (x) if GDRs are not available in book-entry form, issuing additional GDR Certificates for an aggregate number of GDRs representing the number of Shares received as such dividend or free distribution, or (y) if GDRs are available in book-entry form, reflecting on the records of the Depositary such increase in the aggregate number of GDRs representing such Shares and give notice to the Common Depositary of the related increase in the number of GDRs evidenced by the Master GDR Certificate, or (ii) if additional GDRs are not so distributed, each GDR issued and outstanding after the GDR Record Date shall, to the extent permissible by law, thenceforth also represent rights and interests in the additional Shares distributed upon the Deposited Property represented thereby, net of (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes. In lieu of delivering fractional GDRs, the Depositary shall sell the number of Shares represented by the aggregate of such fractions and distribute the net proceeds of such sale upon the terms described in Condition 5. In the event that the Depositary determines that any distribution in Shares would violate applicable law, is not operationally practicable, is subject to any tax or other governmental charges which the Depositary is obligated to withhold, or if MGL, in the fulfillment of its obligations under Clause 7.1.5 of the Deposit Agreements, has furnished an opinion of U.S. counsel determining that the distribution to Holders of the Shares and the GDRs representing such Shares must be registered under the Securities Act or other laws in order to be distributed to Holders (and no such registration statement has been declared effective), the Depositary may dispose of all or a portion of such Shares in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable, and the Depositary shall distribute the net proceeds of any such sale, after deduction of (a) taxes and (b) fees and charges of, and expenses incurred by, the Depositary, to Holders entitled thereto upon the terms described in Condition 5. The Depositary shall hold and/or distribute any unsold balance of such property in accordance with the provisions of the Deposit Agreements and the Conditions.

7. Distributions Other than Cash or Shares

Whenever MGL intends to distribute to the holders of Deposited Property property other than cash, Shares or rights to purchase additional Shares, MGL shall give timely notice thereof to the Depositary in accordance with Clause 5.1 of the Deposit Agreements and shall indicate whether or not it wishes such distribution to be made available to Holders of GDRs. Upon receipt of a notice indicating that MGL wishes such distribution to be made available to Holders of GDRs, the Depositary shall consult with MGL, and MGL shall assist the Depositary, to determine whether such distribution is lawful and reasonably practicable. The Depositary shall not make such distribution unless (i) MGL shall have requested the Depositary to make such distribution to Holders, (ii) the Depositary shall have received satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreements, and (iii) the Depositary shall have determined that such distribution is reasonably practicable. Upon receipt of satisfactory documentation and the request of MGL to distribute property to Holders of GDRs and after

making the requisite determinations set forth above, the Depositary shall distribute the property so received to the Holders of record as of the GDR Record Date set in accordance with Condition 10, in proportion to the number of GDRs held by them respectively and in such manner as the Depositary may deem practicable for accomplishing such distribution (i) upon receipt of payment or net of the applicable fees and charges of, and expenses incurred by, the Depositary, and (ii) net of any taxes withheld. The Depositary may dispose of all or a portion of the property so distributed and deposited, in such amounts and in such manner (including public or private sale) as the Depositary may deem practicable or necessary to satisfy any taxes (including applicable interest and penalties) or other governmental charges applicable to the distribution. If (i) MGL does not request the Depositary to make such distribution to Holders or requests not to make such distribution to Holders, (ii) the Depositary does not receive satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreements, or (iii) the Depositary determines that all or a portion of such distribution is not reasonably practicable, the Depositary shall sell or cause such property to be sold in a public or private sale, at such place or places and upon such terms as it may deem practicable and shall (x) cause the proceeds of such sale, if any, to be converted into Dollars in accordance with Condition 11, and (y) distribute the proceeds of such conversion received by the Depositary (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes) to the Holders as of the GDR Record Date upon the terms of Condition 5. If the Depositary is unable to sell such property, the Depositary may dispose of such property in any way it deems reasonably practicable under the circumstances.

8. Rights Issues

- A. Whenever MGL intends to distribute to the holders of the Deposited Property rights to subscribe for additional Shares, MGL shall give notice thereof to the Depositary in accordance with Clause 5.1 of the Deposit Agreements stating whether or not it wishes such rights to be made available to Holders of GDRs. Upon timely receipt of a notice indicating that MGL wishes such rights to be made available to Holders of GDRs, the Depositary shall consult with MGL, and MGL shall assist the Depositary, to determine whether it is lawful and reasonably practicable to make such rights available to the Holders. The Depositary shall make such rights available to Holders only if (i) MGL shall have requested that such rights be made available to Holders in a timely manner, (ii) the Depositary shall have received satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreements, and (iii) the Depositary shall have determined that such distribution of rights is reasonably practicable. In the event any of the conditions set forth above are not satisfied or if MGL requests that the rights not be made available to Holders of GDRs, the Depositary shall proceed with the sale of the rights as contemplated hereinafter. In the event all conditions set forth above are satisfied, the Depositary shall (x) establish a GDR Record Date (upon the terms described in Condition 10), (y) establish procedures to distribute such rights (by means of warrants or otherwise) and to enable the Holders to exercise the rights (upon payment of (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes), and (z) issue and deliver GDRs upon the valid exercise of such rights. MGL shall assist the Depositary to the extent necessary in establishing such procedures.

Nothing herein shall obligate the Depositary to make available to the Holders a method to exercise such rights to subscribe for Shares (rather than for GDRs).

- B. If (i) MGL does not timely request the Depositary to make the rights available to Holders or requests that the rights not be made available to Holders, (ii) the Depositary fails to receive satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreements or determines it is not reasonably practicable to make the rights available to Holders, or (iii) any rights made available are not exercised and appear to be about to lapse, the Depositary shall determine whether it is lawful and reasonably practicable to sell such rights, in a riskless principal capacity, at such place and upon such terms (including public and private sale) as it may deem practicable. MGL shall assist the Depositary to the extent necessary to determine such legality and practicability. The Depositary shall, upon such sale, (x) cause the proceeds of such sale, if any, to be converted into Dollars upon the terms described in Condition 11, and (y) distribute the proceeds of such sale (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes) upon the terms set forth in Condition 5.

If the Depositary is unable to make any rights available to Holders upon the terms described in the Deposit Agreements or to arrange for the sale of the rights upon the terms described above, the Depositary shall allow such rights to lapse.

The Depositary shall not be responsible for (i) any failure to determine that it may be lawful or practicable to make such rights available to Holders in general or any Holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with any sale or exercise, or (iii) the content of any materials forwarded to the Holders on behalf of MGL in connection with the rights distribution.

- C. Notwithstanding anything to the contrary in the Deposit Agreements or this Condition 8, if registration (under the Securities Act or any other applicable law) of the rights or the securities to which any rights relate may be required in order for MGL to offer such rights or such securities to Holders and to sell the securities represented by such rights, the Depositary will not distribute such rights to the Holders unless and until a registration statement under the Securities Act covering such offering is in effect. In the event that MGL, the Depositary or the Custodian shall be required to withhold and does withhold from any distribution of rights an amount on account of taxes or other governmental charges, the amount distributed to the Holders of Rule 144A GDRs representing such Deposited Property shall be reduced accordingly. In the event that the Depositary determines that any distribution of Deposited Property or rights to subscribe therefor is subject to any tax or other governmental charges which the Depositary is obligated to withhold, the Depositary may dispose of all or a portion of such Deposited Property or rights to subscribe therefor in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable to pay any such taxes or charges. There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to exercise such rights on the same terms and conditions as the holders of Deposited Property or to exercise such rights. Nothing in the Deposit Agreements or this Condition 8 shall obligate MGL to file any registration statement in respect of any rights or Deposited Property or other securities to be acquired upon the exercise of such rights.

9. Redemption

If MGL intends to exercise any right of redemption in respect of any of the Deposited Property, MGL shall give notice thereof to the Depositary in accordance with Clause 5.2 of the Deposit Agreements which notice shall set forth the particulars of the proposed redemption. Upon receipt of such (i) notice and (ii) satisfactory documentation given by MGL to the Depositary within the terms of Clause 7.1.4 of the Deposit Agreements, and only if the Depositary shall have determined that such proposed redemption is practicable, the Depositary shall send to each Holder a notice in accordance with Condition 25 setting forth the intended exercise by MGL of the redemption rights and any other particulars set forth in MGL's notice to the Depositary. The Depositary shall instruct the Custodian to present to MGL the Deposited Property in respect of which redemption rights are being exercised against payment of the applicable redemption price. Upon receipt of confirmation from the Custodian that the redemption has taken place and that funds representing the redemption price have been received, the Depositary shall convert, transfer, and distribute the proceeds (net of applicable (a) fees and charges of, and the expenses incurred by, the Depositary, and (b) taxes), retire GDRs and cancel GDRs upon delivery of such GDRs by Holders thereof and on the terms set forth in the applicable Conditions. If less than all outstanding Deposited Property is redeemed, the GDRs to be retired will be selected by lot or on a pro rata basis, as may be determined by the Depositary. The redemption price per GDR shall be the per share amount received by the Depositary upon the redemption of the Deposited Property represented by GDRs (subject to the terms of the Deposit Agreements and the applicable fees and charges of, and expenses incurred by, the Depositary, and taxes) multiplied by the number of Deposited Property represented by each GDR redeemed.

10. GDR Record Dates

Whenever the Depositary shall receive notice of the fixing of a record date by MGL for the determination of holders of Deposited Property entitled to receive any distribution (whether in cash, Shares, rights or other distribution), or whenever, for any reason, the Depositary causes a change in the number of Deposited Property that are represented by each GDR, or whenever the Depositary shall receive notice of any meeting of, or solicitation of consents or proxies of, holders of Shares or other Deposited Property, or whenever the Depositary finds it necessary or convenient in connection with the giving of any notice, solicitation of any consent or any other matter, the Depositary, shall fix a record date (the "GDR Record Date") for the determination of the Holders of GDRs who shall be entitled to receive such dividend or distribution, to give instructions for the exercise of voting rights at any such meeting, or to give or withhold such consent, or to receive such notice or solicitation or to otherwise take action, or to exercise the rights of Holders with respect to such changed number of Deposited Property represented by each GDR. The Depositary shall make reasonable endeavours to establish the GDR Record Date as closely as possible to the applicable record date for the Deposited Property (if any) set by MGL in the BVI. Subject to applicable law and the provisions of the Deposit Agreements and Conditions, only the Holders of GDRs at the close of business in New York on such GDR Record Date shall be entitled to receive such distribution, to give such voting instructions, to receive such notice or solicitation, or otherwise take action.

11. Conversion of Foreign Currency

Whenever the Depositary or the Custodian shall receive any Foreign Currency by way of dividend or other distribution or as the net proceeds from the sale of securities, other property or rights, and if at the time of the receipt thereof the Foreign Currency so received can in the judgement of the Depositary be converted on a

practicable basis into Dollars transferable to the U.S. and distributed to the Holders entitled thereto, the Depositary shall convert or cause to be converted by sale or in any other manner that it may determine, the Foreign Currency so received into Dollars and shall distribute such Dollars (net of applicable fees, any reasonable and customary expenses incurred on behalf of Holders in complying with currency exchange control or other governmental requirements) in accordance with the terms of the applicable Conditions. If the Depositary shall have distributed warrants or other instruments that entitle the holders thereof to such Dollars, the Depositary shall distribute such Dollars to the holders of such warrants and/or instruments upon surrender thereof for cancellation, in either case without liability for interest thereon. Such distribution shall be made upon an averaged or other practicable basis without regard to any distinctions among Holders on account of any application of exchange restrictions or otherwise. If such conversion or distribution generally or with regard to a particular Holder can be effected only with the approval or license of any government or agency thereof, the Depositary shall have the authority, with the assistance of MGL, to file such application, for such approval or license, if any, as it may consider desirable. In no event, however, shall the Depositary be obligated to make such a filing. If at any time the Depositary shall determine that in its judgement the conversion of any currency other than Dollars and the transfer and distribution of proceeds of such conversion received by the Depositary is not practicable or lawful, or if any approval or license of any government or agency thereof which is required for such conversion, transfer or distribution is denied or, in the opinion of the Depositary, is not obtainable at a reasonable cost, or if any such approval or license is not obtained within a reasonable period as determined by the Depositary, the Depositary may in its discretion (i) make such conversion and distribution in Dollars to the Holders for whom such conversion, transfer and distribution is lawful and practicable, (ii) distribute the Foreign Currency (or an appropriate document evidencing the right to receive such Foreign Currency) to Holders for whom this is lawful and practicable, and (iii) hold (or cause the Custodian to hold) such Foreign Currency (without liability for interest thereon) for the respective accounts of, the Holders entitled to receive the same.

