

# Mail.ru Group



2020-2022 strategy

Focus on the core & ecosystem development

# MRG – story of constant evolution

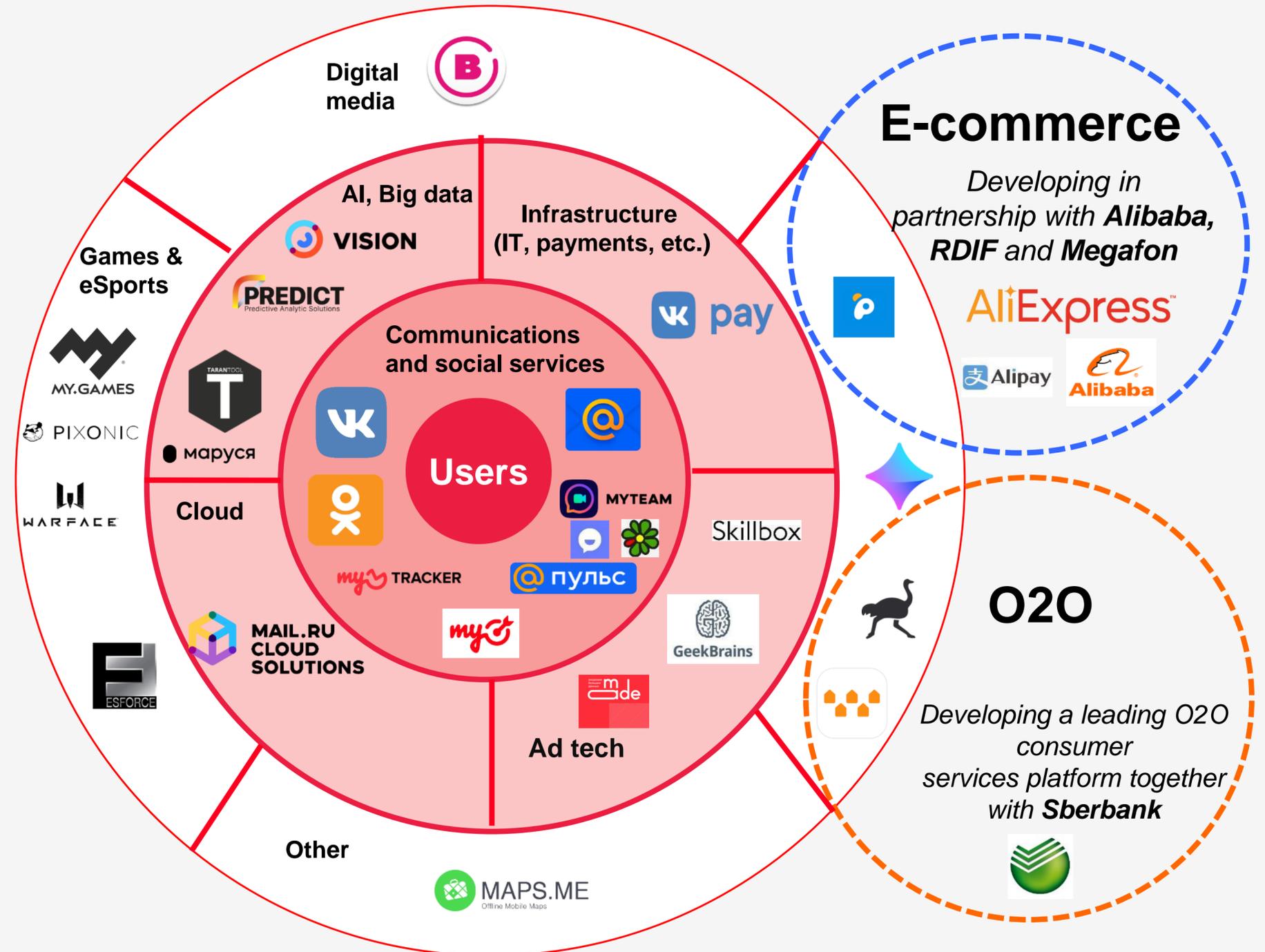


- Throughout our 21-year history, we have been **constantly evolving** by recognizing and adapting to existing trends and creating new trends, with extreme focus on **digitalization** of daily user needs.
- Today, we are a **user focused** consumer and entertainment company, with the **largest in Russia** direct audience access, **mass-market and high-frequency** focus and **international** presence via Games. We are a **strong B2C** player, with **ambitions in B2B**
- **Our strategy is to always think about tomorrow and how to drive change for the better for our users**