12. Distribution of any Payments

Any distribution of cash under Condition 5, 6, 7, 8, 9, 13 or 14 will be made by the Depositary to those Holders who are Holders of record on the GDR Record Date established by the Depositary in accordance with Condition 10 for that purpose and, distributions will be made in Dollars subject to Condition 11 by cheque drawn upon a bank in New York City or, in the case of the relevant Master GDR Certificate, according to usual practice between the Depositary and DTC, Clearstream, and Euroclear, as the case may be. The Depositary may deduct and retain from all moneys due in respect of such GDR in accordance with the Deposit Agreements all fees, taxes, duties, charges, costs and expenses which may become or have become payable under the Deposit Agreements or under applicable law in respect of such GDR or the relative Deposited Property.

13. Capital Reorganisation

Upon any change in nominal or par value, split-up, cancellation, consolidation or any other reclassification of Deposited Property, or upon any recapitalisation, reorganisation, merger or consolidation or sale of assets affecting MGL or to which it is a party, any securities which shall be received by the Depositary or the Custodian in exchange for, or in conversion, replacement or otherwise in respect of, such Deposited Property shall, to the extent permitted by law, be treated as new Deposited Property under the Deposit Agreements and the Conditions, and the GDRs shall, subject to the terms of the Deposit Agreements, the Conditions and applicable law, evidence GDRs representing the right to receive such replacement securities. The Depositary may, with MGL's approval, and shall, if MGL shall so request, subject to the terms of the Deposit Agreements, the Conditions and receipt of an opinion of counsel satisfactory to the Depositary that such distributions are not in violation of any applicable laws or regulations, execute and deliver additional GDRs or make appropriate adjustments in its records, as in the case of a stock dividend on the Shares, or call for the surrender of outstanding GDRs to be exchanged for new GDRs, in either case, as well as in the event of newly deposited Shares, with necessary modifications to the form of GDR attached to the Deposit Agreements specifically describing such new Deposited Property or corporate change. Notwithstanding the foregoing, in the event that any security so received may not be lawfully distributed to some or all Holders, the Depositary may, with MGL's approval, and shall if MGL requests, subject to receipt of an opinion of MGL's counsel satisfactory to the Depositary that such action is not in violation of any applicable laws or regulations, sell such securities at public or private sale, at such place or places and upon such terms as it may deem proper, and may allocate the net proceeds of such sales (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary, and (b) taxes) for the account of the Holders otherwise entitled to such securities upon an averaged or other practicable basis without regard to any distinctions among such Holders and distribute the net proceeds so allocated to the extent practicable as in the case of a distribution received in cash pursuant to Condition 5. The Depositary shall not be responsible for (i) any failure to determine that it is lawful or practicable to make such securities available to Holders in general or to any Holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale, or (iii) any liability to the purchaser of such securities.

14. Elective Distributions

Wherever MGL intends to distribute a dividend payable at the election of the holders of Shares in cash or in additional Shares, MGL shall give notice thereof to the Depositary in accordance with Clause 5.1 of the Deposit Agreements stating whether or not it wishes such elective distribution to be made available to Holders of GDRs. Upon timely receipt of a notice indicating that MGL wishes such elective distribution to be made available to Holders of GDRs, the Depositary shall consult with MGL to determine, and MGL shall assist the Depositary in its determination, whether it is lawful and reasonably practicable to make such elective distribution available to the Holders of GDRs. The Depositary shall make such elective distribution available to Holders *only* if the Depositary shall have (i) determined that such distribution is lawful and reasonably practicable and (ii) received satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreements. If the above conditions are not satisfied or if MGL requests that such elective distribution not be made available to Holders of GDRs, the Depositary shall, to the extent permitted by law, distribute to the Holders, on the basis of the same determination as is made in the BVI in respect of the Shares for which no election is made, either (X) cash upon the terms described in Condition 5, or (Y) additional GDRs representing such additional Shares upon the terms described in Condition 6. If the above conditions are satisfied, the Depositary shall establish a GDR Record Date in accordance with Condition 10 and establish procedures to enable Holders to elect the receipt of the proposed dividend in cash or in additional GDRs. MGL shall assist the Depositary in establishing such procedures to the extent necessary. If a Holder elects to receive the proposed dividend (X) in cash, the dividend shall be distributed upon the terms described in Condition 5, or (Y) in GDRs, the dividend shall be distributed upon the terms described in Condition 6. Nothing in the Deposit Agreements or this Condition 14 shall obligate the Depositary to make available to Holders a method to receive the elective dividend in Shares (rather than GDRs). There can be no assurance that Holders and Beneficial Owners generally, or any Holder or Beneficial Owner in particular, will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of the Deposited Property.

15. Taxation and Applicable Laws

- A. Payments to Holders of dividends or other distributions made to Holders on or in respect of the Deposited Property will be subject to deduction of BVI and other withholding taxes, if any, at the applicable rates, and notwithstanding any other provision of the Deposit Agreements or the Conditions, the Depositary and the Custodian will be entitled, subject to applicable law, to deduct from any cash dividend or other cash distribution which either of them receives from MGL such amount as is necessary in order to provide for any tax, charge, fee or other amount that is, or could become, payable by or on behalf of the Depositary to fiscal or other governmental authority on account of receiving such cash dividend or other cash distribution.

The Holder or Beneficial Owner of any GDR or any Deposited Property shall be deemed thereby to accept (by virtue of his ownership or deposit, as the case may be) that, in the event that any tax or other governmental charge shall become payable with respect to any GDR, Deposited Property or GDR Certificate, such tax or other governmental charge shall be payable by the Holder and Beneficial Owner to the Depositary. The Custodian may refuse the deposit of Shares and the Depositary may refuse to issue or deliver GDRs, to register the transfer, split-up or combination of GDR Certificates and the withdrawal of Deposited Property until payment in full of such tax, charge, penalty or interest is received. The Depositary may, for the account of the Holder or Beneficial Owner, discharge the same out of the proceeds of sale, subject to BVI law and regulations, of an appropriate number of Deposited Shares or other Deposited Property with the Holder and Beneficial Owner remaining liable for any deficiency and being entitled to distribution of any surplus. Any such request shall be made by giving notice pursuant to Condition 25.

By virtue of its ownership of any GDR or Deposited Property, each Holder and Beneficial Owner shall be deemed to agree to indemnify the Depositary, MGL, the Custodian, and any of their agents, officers, employees and Affiliates for, and to hold each of them harmless from, any claims by a governmental authority with respect to taxes (including applicable interest and penalties thereon) arising from any tax benefit obtained for such Holder or Beneficial Owner.

- B. If any governmental or administrative authorisation, consent, registration or permit or any report to any governmental or administrative authority is required under any applicable law in the BVI in order for the Depositary to receive from MGL Shares to be deposited under the Conditions or in order for Shares, other securities or other property to be distributed under Condition 5, 6, 7, 13 or 14 or to be subscribed under Condition 8, the Depositary shall request that MGL apply for such authorisation, consent, registration or permit or file such report on behalf of the Holders within the time required under such law. In this connection, MGL has undertaken in the Deposit Agreements, to take such action as may be

required in obtaining or filing the same. The Depositary shall not distribute GDRs, Shares, other securities or other property with respect to which such authorisation, consent or permit or such report has not been obtained or filed, as the case may be, and shall have no duties to obtain any such authorisation, consent or permit or to file any such report.

16. Voting Rights

- A. Holders of GDRs will have voting rights with respect to the Deposited Shares. MGL has agreed to notify the Depositary of any meeting of holders of Shares of MGL at which holders of Shares are entitled to vote, or of solicitation of consents or proxies from holders of Shares and the Depositary will vote or cause to be voted the Deposited Shares in the manner set out in this Condition 16.

As soon as practicable after receipt from MGL of any such notice, the Depositary will fix the GDR Record Date (the cut-off time shall be close of business in New York) in respect of such meeting or solicitation of consent or proxy in accordance with Condition 10. The Depositary shall, if requested by MGL in writing in a timely manner in accordance with Clause 5.3 of the Deposit Agreements and at MGL's expense and provided no U.S., English or BVI legal prohibitions exist, distribute to Holders as of the GDR Record Date: (a) such notice of meeting or solicitation of consent or proxy, (b) a statement that the Holders at the close of business in New York on the GDR Record Date will be entitled, subject to any applicable law, the provisions of the Deposit Agreements, the Conditions, the Articles of Association and the provisions of or governing the Deposited Property (which provisions, if any, shall be summarised in pertinent part by MGL), to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the Shares or other Deposited Property represented by such Holder's GDRs, and (c) a brief statement as to the manner in which such voting instructions may be given.

- B. Voting instructions may be given to the Depositary only in respect of a number of GDRs representing an integral number of Shares or other Deposited Property. Subject to applicable law, the provisions of the Deposit Agreements, the Conditions, the Articles of Association and the provisions of the Deposited Property, if the Depositary has received voting instructions from a Holders as of the GDR Record Date to vote the Deposited Property on or before the date specified by the Depositary, the Depositary shall endeavour, in so far as is practicable and permitted by BVI law and practice, to vote the Deposited Property represented by GDRs as follows: (i) in the event voting takes place at a shareholders' meeting by show of hands, the Depositary will instruct the Custodian to vote all Deposited Property in accordance with the voting instructions received from a majority of Holders of GDRs who provided voting instructions and (ii) in the event voting takes place at a shareholders' meeting by poll, the Depositary will instruct the Custodian to vote the Deposited Property in accordance with the voting instructions received from the Holders of GDRs. If the Depositary does not receive instructions from a Holder as of the GDR Record Date on or before the date established by the Depositary for such purpose and voting is by poll, such Holder shall be deemed, and the Depositary shall (unless otherwise specified in the notice distributed to Holders) deem such Holder, to have instructed the Depositary to give a discretionary proxy to a person designated by MGL to vote the Deposited Property; provided, however, that no such discretionary proxy shall be given by the Depositary with respect to any matter to be voted upon as to which MGL informs the Depositary that (A) MGL does not wish such proxy to be given, (B) substantial opposition exists, or (C) the rights of holders of Deposited Property may be materially adversely affected.
- C. Neither the Depositary nor the Custodian shall, under any circumstances exercise any discretion as to voting and neither the Depositary nor the Custodian shall vote, attempt to exercise the right to vote, or in any way make use of the Shares or other Deposited Property represented by GDRs except pursuant to and in accordance with such instructions from Holders or as otherwise contemplated herein. If the Depositary timely receives voting instructions from a Holder which fail to specify the manner in which the Depositary is to vote the Deposited Property represented by such Holder's GDRs, the Depositary will deem such Holder (unless otherwise specified in the notice distributed to Holders) to have instructed the Depositary to vote in favour of the items set forth in such voting instructions. Notwithstanding anything else contained herein, the Depositary shall, if so requested in writing by MGL, represent all Deposited Property (whether or not voting instructions have been received in respect of such Deposited Property from Holders as of the GDR Record Date) for the sole purpose of establishing quorum at a meeting of shareholders.
- D. There can be no assurance that Holders generally or any Holder in particular will receive the notice described above with sufficient time to enable the Holder to return voting instructions to the Depositary in a timely manner.

By continuing to hold GDRs, all Holders and Beneficial Owners shall be deemed to have agreed to the provisions of this Condition 16 as it may be amended from time to time in order to comply with applicable BVI law.

A valid corporate decision of MGL will bind the Depositary (as registered owner of the Shares) and the Holders and Beneficial Owners of GDRs shall be deemed to agree to being bound by such a corporate decision of MGL.

- E. Notwithstanding anything else contained in the Deposit Agreements or the Conditions, the Depositary shall not have any obligation to take any action with respect to any meeting, or solicitation of consents or proxies, of holders of Deposited Property if the taking of such action would violate U.S., English or BVI laws. MGL agrees to take any and all actions reasonably necessary to enable Holders and Beneficial Owners to exercise the voting rights accruing to the Deposited Property and to deliver to the Depositary an opinion of U.S., English or BVI counsel, as applicable, addressing any actions requested to be taken if so requested by the Depositary.

17. Liability

- A. Neither the Depositary nor MGL shall be obligated to do or perform any act which is inconsistent with the provisions of the Deposit Agreements or the Conditions or shall incur any liability (i) if the Depositary or MGL shall be prevented or forbidden from, or delayed in, doing any act or thing required by the terms of the Deposit Agreements or the Conditions, by reason of any provision of any present or future law or regulation of the U.S., England, the BVI or any other country, or of any relevant governmental or regulatory authority or stock exchange, or by reason of the interpretation or application of any such present or future law or regulation or any change therein, or on account of the possible criminal or civil penalties or restraint, or by reason of any provision, present or future, of the Articles of Association or any provision of or governing any Deposited Property or by reason of any other circumstances beyond their control (including, without limitation, acts of God or war, nationalisation, expropriation, currency restrictions, work stoppage, strikes, civil unrest, acts of terrorism, revolutions, rebellions, explosions and computer failure), (ii) by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreements, the Conditions or in the Articles of Association or provisions of or governing Deposited Property, (iii) for any action or inaction in reliance upon the advice or information from legal counsel, accountants, any person presenting Shares for deposit, any Holder, any Beneficial Owner or authorised representative thereof, or any other person believed by it in good faith to be competent to give such advice or information, but only insofar as the terms of this subsection (iii) are not prohibited by applicable law, (iv) for the inability by a Holder or Beneficial Owner to benefit from any distribution, offering, right or other benefit which is made available to holders of Shares but is not, under the terms of the Deposit Agreements or the Conditions, made available to Holders of GDRs or (v) for any consequential or punitive damages for any breach of the terms of the Deposit Agreements or the Conditions
- B. MGL and the Depositary assume no obligation and shall not be subject to any liability under the Deposit Agreements, the Conditions, or any GDR Certificates to any Holder(s) or Beneficial Owner(s), except that MGL and the Depositary agree to perform their respective obligations specifically set forth in the Deposit Agreements, the Conditions or the applicable GDR Certificates without negligence or bad faith.
- C. The Depositary, its controlling persons, its agents, any Custodian and MGL, its controlling persons and its agents may rely on, and shall be protected in acting upon, any written notice, request, direction or other document believed by it to be genuine and to have been duly signed or presented by the proper party or parties (including a translation which is made by a translator believed by it to be competent or which appears to be authentic).
- D. No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreements or the Conditions.
- E. Without limitation of the foregoing, neither the Depositary, nor MGL, nor any of their respective controlling persons or agents, shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Property or in respect of the GDRs, which in its opinion may involve it in expense or liability, unless indemnity satisfactory to it against all expense (including fees and disbursements of counsel) and liability be furnished as often as may be required (and no Custodian shall be under any obligation whatsoever with respect to such proceedings, the responsibility of the Custodian being solely to the Depositary).

- F. The Depositary has no obligation under the Deposit Agreements to take steps to monitor, supervise or enforce the observance and performance by MGL of its obligations under the Deposit Agreements or the Conditions.
- G. Neither the Depositary, the Custodian nor any Agent nor any of their agents, officers, directors or employees shall be liable (except by reason of its own wilful misconduct, negligence or bad faith or that of its agent, officers, directors or employees) to MGL or any Holder or owner of a GDR, by reason of having accepted as valid or not having rejected any certificate for Shares or GDRs purporting to be such and subsequently found to be forged or not authentic.
- H. The Depositary and each of its Agents (and any holding, subsidiary or associated company of the Depositary) may engage or be interested in any financial or other business transactions with MGL or any of its subsidiaries or affiliates or in relation to the Deposited Property (including, without prejudice to the generality of the foregoing, the conversion of any part of the Deposited Property from one currency to another), may at any time hold GDRs for its own account, and shall be entitled to charge and be paid all usual fees, commissions and other charges for business transacted and acts done by it as a bank or in any other capacity, and not in the capacity of Depositary, in relation to matters arising under the Deposit Agreements (including, without prejudice to the generality of the foregoing, charges on the conversion of any part of the Deposited Property from one currency to another and any sales of property) without accounting to Holders or any other person for any profit arising therefrom.
- I. The Depositary shall endeavour to effect any such sale as is referred to or contemplated in Conditions 6, 7, 8, 13 or 14 or any such conversion as is referred to in Condition 8 in accordance with the Depositary's normal practices and procedures, but shall have no liability (in the absence of its own negligence or bad faith or that of its agents, officers, directors or employees) with respect to the terms of such sale or conversion or if such sale or conversion shall not be possible.
- J. The Depositary shall, subject to all applicable laws, have no responsibility whatsoever to MGL, any Holder, Beneficial Owner or person with an interest in a GDR as regards any deficiency which might arise because the Depositary is subject to any tax (other than a tax imposed on fees assessed by, or the profits of, the Depositary) in respect of the Deposited Property or any part thereof or any income therefrom or any proceeds thereof.
- K. In connection with any proposed modification, waiver, authorisation or determination permitted by the terms of the Deposit Agreements or the Conditions, the Depositary shall not, except as otherwise expressly provided in Condition 24, be obliged to have regard to the consequence thereof for the Holders, Beneficial Owners, a person with an interest in a GDR or any other person.
- L. Notwithstanding anything else contained in the Deposit Agreements or the Conditions, the Depositary may refrain from doing anything which could or might, in its reasonable opinion, render it liable to any person and the Depositary may do anything which is, in its reasonable opinion, necessary to comply with any law, directive or regulation.
- M. The Depositary shall be under no obligation to check, monitor or enforce compliance with any ownership restrictions in respect of GDRs or Shares under any applicable BVI law as the same may be amended from time to time. Notwithstanding the generality of Condition 3, the Depositary shall refuse to register any transfer of GDRs or any deposit of Shares against issue of GDRs if notified by MGL, or if the Depositary becomes aware of the fact, that such transfer or issue would be in violation of the limitations set forth above or any other applicable laws.
- N. The Depositary may call for, and shall be at liberty to accept as sufficient, evidence of any fact or matter or the expediency of any transaction or thing, a certificate, letter or other communication, whether oral or written, signed or otherwise communicated on behalf of MGL, by the Board of Directors of MGL or by a person duly authorised by the Board of Directors of MGL, or such other certificate from persons which the Depositary considers appropriate and the Depositary shall not be bound in any such case to call for further evidence or be responsible for any loss or liability that may be occasioned by the Depositary acting on such certificate.
- O. The Depositary and its agents shall not be liable for any failure to carry out any instructions to vote any of the Deposited Property, or for the manner in which any vote is cast or the effect of any vote, provided that any such action or omission is in good faith and in accordance with the terms of the Deposit Agreements and the Conditions. The Depositary shall not incur any liability for any failure to determine that any distribution or action may be lawful or reasonably practicable, for the content of any information

submitted to it by MGL for distribution to the Holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the Deposited Property, for the validity or worth of the Deposited Property, for the credit-worthiness of any third party, for any tax consequences that may result from the ownership of GDRs, Shares or Deposited Property, for allowing any rights to lapse upon the terms of the Deposit Agreements and the Conditions, for the failure or timeliness of any notice from MGL.

- P. No provision of the Deposit Agreements or the Conditions shall require the Depositary to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity and security against such risk of liability is not assured.
- Q. The Depositary may, in the performance of its obligations hereunder, instead of acting personally, employ and pay an agent, whether a lawyer or other person, including obtaining an opinion of legal advisers in form and substance reasonably satisfactory to it, to transact or concur in transacting any business and do or concur in doing all acts required to be done by such party, including the receipt and payment of money. Save for the failure on the part of the Depositary to exercise reasonable care in the selection or retention of any such agent, the Depositary will not be liable to anyone for any misconduct or omission by any such agent so employed by it or be bound to supervise the proceedings or acts of any such agent.
- R. None of the Depositary, the Custodian, MGL or any of their respective agents or affiliates shall be required to take any actions whatsoever on behalf of Holders or Beneficial Owners to satisfy reporting requirements or obtain regulatory approvals under applicable laws and regulations which shall be the sole responsibility of the Holders and Beneficial Owners as described in Condition 4C.

18. Issue and Delivery of Replacement GDRs and Exchange of GDRs.

Subject to the payment of the relevant fees, taxes, duties, charges, costs and expenses and such terms as to evidence and indemnity as the Depositary may require, replacement GDRs will be issued by the Depositary and will be delivered in exchange for or in replacement of outstanding lost, stolen, mutilated, defaced or destroyed GDRs upon surrender thereof (except in the case of destruction, loss or theft) at the Principal New York Office of the Depositary.

19. Depositary's Fees, Costs and Expenses

- A. The Depositary shall charge the following fees:
 - (i) *Issuance Fee*: to any person depositing Shares or to whom GDRs are issued upon the deposit of Shares (excluding issuances pursuant to paragraph (iv) below), a fee not in excess of U.S. \$5.00 per 100 GDRs (or fraction thereof) so issued under the terms of the Deposit Agreements and the Conditions;
 - (ii) *Cancellation Fee*: to any person surrendering GDRs for cancellation and withdrawal of Deposited Property, a fee not in excess of U.S. \$5.00 per 100 GDRs (or fraction thereof) so surrendered;
 - (iii) *Cash Distribution Fee*: to any Holder of GDRs, a fee not in excess of U.S. \$5.00 per 100 GDRs (or fraction thereof) held for the distribution of cash dividends or other cash distributions (i.e., upon the sale of rights and other entitlements);
 - (iv) *Stock Distribution /Rights Exercise Fees*: to any Holder of GDRs, a fee not in excess of U.S. \$5.00 per 100 GDRs (or fraction thereof) held for the distribution of GDRs pursuant to stock dividends or other free stock distributions or upon the exercise of rights to purchase additional GDRs;
 - (v) *Other Distribution Fee*: to any Holder of GDRs, a fee not in excess of U.S. \$5.00 per 100 GDRs (or fraction thereof) held for the distribution of securities other than GDRs or rights to purchase additional GDRs;
 - (vi) *Depositary Services Fee*: to any Holder of GDRs, a fee not in excess of U.S.\$5.00 per 100 GDRs (or fraction thereof) held on the applicable record date(s) established by the Depositary; and

- (vii) *GDR Transfer Fee*: to any person presenting a GDR Certificate for transfer, a fee not in excess of U.S.\$1.50 per GDR Certificate so presented for transfer.

In addition, Holders, Beneficial Owners, persons depositing Shares for deposit and persons surrendering GDRs for cancellation and withdrawal of Deposited Property will be required to pay the following charges:

- (i) taxes (including applicable interest and penalties) and other governmental charges;
 - (ii) such registration fees as may from time to time be in effect for the registration of Shares or other Deposited Property on the share register and applicable to transfers of Shares or other Deposited Property to or from the name of the Custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively;
 - (iii) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreements to be at the expense of the person depositing or withdrawing Shares or Holders and Beneficial Owners of GDRs;
 - (iv) the expenses and charges incurred by the Depositary in the conversion of foreign currency;
 - (v) such fees and expenses as are incurred by the Depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to Shares, Deposited Property, GDRs and GDR Certificates; and
 - (vi) the fees and expenses incurred by the Depositary, the Custodian or any nominee in connection with the servicing or delivery of Deposited Property.
- B. Any other charges and expenses of the Depositary under the Deposit Agreements and the Conditions will be paid by MGL upon agreement between the Depositary and MGL. All fees and charges may, at any time and from time to time, be changed by agreement between the Depositary and MGL but, in the case of fees and charges payable by Holders or Beneficial Owners, only in the manner contemplated by Condition 24. The Depositary will provide, without charge, a copy of its latest fee schedule to anyone upon request.
- C. Depositary fees payable upon (i) deposit of Shares against issuance of GDRs and (ii) surrender of GDRs for cancellation and withdrawal of Deposited Property will be charged by the Depositary to the person to whom the GDRs so issued are delivered (in the case of GDR issuance) and to the person who delivers the GDRs for cancellation to the Depositary (in the case of GDR cancellations). In the case of GDRs issued by the Depositary into Euroclear or Clearstream, the GDR issuance and cancellation fees will be payable to the Depositary by the Euroclear or Clearstream Participant(s) receiving the GDRs from the Depositary or the Euroclear or Clearstream Participant(s) surrendering the GDRs to the Depositary for cancellation, as the case may be, on behalf of the Beneficial Owner(s) and will be charged by the Euroclear or Clearstream Participant(s) to the account(s) of the applicable Beneficial Owner(s) in accordance with the procedures and practices of the Euroclear or Clearstream Participant(s) as in effect at the time. Depositary fees in respect of distributions and the Depositary services fee are payable to the Depositary by Holders as of the applicable record date established by the Depositary. In the case of distributions of cash, the amount of the applicable Depositary fees is deducted by the Depositary from the funds being distributed. In the case of distributions other than cash and the Depositary service fee, the Depositary will invoice the applicable Holders as of the record date established by the Depositary. For GDRs held through Euroclear or Clearstream, the Depositary fees for distributions other than cash and the Depositary service fee are charged by the Depositary to the Euroclear or Clearstream Participants in accordance with the procedures and practices prescribed by Euroclear or Clearstream from time to time and the Euroclear or Clearstream Participants in turn charge the amount of such fees to the Beneficial Owners for whom they hold GDRs.
- D. The Depositary may reimburse MGL for certain expenses incurred by MGL in respect of the GDR program established pursuant to the Deposit Agreements, by making available a portion of the Depositary fees charged in respect of the GDR program or otherwise, upon such terms and conditions as MGL and the Depositary may agree from time to time. MGL shall pay to the Depositary such fees and charges and reimburse the Depositary for such out of pocket expenses as the Depositary and MGL may agree from time to time. Responsibility for payment of such charges may from time to time be changed by agreement between MGL and the Depositary. Unless otherwise agreed, the Depositary shall present

its statement for such expenses and fees or charges to MGL once every three (3) months. The charges and expenses of the Custodian are for the sole account of the Depositary.