# Focus on the core

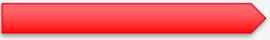
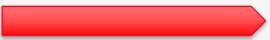
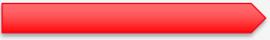
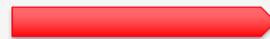
- We have now completed the key target partnerships, including in eCommerce, mobility and foodtech, where we do not hold control and which are well-funded
- Our 2020-22 strategy is focused on the core businesses, consolidated within the Group



Source: Internal data

# Key underlying trends

## What we are seeing:

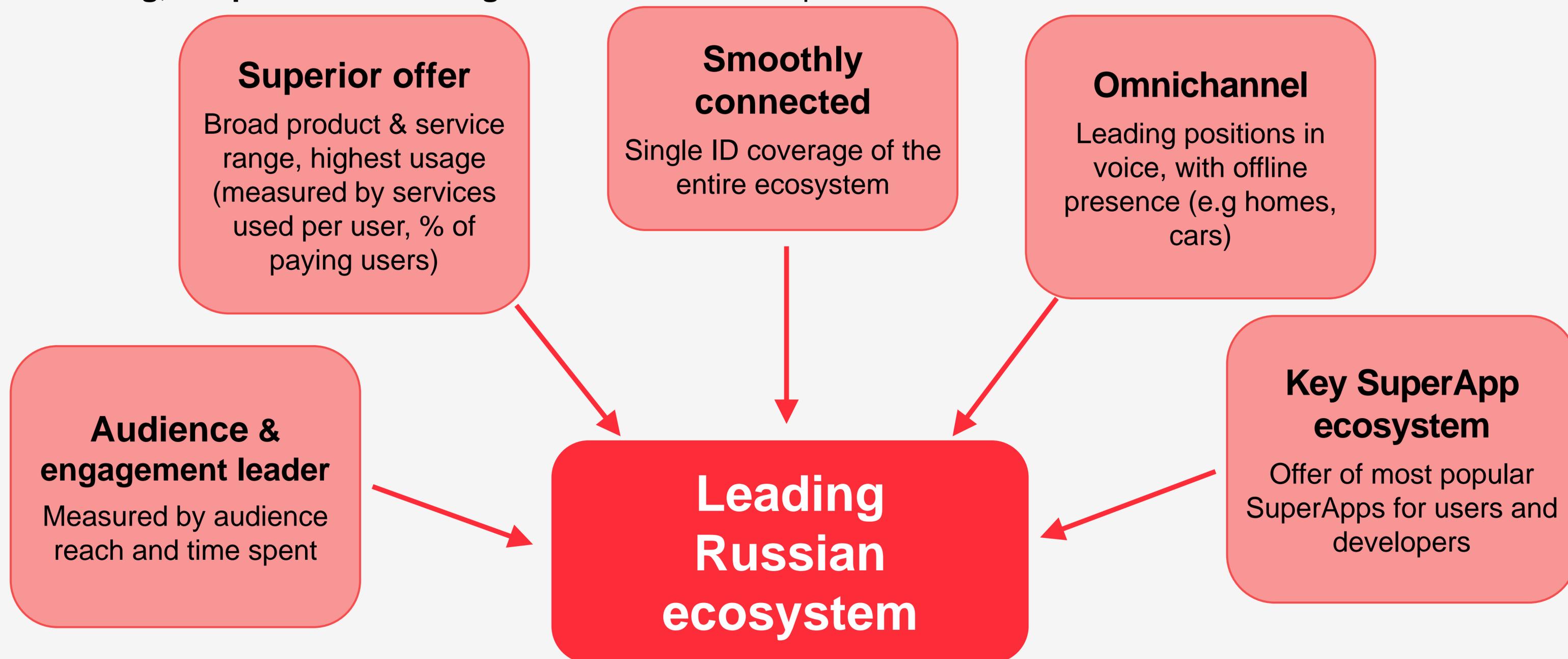
- Convergence with offline 
- Dynamic change in behavior patterns 
- Rising importance of scale 
- The rise of ecosystems 
- Overlapping interests and expertise of the leading players 