20. Listing

MGL has undertaken in the Deposit Agreements to use reasonable endeavours to obtain and thereafter maintain, so long as any GDR is outstanding, admission of trading for GDRs on the London Stock Exchange's market for listed securities through its International Order Book. For that purpose MGL will pay all fees and sign and deliver all undertakings reasonably required by the London Stock Exchange in connection therewith. In the event that such a listing is not maintained, MGL has undertaken in the Deposit Agreements to use its reasonable endeavours to obtain and maintain a listing of the GDRs on another internationally recognised investment exchange in Europe designated as a "recognised investment exchange" for the purposes of the United Kingdom Financial Services and Markets Act 2000, as amended.

21. The Custodian

The Depositary has agreed with the Custodian that the Custodian will receive and hold all Deposited Property for the account and to the order of the Depositary in accordance with the applicable terms of the Deposit Agreements. The Custodian shall be responsible solely to the Depositary. Upon receiving notice of the resignation of the Custodian, the Depositary shall promptly appoint a successor Custodian which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreements. Whenever the Depositary in its discretion determines that it is in the best interests of the Holders to do so, it may terminate the appointment of the Custodian and, in the event of the termination of the appointment of the Custodian, the Depositary shall promptly appoint a successor Custodian, which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreements. The Depositary shall notify Holders of such change as soon as is practically possible following such change taking effect in accordance with Condition 25.

Citibank, N.A. may at any time act as Custodian of the Deposited Securities pursuant to the Deposit Agreements, in which case any reference to Custodian shall mean Citibank, N.A. solely in its capacity as Custodian pursuant to the Deposit Agreements. Notwithstanding anything contained in the Deposit Agreements or the Conditions, the Depositary shall not be obligated to give notice to MGL, any Holders of GDRs or any other Custodian of its acting as Custodian pursuant to the Deposit Agreements.

22. Resignation and Termination of Appointment of the Depositary

- A. The Depositary may at any time resign as Depositary hereunder by written notice of resignation delivered to MGL, such resignation to take effect upon the earlier to occur of (i) the 90th day after delivery thereof to MGL (whereupon the Depositary shall be entitled to take the actions contemplated in Clause 12 of the Deposit Agreements), or (ii) the appointment by MGL of a successor depositary and its acceptance of such appointment as hereinafter provided.

The Depositary may at any time be removed by MGL by written notice of removal delivered to the Depositary, which notice of removal shall be effective upon the later of (i) the 90th day after delivery thereof to the Depositary (whereupon the Depositary shall be entitled to take the actions contemplated in Clause 12 of the Deposit Agreements), or (ii) the appointment by MGL of a successor depositary and its acceptance of such appointment as hereinafter provided.

- B. MGL has undertaken in the Deposit Agreements to use its best efforts to procure the appointment of a successor depositary. Upon any such appointment and acceptance, notice thereof shall be duly given by the successor depositary to the Holders in accordance with Condition 25.
- C. Any corporation into or with which the Depositary may be merged or consolidated shall be the successor of the Depositary without the execution or filing of any document or any further act.

23. Termination of Deposit Agreements

- A. The Depositary shall at any time, at the written direction of MGL, terminate the Deposit Agreements by providing notice of such termination to the Holders of all GDR Certificates then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination. If ninety (90) days shall have expired after (i) the Depositary shall have delivered to MGL a written notice of its election to resign pursuant to Clause 11.1 of the Deposit Agreements and Condition 22, or (ii) MGL shall have delivered to the Depositary a written notice of the removal of the Depositary pursuant to Clause 11.2 of the Deposit Agreements and Condition 22 and, in either case, a successor depositary shall not have been appointed

and accepted its appointment as provided in Clause 11.3 of the Deposit Agreements and Condition 22, the Depositary may terminate the Deposit Agreements by providing notice of such termination to the Holders of all GDR Certificates then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination. The date so fixed for termination of the Deposit Agreements in any termination notice so distributed by the Depositary to the Holders of GDRs is referred to as the “**Termination Date**”. Until the Termination Date, the Depositary shall continue to perform all of its obligations under the Deposit Agreements and the Conditions, and the Holders and Beneficial Owners will be entitled to all of their rights under the Deposit Agreements and the Conditions.

- B. If any GDRs shall remain outstanding after the Termination Date, the Registrar and the Depositary shall not, after the Termination Date, have any obligation to perform any further acts under the Deposit Agreements or the Conditions, except that the Depositary shall, subject, in each case, to the terms and conditions of the Deposit Agreements and the Conditions, continue to (i) collect dividends and other distributions pertaining to Deposited Property, (ii) sell securities and other property received in respect of Deposited Property, (iii) deliver Deposited Property, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any securities or other property, in exchange for GDRs surrendered to the Depositary (after deducting or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depositary, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Clause 10.1 of the Deposit Agreements and Condition 19), and (iv) take such actions as may be required under applicable law in connection with its role as Depositary under the Deposit Agreements.

At any time after the Termination Date, the Depositary may sell the Deposited Property then held under the Deposit Agreements and shall after such sale hold un-invested the net proceeds of such sale, together with any other cash then held by it under the Deposit Agreements, in an un-segregated account and without liability for interest, for the pro-rata benefit of the Holders whose GDRs have not theretofore been surrendered. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreements and the Conditions except (i) to account for such net proceeds and other cash (after deducting or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depositary, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Clause 10.1 of the Deposit Agreements and Condition 19), and (ii) as may be required at law in connection with the termination of the Deposit Agreements. After the Termination Date, MGL shall be discharged from all obligations under the Deposit Agreements and the Conditions, except for its obligations to the Depositary under Clause 10 of the Deposit Agreements and Condition 19. The obligations under the terms of the Deposit Agreements and the Conditions of Holders and Beneficial Owners of GDRs outstanding as of the Termination Date shall survive the Termination Date and shall be discharged only when the applicable GDRs are presented by their Holders to the Depositary for cancellation under the terms of the Deposit Agreements and the Conditions.

24. Amendment of Deposit Agreements and Conditions

All and any of the provisions of the Deposit Agreements and the Conditions may at any time and from time to time be amended by written agreement between MGL and the Depositary in any respect which they may deem necessary or desirable. Notice of any amendment of the Deposit Agreements and the Conditions (except to correct a manifest error) shall be duly given to the Holders by the Depositary and any amendment (except as aforesaid) which shall increase or impose fees or charges payable by Holders or which shall otherwise, in the opinion of the Depositary, be materially prejudicial to the interests of the Holders (as a class) shall not become effective so as to impose any obligation on the Holders of the outstanding GDRs until the expiry of thirty (30) days after such notice shall have been given. Every Holder or Beneficial Owner at the time any amendment or supplement so becomes effective shall be deemed, by continuing to hold GDRs or any beneficial interest therein to consent to and approve such amendment or supplement and to be bound by the terms of the Deposit Agreements and the Conditions as amended and supplemented thereby.

In no event shall any amendment impair the right of any Holder to receive, subject to and upon compliance with Clause 3 of the Deposit Agreements and Condition 2, the Deposited Property attributable to the relevant GDR except in order to comply with mandatory provisions of applicable law.

The parties hereto agree that substantial rights of Holders and Beneficial Owners shall not be deemed materially prejudiced by any amendments or supplements which (i) are reasonably necessary (as agreed by MGL and the Depositary) in order for the GDRs or Shares to continue to be settled in electronic-book entry form and (ii) do not impose or increase any fees or charges to be borne by Holders or Beneficial Owners.

Notwithstanding anything in the Deposit Agreements or the Conditions to the contrary, if any governmental body should adopt new laws, rules or regulations which would require an amendment or supplement of the Deposit Agreements or the Conditions to ensure compliance therewith, MGL and the Depositary may amend or supplement the Deposit Agreements, and the Conditions at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement to the Deposit Agreements and the Conditions in such circumstances may become effective before a notice of such amendment or supplement is given to Holders or within any other period of time as required for compliance with such laws, rules or regulations.

25. Notices

Any and all notices to be given to any Holder shall be deemed to have been duly given if (a) personally delivered or sent by mail, air courier or cable, telex or facsimile transmission, confirmed by letter, addressed to such Holder at the address of such Holder as it appears on the books of the Depositary or, if such Holder shall have filed with the Depositary a request that notices intended for such Holder be mailed to some other address, at the address specified in such request, or (b) if a Holder shall have designated such means of notification as an acceptable means of notification under the terms of the Regulation S Deposit Agreements, by means of electronic messaging addressed for delivery to the email address designated by the Holder for such purpose.

Notice to Holders shall be deemed to be notice to Beneficial Owners for all purposes of the Deposit Agreements and the Conditions. Failure to notify a Holder or any defect in the notification to a Holder shall not affect the sufficiency of notification to other Holders or to the Beneficial Owners of GDRs held by such other Holders.

Delivery of a notice sent by mail, air courier, cable, telex or facsimile transmission shall be deemed to be effective at the time when a duly addressed letter containing the same (or a confirmation thereof in the case of a cable, telex or facsimile transmission) is deposited, postage prepaid, in a post office letter box or delivered to an air courier service, without regard for the actual receipt or time of actual receipt thereof by a Holder. The Depositary or MGL may, however, act upon any cable, telex or facsimile transmission received by it from any Holder, the Custodian, the Depositary or MGL, notwithstanding that such cable, telex or facsimile transmission shall not be subsequently confirmed by letter.

Delivery of a notice by means of electronic messaging shall be deemed to be effective at the time of the initiation of the transmission by the sender (as shown on the sender's records), notwithstanding that the intended recipient retrieves the message at a later date, fails to retrieve such message, or fails to receive such notice on account of its failure to maintain the designated email address, its failure to designate a substitute email address or for any other reason.

26. Reports and Information on MGL

MGL publishes the information contemplated in Rule 12g3-2(b) under the Exchange Act on its Internet website or through an electronic information delivery system generally available to the public in MGL's primary trading market. As of the date hereof MGL's Internet website is www.mail.ru. The information so published by MGL may not be in English, except that MGL is required, in order to maintain its exemption from the Exchange Act reporting obligations pursuant to Rule 12g3-2(b), to translate such information into English to the extent contemplated in the instructions to Rule 12g3-2(b). The information so published by MGL cannot be retrieved from the Commission's Internet website, and cannot be inspected or copied at the public reference facilities maintained by the Commission located (as of the date of hereof) at 100 F Street, N.E., Washington, D.C. 20549.

27. Copies of MGL Notices

On or before the day when MGL first gives notice, by publication, or otherwise, to holders of any Shares or other Deposited Property, whether in relation to the taking of any action in respect thereof or in respect of any dividend or other distribution thereon or of any meeting or adjourned meeting of such holders or otherwise, MGL has undertaken in the Deposit Agreements to transmit to the Custodian and the Depositary a copy of such notice and any other material in English but otherwise in the form given or to be given to holders of Shares or other Deposited Property.

In addition, MGL will transmit to the Depositary English-language versions of the other notices, reports and communications which are generally made available by MGL to holders of Shares or other Deposited Property. The Depositary will, at the expense of MGL, make available a copy of any such notices, reports or communications issued by MGL and delivered to the Depositary for inspection by the Holders and Beneficial Owners at the Depositary's Principal New York Office or Principal London Office, at the office of the Custodian and at any other designated transfer office. The Depositary shall arrange, at the request of MGL and at MGL's

expense, for the distribution of copies thereof to all Holders on a basis similar to that for holders of Shares or other Deposited Property or on such other basis as MGL may advise the Depositary.

28. Moneys Held by the Depositary

The Depositary shall be entitled to deal with moneys paid to it by MGL for the purposes of the Deposit Agreements in the same manner as other moneys paid to it as a banker by its customers and shall not be liable to account to MGL or any holder or any other person for any interest thereon, except as otherwise agreed.