## What it means:

- Total addressable market is rising
- Rapid rise of new segments (e.g. eCommerce, online food delivery, ride-hailing, smart speakers) given rising overall digitalization of life
- Openness to change, agility
- Constant monitoring and analysis of user needs, the state of domestic and global markets, and search for new opportunities
- It provides an increasing competitive advantage, with barriers to entry for new or not well-funded players
- Rising importance of technological superiority, R&D, AI & Big Data
- Increasing importance of depth, quality of offer and differentiation
- As it brings prospects of reduced CAC, higher stickiness, engagement and loyalty in the long-run
- Emergence of strategic partnerships and “coopetition”

# Strategic priorities into 2022

Our product range allows us to navigate users through their daily digital journey, which has laid firm groundwork for our next target – transform into the leading domestic ecosystem, including through **deeper cross-selling, cooperation and integration** within the Group



Goal is to create as efficient a platform as possible to accelerate development of existing and potential new services

# We are well-positioned in the local ecosystem race



**№1** in social networks



**№1** in e-mail



**№1** in Games\*



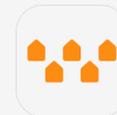
**№1** in food delivery



**№1** in eCommerce\*\* & **№2** in general classifieds



**№2** in Taxi across 13 largest Russian cities, including Moscow



Diversified in content



Present in Fintech



Present in B2B



Strong in AI



- **Largest Internet audience reach** in Russia, at ~70% daily and >93% monthly
- **№3** across Europe in terms of **mobile app revenues**, **№1** among Russia-headquartered companies
- Among the most **diversified product portfolios** and **leadership** in multiple **verticals** online and in O2O, whether through own or partner products
- Presence in some of the **highest-frequency + transactional verticals and dominance in online time spent**. We are in phones, computers and entering cars & homes
- **Competitive advantage / differentiation** via **dominance in social networks**, which account for ~50% of Internet time spent in Russia and are most advanced in their move into mobile
- **Backed by expertise and capital of global Internet leaders**, with Alibaba, Tencent and Naspers among our shareholders and project partners