29. Severability

If any one or more of the provisions contained in the Deposit Agreements or in the Conditions shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained therein or herein shall in no way be affected, prejudiced or otherwise disturbed thereby.

30. Governing Law

A. The Deposit Agreements, the Conditions and the GDRs and any non-contractual obligations arising out of or in connection with the Deposit Agreements, the Conditions and the GDRs will be governed by and construed in accordance with English law, except that (i) the separate relationship created between the Depositary and the persons making deposits or withdrawals of Shares pursuant to the Deposit Agreements and the Conditions, as it specifically relates to such deposits or withdrawals and the delivery of the required certifications is governed by and shall be construed in accordance with the laws of the State of New York and (ii) the transferability of the GDRs and GDR Certificates shall be governed by the laws of the State of New York. MGL has submitted in respect of the Deed Poll to the jurisdiction of the English courts and has appointed an agent for service of process in London. Notwithstanding anything contained in the Deposit Agreements, the Conditions, any GDR Certificate or any present or future provisions of the laws of England or the State of New York, the rights of holders of Shares and of any other Deposited Property and the obligations and duties of MGL in respect of the holders of Shares and other Deposited Property, as such, shall be governed by the laws of the BVI (or, if applicable, such other laws as may govern the Deposited Property).

B. Except as set forth in the following paragraph, MGL and the Depositary have agreed that the courts of England and Wales and the federal or state courts in the City of New York shall have jurisdiction to hear any suit, action or proceeding and to settle any disputes between them that may arise out of, or in connection with, the Deposit Agreements and the Conditions and the legal relationship established by them and accordingly any legal action or proceedings arising out of, or in connection with, the Deposit Agreements, the Conditions or the GDRs and the legal relationship established thereby (“**Proceedings**”) may be brought in such courts.

These submissions are made for the benefit of the Depositary and shall not limit the right of the Depositary to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdictions (whether concurrently or not) to the extent permitted by law.

31. U.K. Contracts (Rights of Third Parties) Act 1999

A person who is not a party to the Deposit Agreements has no right under the Contracts (Rights of Third Parties) Act 1999 (the “**Act**”) of the United Kingdom to enforce any term of the Deposit Agreements but this does not affect any right or remedy granted under the Deed Poll or which otherwise exists or is available apart from the Act.

SUMMARY OF PROVISIONS RELATING TO THE GLOBAL DEPOSITARY RECEIPTS WHILST IN MASTER FORM

The GDRs will initially be evidenced by (i) a single Master Regulation S GDR certificate in registered form and (ii) a single Rule 144A Master GDR certificate in registered form. The Master Regulation S GDR certificate will be registered in the nominee name of Citibank Europe plc, as common depositary for Euroclear Bank S.A./N.V., in its capacity as operator of Euroclear, and Clearstream, Luxembourg and the Master Rule 144A GDR certificate will be registered in the name of Cede & Co., as nominee for DTC. The Master GDR certificates contain provisions that apply to the GDRs while they are in master form, some of which modify the effect of the Conditions of the GDRs set out in this prospectus. The following is a summary of certain of those provisions. Unless otherwise defined herein, the terms defined in the Conditions shall have the same meaning herein.

Any increase or decrease in the number of GDRs evidenced thereby from that initially notified to the Holder, as defined in the Conditions, will promptly be notified to the Holder by the Depositary.

Exchange

The Master Regulation S GDR certificate and the Master Rule 144A GDR certificate will be exchanged for certificates in definitive registered form evidencing GDRs only in the circumstances described in (i), (ii), (iii), (iv) or (v) below in whole but not, except in the case of (iv) or (v) below, in part. The Depositary will undertake in the Master Regulation S GDR certificate and the Master Rule 144A GDR certificate to deliver certificates evidencing GDRs in definitive registered form in exchange for either the Master Regulation S GDR certificate or the Master Rule 144A GDR certificate, as the case may be, to GDR holders within 60 business days in the event that:

- (i) DTC, Clearstream, or Euroclear is unwilling or unable to continue as clearing or settlement system and a successor clearing or settlement system is not appointed within 90 calendar days; or
- (ii) DTC or any successor ceases to be a “clearing agency” registered under the United States Exchange Act; or
- (iii) either DTC, Clearstream, or Euroclear is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces its intention to permanently cease business or does, in fact, do so and no alternative clearing system satisfactory to the Depositary is available within 45 days; or
- (iv) the Depositary has determined that, on the occasion of the next payment in respect of the GDRs, MGL, or the Depositary would be required to make any deduction or withholding from any payment in respect of the GDRs which would not be required were the GDRs in definitive registered form; or
- (v) the Holder gives notice to the Depositary of its desire to exchange a part or the whole of the Master Regulation S GDR certificate or Master Rule 144A GDR certificate for certificates evidencing GDRs in definitive registered form.

Any such exchange shall be at the expense of the Holder.

Upon any exchange of a part of the Master Regulation S GDR certificate or the Master Rule 144A GDR certificate for a certificate evidencing a GDR or GDRs in definitive registered form or any distribution of GDRs pursuant to the Conditions, or any reduction in the number of GDRs evidenced hereby following any withdrawal of any Deposited Property pursuant to Condition 2, or any increase in the number of GDRs following the deposit of Shares pursuant to Condition 1, the relevant details shall be entered on the register of the Depositary, whereupon the number of GDRs represented by the Master Regulation S GDR certificate or the Master Rule 144A GDR certificate shall be reduced or increased (as the case may be) for all purposes by the amount so exchanged and entered on the register, *provided always that* if the number of GDRs evidenced by the Master Regulation S GDR certificate or the Master Rule 144A GDR certificate is reduced to zero the Master Regulation S GDR certificate or the Master

Rule 144A GDR certificate shall continue in existence until the obligations of MGL under the corresponding Deposit Agreement and the obligations of the Depositary pursuant to the corresponding Deposit Agreement, and the Conditions have terminated.

Payments and Distributions

Payments of cash dividends and other amounts (including cash distributions) in respect of the GDRs represented by the Master Regulation S GDR certificate and the Master Rule 144A GDR certificate will be made by the Depositary through DTC, Clearstream, or Euroclear on behalf of persons entitled thereto upon receipt of funds therefore from MGL. Any free distribution of Shares to the Depositary on behalf of the Holders may result in the record of the Depositary being adjusted to reflect the increased number of GDRs represented thereby.

Surrender of GDRs

Any requirement in the Conditions relating to the surrender of a GDR to the Depositary will be satisfied by the production by DTC or the common depositary, as the case may be, on behalf of a person entitled to an interest therein, of such evidence of entitlement of such person as the Depositary may reasonably require, which is expected to be a certificate or other documents issued by DTC, Clearstream, Euroclear or, if relevant, an alternative clearing system. The delivery or production of any such evidence shall be sufficient evidence, in favour of the Depositary, and the Custodian of the title of such person to receive (or to issue instructions for the receipt of) all moneys or other property payable or distributable in respect of the Deposited Property represented by such GDRs.

Notices

For as long as the Master Regulation S GDR certificate is registered in the nominee name of a common depositary on behalf of Clearstream, and Euroclear, and in the case of the Master Rule 144A GDR certificate, for so long it is registered in the nominee name of DTC, notices to Holders may be given by the Depositary by delivery of the relevant notice to DTC, Clearstream, and Euroclear for communication to Holders in substitution for publications required by Condition 27 except that so long as the GDRs are listed on the Official List maintained by the U.K. Listing Authority and admitted for trading on the market for listed securities of the London Stock Exchange and, if and to the extent that the Rules of the U.K. Listing Authority or the London Stock Exchange so require, notices shall also be published by MGL in a leading newspaper having general circulation in the United Kingdom.

Information

For so long as any Rule 144A GDRs or shares represented thereby are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, during any period in which it is neither a reporting company under, and in compliance with the requirements of, Section 13 or 15(d) of the Exchange Act nor exempt from the reporting requirements of the Exchange Act by complying with the information furnishing requirements of Rule 12g3-2(b) thereunder, MGL has agreed in the Rule 144A Deposit Agreement and the Deed Poll to provide, at its expense, to any Holder of Rule 144A GDRs or of the Master Rule 144A GDRs or the Beneficial Owner of an interest in such Rule 144A GDRs, and to any prospective purchaser of Rule 144A GDRs or shares represented thereby designated by such person, upon request of such Beneficial Owner, Holder or prospective purchaser, the information required by Rule 144A(d)(4)(i) and otherwise to comply with Rule 144A(d)(4).

Governing Law

The Master Regulation S GDR certificate and the Master Rule 144A GDR certificate shall be governed by and construed in accordance with English law.

DESCRIPTION OF ARRANGEMENTS TO SAFEGUARD THE RIGHTS OF THE HOLDERS OF THE GDRS

The Depositary

The Depositary is an indirect wholly owned subsidiary of Citigroup Inc., a Delaware corporation. The Depositary is a commercial bank that, along with its subsidiaries and affiliates, offers a wide range of banking and trust services to its customers throughout the United States and the world. It is a U.S. chartered banking association, and its business is subject to examination and regulation by the Office of the Comptroller of the Currency, a bureau of the United States Department of the Treasury. It is a member of the Federal Reserve System and its deposits are insured by the Federal Deposit Insurance Corporation (the “FDIC”).

Rights of Holders of GDRs

Relationship of Holders of GDRs with the Depositary: The rights of Holders against the Depositary are governed by the Deposit Agreements, and the Terms and Conditions (the “**Conditions**”) contained therein, both of which are governed by English law. The Depositary and MGL are parties to the Deposit Agreements. Holders of GDRs have contractual rights in relation to cash or other Deposited Property (including Deposited Shares, which are Shares of MGL represented by GDRs) deposited with the Depositary under each Clause 6.1 of the Deposit Agreements, and otherwise under the Deposit Agreements by virtue of the Deed Poll.

Voting: With respect to voting of Deposited Shares and other Deposited Property represented by GDRs, the Conditions and the Deposit Agreements provide that, upon receipt of notice from MGL of any meeting at which the holders of Deposited Shares are entitled to vote, or of a solicitation of consent or proxy from holders of Deposited Shares, the Depositary shall, providing that no relevant legal prohibitions exist, send to any person who is a Holder on the GDR Record Date established by the Depositary for that purpose such notice of meeting or solicitation of consent or proxy, along with a brief statement on the manner in which such Holders may provide the Depositary with voting instructions for matters to be considered. The Deposit Agreements provide that the Depositary will endeavour to exercise or cause to be exercised the voting rights with respect to Deposited Shares in accordance with instructions from Holders. As of the date of this prospectus, MGL confirms that there are no restrictions under applicable law, the Articles of Association or the provisions of the Deposited Shares that would prohibit or restrict the Depositary from voting any of the Deposited Shares in accordance with instructions from Holders.

Delivery of GDRs: The Deposit Agreements provide that the Deposited Shares can only be delivered from the Regulation S and Rule 144A GDR facilities to, or to the order of, a Holder of related GDRs upon surrender and cancellation of such GDRs, or in connection with a Pre-Release Transaction.

Rights of MGL

MGL has broad rights to remove the Depositary under the terms of the Deposit Agreements, but no specific rights under the Deposit Agreements which are triggered in the event of the insolvency of the Depositary.

Default of the Depositary

If the Depositary fails to pay cash or deliver non-cash assets to Holders in the circumstances required by the Deposit Agreements or otherwise engages in a default for which it would be liable under the terms of the Deposit Agreements, the Depositary will be in breach of its contractual obligations under the Conditions. In such case, Holders will have a claim under English law against the Depositary for the Depositary’s breach of its contractual obligations.

Insolvency of the Depositary

Applicable insolvency law: If the Depositary becomes insolvent, the insolvency proceedings will be governed by US law applicable to the insolvency of banks.

Effect of applicable insolvency law in relation to cash: The Conditions state that any cash held by the Depositary for Holders is held by the Depositary as banker. Under current US law, it is expected that any cash held for Holders by the Depositary as banker under the Conditions would constitute an unsecured obligation of the Depositary. Holders would therefore only have an unsecured claim in the event of the Depositary’s insolvency for such cash that would be also be available to general creditors of the Depositary.

Effect of applicable insolvency law in relation to non-cash assets: The Deposit Agreements state that the Deposited Shares and other non-cash assets which are held by the Depositary for Holders are held by the Depositary as bare trustee and, accordingly, the Holders will be tenants in common for such Deposited Shares and other non-cash assets. Under current US

law, it is expected that any Deposited Shares and other non-cash assets held for Holders by the Depositary under the Conditions would not constitute assets of the Depositary and that Holders would have ownership rights relating to such Deposited Shares and other non-cash assets and be able to request the Depositary's receiver or conservator to deliver such Deposited Shares and other non-cash assets that would be unavailable to general creditors of the Depositary.