# Our goal is to become the leading local ecosystem

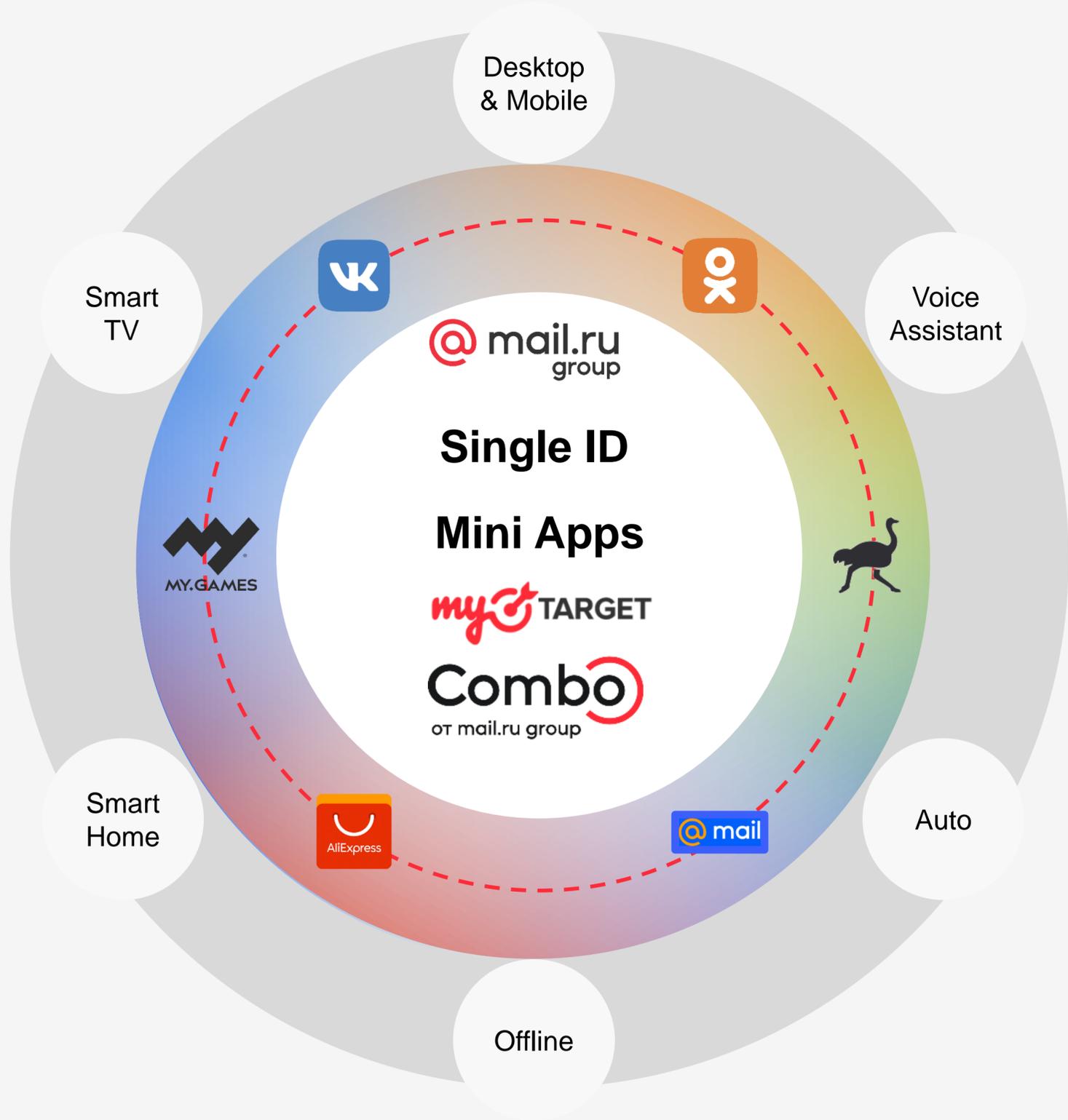


## Wide range of services

- Presence in all major markets and verticals
- Always be the "first choice", most effectively meeting the needs of users

## Availability

- 24/7 with the user
- Omni-channel approach
- Easy navigation within and between services

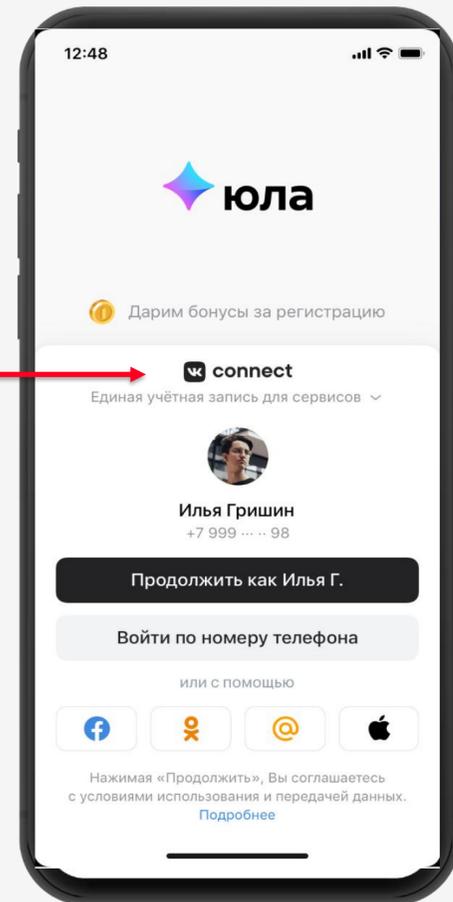


Source: Internal data

# Cross-integration and cross-selling focus

We will focus on tools, which will enhance our ecosystem and drive long-term growth and loyalty

## Unified ID



VK at the heart of Group's ID

Provides for soft integration of all MRG products under core brand as part of ecosystem and brand-awareness development

## Mini Apps



Allows to boost use case offering & user penetration across the group

## Loyalty program

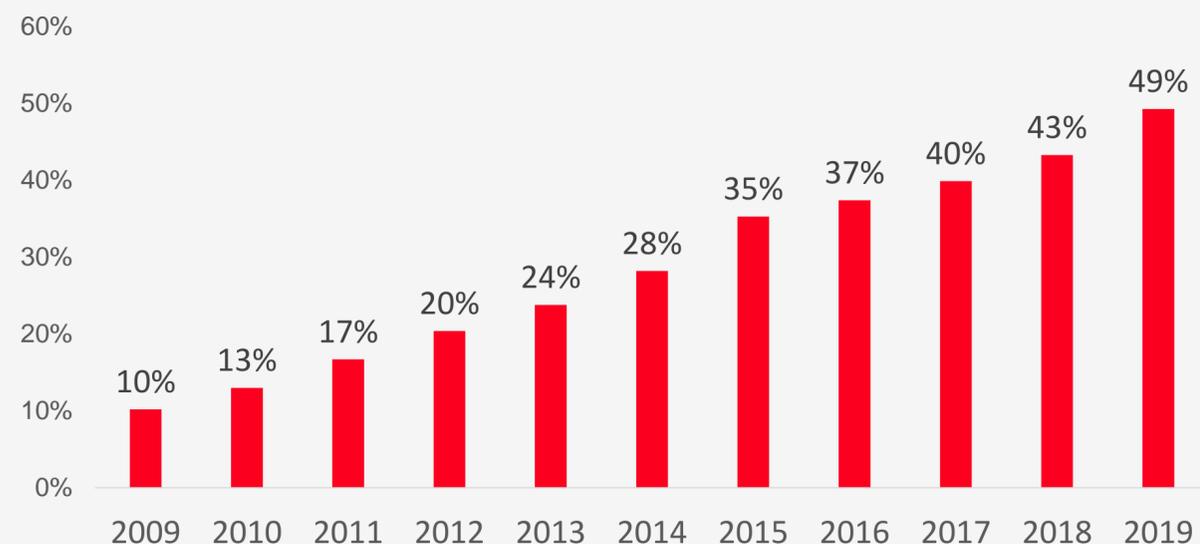


Increases stickiness and cross-selling. We will further diversify our loyalty offering, including through partner services

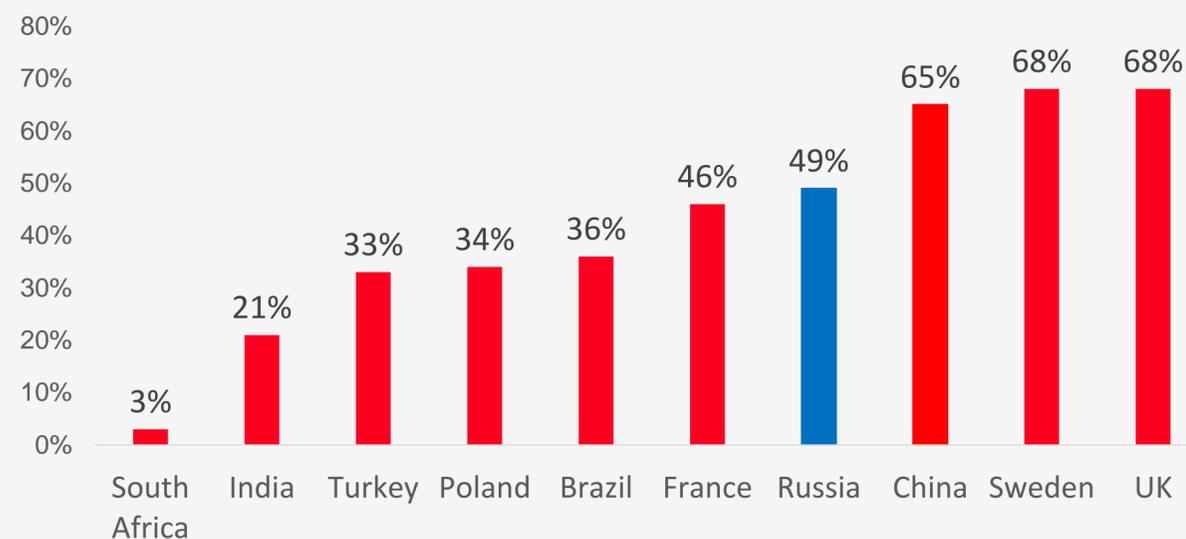
# Digital ad market is far from saturation