The Custodian

The Custodian is Citibank, N.A. (London Branch), a branch of the Depositary, Citibank, N.A., a U.S. chartered banking association.

Rights of Holders of GDRs

Relationship of Holders of GDRs with the Custodian: The Custodian and the Depositary are parties to a custody agreement, which is governed by the laws of the State of New York. The Holders do not have any contractual relationship with, or rights enforceable against, the Custodian. The Custodian will hold the Deposited Shares, each of which will be registered in MGL's share register in the name of the Depositary or its nominee, as the case may be, and deposited in the Regulation S and Rule 144A GDR facilities.

Default of the Custodian

Failure to deliver cash: If the Custodian fails to deliver cash, such as any cash dividend or other cash distribution from MGL, held for the Depositary or otherwise defaults under the terms of the custody agreement, the Custodian will be in breach of its obligations to the Depositary. In such a case, the Depositary will have a claim under New York law against the Custodian for the Custodian's breach of its obligations under the custody agreement. The Depositary can also remove the Custodian and appoint a substitute or additional custodians and may exercise such rights if it deems necessary.

Failure to deliver non-cash assets: If the Custodian fails to deliver Deposited Shares or other non-cash assets held for the Depositary as required by the Depositary or otherwise defaults under the terms of the custody agreement, the Custodian will be in breach of its obligations to the Depositary. In such case, the Depositary will have a claim under New York law against the Custodian for the Custodian's breach of its obligations under the custody agreement. The Depositary can also remove the Custodian and appoint a substitute or additional custodians and may exercise such rights if it deems necessary.

The Depositary's obligations: The Depositary has no affirmative contractual obligation to pursue a claim for breach of obligations against the Custodian on behalf of Holders. The Depositary is not responsible for and shall incur no liability in connection with or arising from default by the Custodian due to any act or omission to act on the part of the Custodian.

Applicable law: The custody agreement is governed by the laws of the State of New York.

Insolvency of the Custodian

Applicable insolvency law: If the Custodian becomes insolvent, the insolvency proceedings will be governed by US law applicable to the insolvency of banks.

Effect of applicable insolvency law in relation to cash: Under current US law, it is expected that any cash held for the Depositary by the Custodian would constitute an unsecured obligation of the Custodian. The Depositary would therefore only have an unsecured claim in the event of the Custodian's insolvency for such cash that would be also be available to general creditors of the Custodian.

Effect of applicable insolvency law in relation to non-cash assets: Under current US law, it is expected that any Deposited Shares and other non-cash assets held for the Depositary would not constitute assets of the Custodian and that the Depositary would have ownership rights relating to such Deposited Shares and other non-cash assets and be able to request the Custodian's receiver or conservator to deliver such Depository Shares and other non-cash assets that would be unavailable to general creditors of the Custodian.

The Depositary's obligations: The Depositary has no affirmative contractual obligation to pursue a claim in the Custodian's insolvency on behalf of the Holders. The Depositary has no responsibility for, and will incur no liability in connection with or arising from, the insolvency of any custodian. In the event of the insolvency of the Custodian, the Holders have no direct recourse to the Custodian under the Deposit Agreements, though the Depositary can remove the Custodian and appoint a substitute or additional custodian(s) and may exercise such rights if it deems necessary.

PERSONS HOLDING BENEFICIAL TITLE TO GDRS OR INTERESTS THEREIN ARE REMINDED THAT THE ABOVE DOES NOT CONSTITUTE LEGAL ADVICE AND IN THE EVENT OF ANY DOUBT

REGARDING THE EFFECT OF THE DEFAULT OR INSOLVENCY OF THE DEPOSITARY OR THE CUSTODIAN, SUCH PERSONS SHOULD CONSULT THEIR OWN ADVISORS IN MAKING A DETERMINATION.

TAXATION

The following summary of the principal U.S. federal income, United Kingdom and BVI tax consequences of ownership of the GDRs is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming. Any such changes or interpretations could affect the tax consequences to holders of the GDRs, possibly on a retroactive basis, and could alter or modify the statements and conclusions set forth herein. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of the GDRs. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the ownership and disposition of the GDRs, including the applicability and effect of any other tax laws or tax treaties, of pending or proposed changes in applicable tax laws as of the date of this prospectus, and of any actual changes in applicable tax laws after such date.

Certain U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax considerations relevant to a U.S. Holder (as defined below) acquiring, holding and disposing of GDRs. This summary applies only to U.S. Holders who acquire their GDRs. This summary does not discuss all aspects of U.S. federal income taxation which may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules, such as financial institutions, insurance companies, dealers or traders using a mark-to-market accounting method, tax-exempt organisations, holders who own (directly, indirectly or constructively) 10% or more of our voting stock, investors liable for the alternative minimum tax, investors that will hold GDRs as part of a straddle, hedge, conversion, constructive sale, or other similar transaction for U.S. federal income tax purposes, or investors that have a functional currency other than the U.S. dollar, all of which may be subject to tax rules that differ significantly from those summarised below. In addition, this summary does not discuss the medicare tax on net investment income or any state, local, non-U.S., or other federal tax considerations. This summary assumes that investors will hold their GDRs as capital assets (generally, property held for investment) for U.S. federal income tax purposes.

This summary is based on the Internal Revenue Code of 1986, as amended (the “**Code**”), U.S. Treasury regulations and judicial and administrative interpretations thereof, in each case as in effect as of the date hereof. These laws are subject to change, possibly on a retroactive basis. You are urged to consult your tax advisor regarding the U.S. federal, state, local and non-U.S. income and other tax considerations relevant to an investment in the GDRs.

For purposes of this summary, a “**U.S. Holder**” is a beneficial owner of GDRs that is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation) created in, or organised under the law of, the United States, any State thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (iv) a trust, the income of which is subject to taxation on a net income basis in the United States.

If an entity treated as a partnership for U.S. federal income tax purposes holds the GDRs, the tax treatment of the partnership and its partners will depend upon their status and activities. Any such entity should consult its own tax adviser regarding the U.S. federal income tax considerations applicable to it and its partners relating to the purchase, ownership and disposition of the GDRs.

As discussed below under “Passive Foreign Investment Company Rules”, MGL believes that it is not currently a Passive Foreign Investment Company (“**PFIC**”) for U.S. tax purposes, and the discussion below is premised on the assumption that this will continue to be the case.

Treatment of the GDRs

Holders of the GDRs will be treated for U.S. federal income tax purposes as holding the shares represented by the GDRs. No gain or loss will be recognised upon the exchange of the Shares for the GDRs, or the exchange of the GDRs for the Shares.

Dividends

Dividends that a U.S. Holder receives from us will be subject to tax as foreign source ordinary income and will be includible in the Holder’s gross income upon actual or constructive receipt. Such dividend income will not be eligible for the dividends received deduction allowed to corporations. In addition, dividends paid by us will generally not be “qualified dividend income” unless, in the year that a U.S. Holder receives the dividend, the GDRs are readily tradeable on an established securities market in the United States. The GDRs are not, at present, expected to be readily tradeable on an established securities market in the United States.

Sale or Other Disposition of GDRs

Subject to the application of the passive foreign investment company rules discussed below, a U.S. Holder will recognise U.S. source capital gain or loss upon the sale or other disposition of GDRs in an amount equal to the difference between the U.S. dollar value of the amount realised upon the disposition and the U.S. Holder's adjusted tax basis in such GDRs (generally their cost in U.S. dollars). Any capital gain or loss will be long-term if the GDRs have been held for more than one year. Net long-term capital gain realised by a non-corporate U.S. Holder may be taxed at a preferential rate. The deductibility of capital losses may be subject to limitations.

Passive Foreign Investment Company Rules

Special U.S. tax rules apply to companies that are considered to be PFICs. We do not believe we currently are a PFIC and, on balance, we do not expect to be classified as a PFIC in future years. However, the determination of whether we are a PFIC is made annually and based on the composition of our assets and income in the relevant year. Therefore, it is possible that we could become a PFIC as a result of changes in the composition or relative value of our assets or the mix of our income. Furthermore, the valuation of some of our assets may be difficult to ascertain, and there is therefore a risk that the IRS may challenge the valuations of some of our assets. We may have been a PFIC in previous taxable years, and we do not monitor whether we are a PFIC on an ongoing basis. Accordingly, you will not receive any notification if we become (or if we cease to be) a PFIC.

In general, a non-U.S. corporation will be classified as a PFIC for any taxable year if at least (i) 75% of its gross income is classified as passive income or (ii) 50% of the average quarterly value of its assets produce or are held for the production of passive income. In making this determination, the non-U.S. corporation is treated as earning its proportionate share of any income and owning its proportionate share of any assets of any company in which it holds a 25% or greater interest.

If we are classified as a PFIC at any time that a U.S. Holder holds our GDRs, a U.S. Holder may be subject to a special tax at ordinary income rates on "excess distributions" (generally, any distributions received in a taxable year that are greater than 125% of the average annual distributions received in the preceding three taxable years, or the holding period, if shorter), and gain recognised on the sale of GDRs. The amount of tax on any excess distributions and gain will be increased by an interest charge to compensate for tax deferral, calculated as if the excess distributions were earned ratably over the period the GDRs have been held.

A U.S. Holder can avoid the unfavorable rules described in the preceding paragraph by electing to mark the GDRs to market. If a U.S. Holder makes this mark-to-market election, such U.S. Holder will be required in any year in which we are a PFIC to include as ordinary income the excess of the fair market value of the GDRs held by the U.S. Holder at year-end over the U.S. Holder's basis in those GDRs. In addition, any gain recognised by the U.S. holder upon the sale of GDRs will be taxed as ordinary income in the year of sale. U.S. Holders will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of the GDRs held by the U.S. Holder at year-end over the fair market value of those GDRs at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). A U.S. Holder's basis in the GDRs will be adjusted to reflect any such income or loss. U.S. Holders should consult their tax advisors regarding the desirability of making a mark-to-market election.

Information Reporting and Backup Withholding

Dividend payments and proceeds paid from the sale or other disposition of the GDRs that are made in the United States or by a U.S.-related financial intermediary will be subject to information reporting and, if the recipient of the payment fails to comply with applicable certification requirements or to establish its entitlement to an exemption from those requirements, to backup withholding. Certain exempt recipients are not subject to the information reporting or backup withholding requirements if they establish an exemption. Backup withholding generally will not apply to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification, or who otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax and any amounts withheld may be credited against a U.S. Holder's U.S. federal income tax liability, provided the required information is furnished to the Internal Revenue Service.

Legislation provides for reporting requirements with respect to the holding of certain foreign financial assets, including, in certain cases, equity of foreign issuers, if the aggregate value of all of such assets exceeds \$50,000. A United States Holder should consult its own tax advisor regarding the application of the information reporting rules to the GDRs and the application of the foreign financial assets rules to its particular situation.

United Kingdom Tax Considerations

The following is a general summary of certain U.K. tax considerations relating to the ownership and disposal of the GDRs. It is based on current U.K. tax law and published HM Revenue & Customs (“**HMRC**”) practice as at the date of this prospectus, both of which are subject to change, possibly with retrospective effect.

The summary applies only to persons who are resident (and, in the case of individuals only, domiciled) in the U.K. for tax purposes and who are not resident for tax purposes in any other jurisdiction and do not have a permanent establishment or fixed base in any other jurisdiction with which the holding of GDRs is connected (“**U.K. Holders**”). Persons (a) who are not resident (or, if resident, are not domiciled) in the U.K. for tax purposes, including those individuals and companies who trade in the U.K. through a branch, agency or permanent establishment in the U.K. to which the GDRs are attributable, or (b) who are resident or otherwise subject to tax in a jurisdiction outside the U.K., are recommended to seek the advice of professional advisors in relation to their taxation obligations.

This summary is for general information only and is not intended to be, nor should it be considered to be, legal or tax advice to any particular investor. It does not address all of the tax considerations that may be relevant to specific investors in light of their particular circumstances or to investors subject to special treatment under U.K. tax law. In particular:

- this summary only applies to the absolute beneficial owners of the GDRs and any dividends paid in respect of the underlying Ordinary Shares where the dividends are regarded for U.K. tax purposes as that person’s own income (and not the income of some other person);
- this summary: (a) only addresses the principal U.K. tax consequences for investors who hold GDRs as capital assets, (b) does not address the tax consequences which may be relevant to certain special classes of investor such as dealers, brokers or traders in shares or securities and other persons who hold GDRs otherwise than as an investment, (c) does not address the tax consequences for holders that are financial institutions, insurance companies, collective investment schemes, pension schemes, charities and tax-exempt organisations, (d) assumes that the holder is not an officer or employee of MGL (or of any related company) and has not (and is not deemed to have) acquired the GDRs by virtue of an office or employment, (e) assumes that the holder does not control or hold (and is not deemed to control or hold), either alone or together with one or more associated or connected persons, directly or indirectly (including through the holding of the GDRs), an interest of 10% or more in the Ordinary Shares, voting power, and/or rights to profits or capital of MGL, and is not otherwise connected with MGL, and (f) assumes that the holder is not a “small company” for the purposes of Part 9A of the Corporation Tax Act 2009.

This summary further assumes that:

- a holder of GDRs is, for U.K. tax purposes, absolutely beneficially entitled to the underlying Ordinary Shares and to the dividends on those Ordinary Shares;
- the Ordinary Shares are not registered in a register kept in the U.K., by or on behalf of MGL, and they will not become so registered; and
- any instrument effecting a transfer of Ordinary Shares to the Depositary is executed and retained outside the U.K. and does not relate to any property situated in the U.K. or to any matter or thing done, or to be done, in the U.K..

Potential investors in the GDRs should satisfy themselves prior to investing as to the overall tax consequences, including, specifically, the consequences under U.K. tax law and HMRC practice of the acquisition, ownership and disposal of the GDRs, in their own particular circumstances by consulting their own tax advisers.

Taxation of dividends

Withholding Tax

Dividend payments in respect of the GDRs may be made without withholding or deduction for or on account of U.K. tax.

Income Tax

Dividends received by individual U.K. Holders will be subject to U.K. income tax on the full amount of the dividend paid, grossed up for the amount of the non-refundable U.K. dividend tax credit referred to below.

The rate of U.K. income tax which is chargeable on the gross amount of dividends received in the tax year 2013/2014 by (i) additional rate taxpayers is 37.5 per cent, (ii) higher rate taxpayers is 32.5 per cent, and (iii) basic rate taxpayers is 10 per cent. Individual U.K. Holders will be entitled to a non-refundable tax credit equal to one-ninth of the amount of the dividend received from MGL, which will be taken into account in computing the gross amount of the dividend which is chargeable to U.K. income tax. The tax credit will be credited against the U.K. Holder's liability (if any) to U.K. income tax on the gross amount of the dividend. After taking into account the tax credit, the effective rate of tax (i) for additional rate taxpayers will be approximately 30.6 per cent of the dividend paid, (ii) for higher rate taxpayers will be 25 per cent of the dividend paid, and (iii) for basic rate taxpayers will be nil. An individual shareholder who is not subject to U.K. income tax on dividends received from MGL will not be entitled to claim payment of the tax credit in respect of such dividends. An individual's dividend income is treated as the top slice of their total income which is chargeable to U.K. income tax.

Corporation Tax

A U.K. Holder within the charge to U.K. corporation tax should generally be entitled to exemption from U.K. corporation tax in respect of dividend payments. However, if the conditions for the exemption are not or cease to be satisfied, or a U.K. Holder elects for an otherwise exempt dividend to be taxable, U.K. corporation tax will be chargeable on the amount of any dividends. If potential investors are in any doubt as to their position, they should consult their own professional advisers.

Provision of information

HMRC has powers to obtain information relating to securities in certain circumstances. This may include details of the beneficial owners of GDRs (or the persons for whom GDRs are held), details of the persons to whom payments derived from GDRs are or may be paid and information and documents in connection with transactions relating to GDRs. Information may be required to be provided by, amongst others, the holders of GDRs, persons by or through whom payments derived from GDRs are made or who receive such payments (or who would be entitled to receive such payments if they were made), persons who effect or are a party to transactions relating to GDRs on behalf of others and certain registrars or administrators. In certain circumstances, the information obtained by HMRC may be exchanged with tax authorities in other countries.

Taxation of disposals

A disposal or deemed disposal of GDRs by an individual U.K. Holder may, depending on his or her individual circumstances, give rise to a chargeable gain or to an allowable loss for the purpose of U.K. capital gains tax. The principal factors that will determine the capital gains tax position on a disposal or deemed disposal of GDRs are the extent to which the holder realises any other capital gains in the tax year in which the disposal is made, the extent to which the holder has incurred capital losses in that or any earlier tax year and the level of the annual allowance of tax-free gains in that tax year (the "**annual exemption**"). The annual exemption for the 2014/2015 tax year is £11,000. If, after all allowable deductions, an individual U.K. Holder's taxable income for the year exceeds the basic rate income tax limit, a taxable capital gain accruing on a disposal of GDRs will be taxed at 28%. In other cases, a taxable capital gain accruing on a disposal or deemed disposal of GDRs may be taxed at 18% or 28% or at a combination of both rates.

An individual U.K. Holder who ceases to be resident in the U.K. for a period of less than five years and who disposes or is deemed to dispose of his or her GDRs during that period of temporary non-residence may be liable to U.K. capital gains tax on a chargeable gain accruing on such disposal or deemed disposal on his or her return to the U.K. (subject to available exemptions or reliefs).

A disposal or deemed disposal of GDRs by a corporate U.K. Holder may give rise to a chargeable gain or an allowable loss for the purpose of U.K. corporation tax. Such a holder should be entitled to an indexation allowance, which applies to reduce capital gains to the extent that such gains arise due to inflation. The allowance may reduce a chargeable gain but will not create an allowable loss.

Any gains or losses in respect of currency fluctuations relating to the GDRs would be brought into account on the disposal.

Stamp duty and stamp duty reserve tax

No U.K. stamp duty or stamp duty reserve tax will be payable on (i) the issue or transfer of the Ordinary Shares to the Depositary, or (ii) the issue of the GDRs or their delivery into Euroclear, DTC and Clearstream.

No U.K. stamp duty or stamp duty reserve tax will be payable on any transfer of the GDRs once they are issued into Euroclear, DTC and Clearstream, where such transfer is effected in electronic book entry form in accordance with the procedures of Euroclear, DTC or Clearstream (as applicable).

Inheritance tax

U.K. inheritance tax may be chargeable on the death of, or in certain circumstances on a gift by, the owner of GDRs where the owner is an individual who is domiciled or deemed to be domiciled in the U.K.. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor receives or retains some benefit.

Individual U.K. Holders should consult an appropriate professional advisor if they make a gift or transfer of value of any kind in relation to GDRs, or intend to hold GDRs through trust arrangements.

The Proposed European Financial Transaction Tax

The European Commission has published a proposal (the “**Commission’s Proposal**”) for a Directive for a common financial transactions tax (“**FTT**”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**Participating Member States**”).

The Commission’s Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in GDRs (including secondary market transactions) in certain circumstances.

Under current proposals, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in GDRs where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, “established” in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The FTT remains subject to negotiation between the Participating Member States and the legality of the proposal is uncertain. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate and/ or certain of the Participating Member States may decide to withdraw.

Joint statements issued by several Participating Member States indicate an intention to implement the FTT by January 1, 2016. Prospective holders of GDRs are advised to seek their own professional advice in relation to the FTT.

BVI Tax Considerations

With the exception of filing fees charged by the BVI Registry of Corporate Affairs in respect of any optional filings made at the Registry of Corporate Affairs, no taxes, fees or charges (including stamp duty) are payable (either by direct assessment or withholding) to the government or other tax authority in the BVI under the laws of the BVI. Companies incorporated or registered under the BVI Business Companies Act, 2004 (the “**Act**”) are currently exempt from income and corporate tax and the BVI does not currently levy capital gains tax on companies incorporated or registered under the Act.

SELLING AND TRANSFER RESTRICTIONS

Selling Restrictions

General

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the GDRs or the Ordinary Shares in any country or jurisdiction where action for that purpose is required. Accordingly, the Ordinary Shares and the GDRs may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisement in connection with such securities be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

United States

Neither the GDRs and the Ordinary Shares represented thereby nor the Ordinary Shares have been or will be registered under the Securities Act, and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act.

Russian Federation

The GDRs will not be offered, transferred or sold in the Russian Federation, to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation who is not a “qualified investor” in accordance with Russian law unless and to the extent otherwise permitted under Russian Law.

Transfer Restrictions

None of the GDRs (or the Ordinary Shares represented thereby) has been or will be registered under the Securities Act and the GDRs may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the GDRs are being offered and sold only:

- (i) to QIBs in reliance on Rule 144A under the Securities Act or in reliance on another exemption from, or transaction not subject to, registration under the Securities Act; and
- (ii) in offshore transactions in reliance on Regulation S under the Securities Act. As used in this document, the term “offshore transaction” has the meaning given to it in reliance on Regulation S.

GDRs purchased within the United States pursuant to Rule 144A

Each purchaser of GDRs pursuant to Rule 144A, by its acceptance thereof, will be deemed to have represented, acknowledged and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used therein as defined therein):

- (a) the purchaser (i) is a QIB, (ii) is aware, and each beneficial owner of such GDRs has been advised, that the sale to it is being made in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act, (iii) is acquiring such Rule 144A GDRs for its own account or for the account of a QIB, and (iv) if it is acquiring such GDRs for the account of one or more QIBs, has sole investment discretion with respect to each such account and has full power to make the acknowledgements, representations and agreements herein on behalf of each such account;
- (b) the purchaser is aware that the GDRs (and the Ordinary Shares represented thereby) have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are being offered in the United States in reliance on Rule 144A only in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that such GDRs (and the Ordinary Shares represented thereby) are subject to significant restrictions on transfer;
- (c) the purchaser will not deposit or cause to be deposited such GDRs (or the Ordinary Shares represented thereby) into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such GDRs (or the Ordinary Shares

represented thereby) are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act;

- (d) the purchaser acknowledges that the Depositary will not be required to accept for registration of transfer any GDRs acquired by such purchaser, except upon presentation of evidence satisfactory to MGL and the Depositary that the restrictions set forth herein have been complied with; and
- (e) if in the future the purchaser decides to offer, resell, pledge or otherwise transfer such GDRs (or the Ordinary Shares represented thereby), such GDRs may be offered, sold, pledged or otherwise transferred only (1) outside the United States in accordance with Regulation S under the Securities Act, (2) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A (if available), (3) pursuant to an exemption from the registration requirements of the Securities Act provided by Rule 144 under the Securities Act, or (4) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and in accordance with the following legend, which such GDRs will bear, as applicable, unless otherwise determined by MGL and the Depositary in accordance with applicable law:

NEITHER THIS RULE 144A GDR CERTIFICATE, NOR THE RULE 144A GDRs EVIDENCED HEREBY, NOR THE SHARES REPRESENTED THEREBY HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR OTHER TRANSFER OF EACH OF THE RULE 144A GDR CERTIFICATE, THE RULE 144A GDRs EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS RULE 144A GDR CERTIFICATE AND THE RULE 144A GDRs EVIDENCED HEREBY, ACKNOWLEDGE THAT SUCH RULE 144A GDR CERTIFICATE, THIS RULE 144A GDRs EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREE FOR THE BENEFIT OF THE COMPANY AND THE DEPOSITARY THAT THIS RULE 144A GDR CERTIFICATE, THE RULE 144A GDRs EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES AND ONLY (1) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, (2) TO A PERSON WHOM THE HOLDER AND THE BENEFICIAL OWNER REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THE BENEFICIAL OWNER OF SHARES RECEIVED UPON CANCELLATION OF ANY RULE 144A GDR MAY NOT DEPOSIT OR CAUSE TO BE DEPOSITED SUCH SHARES INTO ANY DEPOSITARY RECEIPT FACILITY ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK, OTHER THAN A RULE 144A RESTRICTED DEPOSITARY RECEIPT FACILITY OR A REGULATION S DEPOSITARY RECEIPT FACILITY, SO LONG AS SUCH SHARES ARE “RESTRICTED SECURITIES” WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THE SHARES OR THE RULE 144A GDRs. EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS RULE 144A GDR CERTIFICATE OR A BENEFICIAL INTEREST IN THE RULE 144A GDRs EVIDENCED HEREBY, AS THE CASE MAY BE, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

Each purchaser of GDRs purchased pursuant to Rule 144A will be deemed to have acknowledged that we, any underwriters appointed by us, our and their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements and agrees that if any of the representations or agreements deemed to have been made by its purchase of such GDRs are no longer accurate, it shall promptly notify any underwriters appointed by us. If it is acquiring

GDRs as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing representations and agreements on behalf of each account.

Prospective purchasers are hereby notified that sellers of the GDRs purchased within the United States pursuant to Rule 144A may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

GDRs purchased outside the United States pursuant to Regulation S

Each purchaser of GDRs pursuant to Regulation S, by its acceptance thereof, will be deemed to have represented, acknowledged and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein):

- (a) the purchaser (i) is, and the person, if any, for whose account it is acquiring such GDRs is, outside the United States, (ii) is not an affiliate of MGL or a person acting on behalf of such an affiliate and (iii) is not a securities dealer or, if it is a securities dealer, it did not acquire such GDRs (or the Ordinary Shares represented thereby) from MGL or an affiliate thereof in the initial distribution of Regulation S;
- (b) the purchaser is aware that such GDRs (and the Ordinary Shares represented thereby) have not been and will not be registered under the Securities Act, are being offered outside the United States in reliance on Regulation S and are subject to significant restrictions on transfer;
- (c) the purchaser will not offer, resell, pledge or otherwise transfer such GDRs, except in accordance with or pursuant to an exemption from the Securities Act and all applicable securities laws of each relevant state of the United States; and
- (d) if in the future the purchaser decides to offer, resell, pledge or otherwise transfer such GDRs (or the Ordinary Shares represented thereby), such GDRs may be offered, sold, pledged or otherwise transferred only in accordance with the appropriate following legend, which such GDRs will bear, as applicable, unless otherwise determined by MGL and the Depositary in accordance with applicable law:

NEITHER THIS REGULATION S GDR CERTIFICATE, NOR THE REGULATION S GDRs EVIDENCED HEREBY, NOR THE SHARES REPRESENTED THEREBY HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR OTHER TRANSFER OF EACH OF THIS REGULATION S GDR CERTIFICATE, THE REGULATION S GDRs EVIDENCED HEREBY, AND THE SHARES REPRESENTED THEREBY IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS REGULATION S GDR CERTIFICATE AND THE REGULATION S GDRs EVIDENCED HEREBY, ACKNOWLEDGE THAT SUCH REGULATION S GDR CERTIFICATE, THE REGULATION S GDRs EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREE FOR THE BENEFIT OF THE COMPANY AND THE DEPOSITARY THAT THIS REGULATION S GDR CERTIFICATE, THE REGULATION S GDRs EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS REGULATION S GDR CERTIFICATE OR THE REGULATION S GDRs EVIDENCED HEREBY AT ANY TIME REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

SETTLEMENT AND DELIVERY

Clearing and Settlement of GDRs

Custodial and depositary links have been established between Euroclear, Clearstream and DTC to facilitate the initial issue of the GDRs and cross-market transfers of the GDRs associated with secondary market trading.

The Clearing Systems

Euroclear and Clearstream

Euroclear and Clearstream each hold securities for participating organisations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of dividends and other payments with respect to book-entry interests in the GDRs held through Euroclear or Clearstream will be credited, to the extent received by the Depositary, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

DTC

DTC has advised us as follows: DTC is a limited-purpose trust company organised under the laws of the State of New York, a "banking organisation" within the meaning of the New York Banking Law, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for DTC participants and facilitates the clearance and settlement of securities transactions between DTC participants through electronic computerised book-entry changes in DTC participants' accounts. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organisations. Indirect access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly.

Holders of book-entry interests in the GDRs holding through DTC will receive, to the extent received by the Depositary, all distributions of dividends or other payments with respect to book-entry interests in the GDRs from the Depositary through DTC and DTC participants. Distributions in the United States will be subject to relevant U.S. tax laws and regulations. See "*Taxation—Certain U.S. Federal Income Tax Considerations*".

As DTC can act on behalf of DTC direct participants only, who in turn act on behalf of DTC indirect participants, the ability of beneficial owners who are indirect participants to pledge book-entry interests in the GDRs to persons or entities that do not participate in DTC, or otherwise take actions with respect to book-entry interests in the GDRs, may be limited.

Registration and Form

Book-entry interests in the GDRs held through Euroclear and Clearstream will be represented by the Master Regulation S GDR Certificate registered in the name of Citibank Europe plc, as nominee of Citivic Nominees Limited, as common depositary for Euroclear and Clearstream. Book-entry interests in the GDRs held through DTC will be represented by the Master Rule 144A GDR Certificate registered in the name of Cede & Co., as nominee for DTC, which will be held by Citibank, N.A. as custodian for DTC. As necessary, the Registrar will adjust the amounts of GDRs on the relevant register for the accounts of the common nominee and nominee, respectively, to reflect the amounts of GDRs held through Euroclear, Clearstream and DTC, respectively. Beneficial ownership in the GDRs will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream and DTC.

The aggregate holdings of book-entry interests in the GDRs in Euroclear, Clearstream and DTC will be reflected in the book-entry accounts of each such institution. Euroclear, Clearstream and DTC, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the GDRs, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the

GDRs. The Depositary will be responsible for maintaining a record of the aggregate holdings of GDRs registered in the name of the common nominee for Euroclear and Clearstream and the nominee for DTC. The Depositary will be responsible for ensuring that payments received by it from us for holders holding through Euroclear and Clearstream are credited to Euroclear or Clearstream, as the case may be, and the Depositary will also be responsible for ensuring that payments received by it from us for holders holding through DTC are received by DTC. The address for DTC is P.O. Box 5020, New York, New York 10274, United States. The address for Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address for Clearstream is 42 Avenue J.F Kennedy, L-1855 Luxembourg, Luxembourg.

We will not impose any fees in respect of the GDRs; however, holders of book-entry interests in the GDRs may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear, Clearstream or DTC and certain fees and expenses payable to the Depositary in accordance with the terms of the Deposit Agreements.

Global Clearance and Settlement Procedures

Initial Settlement

The GDRs will be in global form evidenced by the two Global Master GDR Certificates. Purchasers electing to hold book-entry interests in the GDRs through Euroclear and Clearstream accounts will follow the settlement procedures applicable to depositary receipts. DTC participants acting on behalf of purchasers electing to hold book-entry interests in the GDRs through DTC will follow the delivery practices applicable to depositary receipts.

Transfer Restrictions

For a description of the transfer restrictions relating to the GDRs, see “*Selling and Transfer Restrictions—Transfer Restrictions*”.

Trading between Euroclear and Clearstream Participants

Secondary market sales of book-entry interests in the GDRs held through Euroclear or Clearstream to purchasers of book-entry interests in the GDRs through Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream and will be settled using the normal procedures applicable to depositary receipts.

Trading between DTC Participants

Secondary market sales of book-entry interests in the GDRs held through DTC will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to depositary receipts, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC Seller and Euroclear/Clearstream Purchaser

When book-entry interests in the GDRs are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream participant, the DTC participant must send to DTC a delivery free of payment instruction at least two business days prior to the settlement date. DTC will in turn transmit such instruction to Euroclear or Clearstream, as the case may be, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream participant. On the settlement date, DTC will debit the account of its DTC participant and will instruct the Depositary to instruct Euroclear or Clearstream, as the case may be, to credit the relevant account of the Euroclear or Clearstream participant, as the case may be. In addition, on the settlement date, DTC will instruct the Depositary to (1) decrease the amount of book-entry interests in the GDRs registered in the name of a nominee for DTC and represented by the Master Rule 144A GDR Certificate and (2) increase the amount of book-entry interests in the GDRs registered in the name of the common nominee for Euroclear and Clearstream and represented by the Master Regulation S GDR Certificate.

Trading between Clearstream/Euroclear Seller and DTC Purchaser

When book-entry interests in the GDRs are to be transferred from the account of a Euroclear or Clearstream participant to the account of a DTC participant, the Euroclear or Clearstream participant must send to Euroclear or Clearstream a delivery free of payment instruction at least one business day prior to the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream participant, as the case may be. On the settlement date, Euroclear or Clearstream, as the case may be, will debit the account of its participant and will instruct the Depositary to instruct DTC to credit the relevant account of Euroclear or Clearstream, as

the case may be, and will deliver such book-entry interests in the GDRs free of payment to the relevant account of the DTC participant. In addition, Euroclear or Clearstream, as the case may be, shall on the settlement date instruct the Depositary to (1) decrease the amount of the book-entry interests in the GDRs registered in the name of the common nominee and evidenced by the Master Regulation S GDR Certificate and (2) increase the amount of the book-entry interests in the GDRs registered in the name of a nominee for DTC and represented by the Master Rule 144A GDR Certificate.

General

Although the foregoing sets out the procedures of Euroclear, Clearstream and DTC in order to facilitate the transfers of interests in the GDRs among participants of Euroclear, Clearstream and DTC, none of Euroclear, Clearstream or DTC are under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of us, the Depositary, the Custodian or our or their respective agents will have any responsibility for the performance by Euroclear, Clearstream or DTC or their respective participants of their respective obligations under the rules and procedures governing their operations.

INFORMATION RELATING TO THE DEPOSITARY

Citibank, N.A. (“**Citibank**”) has been appointed as Depositary pursuant to the Deposit Agreements. Citibank is an indirect wholly owned subsidiary of Citigroup Inc., a Delaware corporation. Citibank is a commercial bank that, along with its subsidiaries and affiliates, offers a wide range of banking and trust services to its customers throughout the United States and the world.

Citibank was originally organised on June 16, 1812, and is now a national banking association organised under the National Bank Act of 1864 of the United States of America. Citibank is primarily regulated by the United States Office of the Comptroller of the Currency. Its principal executive office is at 399 Park Avenue, New York, NY 10043.

Citibank’s Consolidated Balance Sheets are set forth in Citigroup’s most recent Annual Report (audited balance sheet) and Quarterly Report (unaudited), each on file on Form 10-K and Form 10-Q, respectively, with the United States Securities and Exchange Commission.

Citibank’s Articles of Association and By-laws, each as currently in effect, together with Citigroup’s Annual Report on Form 10-K and Quarterly Report on Form 10-Q are available for inspection at the Depositary Receipt office of Citibank, 388 Greenwich Street, New York, New York 10013.

INDEPENDENT AUDITORS

The Audited Consolidated Financial Statements for the years ended December 31, 2012, 2013 and 2014 incorporated by reference in this prospectus have been audited by Ernst & Young LLC, independent auditors, of Sadovnicheskaya nab., 77, bld.1, Moscow, 115035, Russia, as stated in their reports which are incorporated by reference into this prospectus as described on page iv of this prospectus. Ernst & Young LLC is a member of the self-regulatory organization of auditors Non Profit Partnership “Russian Audit Chamber” (“**SRO NP APR**”).

GENERAL INFORMATION

1. It is expected that the Additional GDRs will be admitted to the Official List on or about July 2, 2015. Application will be made for the Additional GDRs to be traded on the London Stock Exchange through its IOB.
2. We have obtained all consents, approvals and authorisations required under BVI law in connection with the issue of the GDRs.
3. Copies of the following documents will be available for inspection free of charge, during normal business hours ^{A10.24} on any weekday, at the principal office of the Company in the Republic of Cyprus from the date of publication of this prospectus to Admission:
 - this prospectus;
 - our Memorandum of Association and Articles of Association;
 - the form of Deposit Agreements; and
 - our financial statements as of and for the years ended December 31, 2012, 2013 and 2014, together with the auditors' report relating thereto and
 - our annual reports for the years ended December 31, 2012, 2013 and 2014.

The principal office of MGL is located at 25 Afroditis Str. Clarion Business Centre, 2nd floor, flat/office 206, 1060 Nicosia, Cyprus.

The registered office of MGL is located at Trident Trust Company (B.V.I.) Limited, Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands.

4. If definitive certificates are issued in exchange for the Master GDR Certificates, we will appoint an agent in the United Kingdom.
5. Except as described in "*Long-term incentive programme*" in Note 28 to the consolidated financial statements for the year ended December 31, 2014, which states that, in February 2015, the Board of Directors of the Company approved a new long-term incentive plan based around restricted stock units equivalent to up to 5% of total shares outstanding, there has been no significant change in the financial condition or operating results of the Group since December 31, 2014, the end of the last financial period for which financial information has been published.
6. The total expenses in relation to the Application to Increase the Block Listing are less than U.S.\$500,000.
7. Holders of GDRs may contact Citibank, N.A, as Depositary for the GDRs with questions relating to the transfer of GDRs on the books of the Depositary, which shall be maintained at the Depositary's corporate trust office at 388 Greenwich Street, New York, NY 10013, United States.
8. The ISIN for the Rule 144A GDRs is US5603171092, the Common Code for the Rule 144A GDRs is 055648417, and the CUSIP number for the Rule 144A GDRs is 560317109.
9. The ISIN for the Regulation S GDRs is US5603172082, the Common Code for the Regulation S GDRs is 055222126, and the CUSIP number for the Regulation S GDRs is 560317208.
10. The London Stock Exchange trading symbol is MAIL.