Digital ad market should be stimulated by expected macro recovery, while we should continue to benefit from further shifts within digital & rising digital TAM

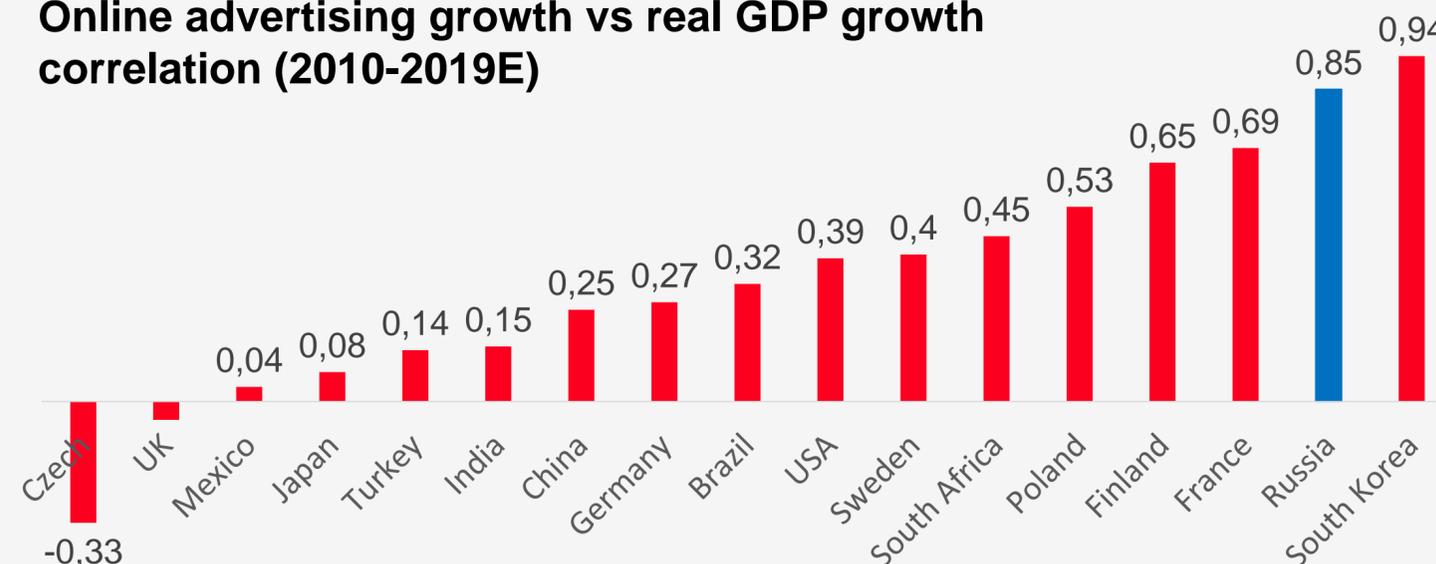
Online advertising in Russia as % of total



1. Digital ad revenue in Russia has surpassed that of TV for the first time in history in 2018
2. Digital has 65%+ ad share in many countries vs ~50% in Russia
3. Digital continues to gain share in time spent and social accounts for ~50% of time spent online in Russia
4. Digital TAM is rising by capturing a share of marketing revenue and other adjacent markets so actual digital share even in the established market like the US is perhaps ~25-30% vs reported 55%
5. GDP growth is expected to accelerate to 2%+, with online advertising having a very strong +ve correlation with growth in Russia, among the highest globally
6. We have the largest audience reach, yet account for 16% of digital wallet after 4 years of share gains



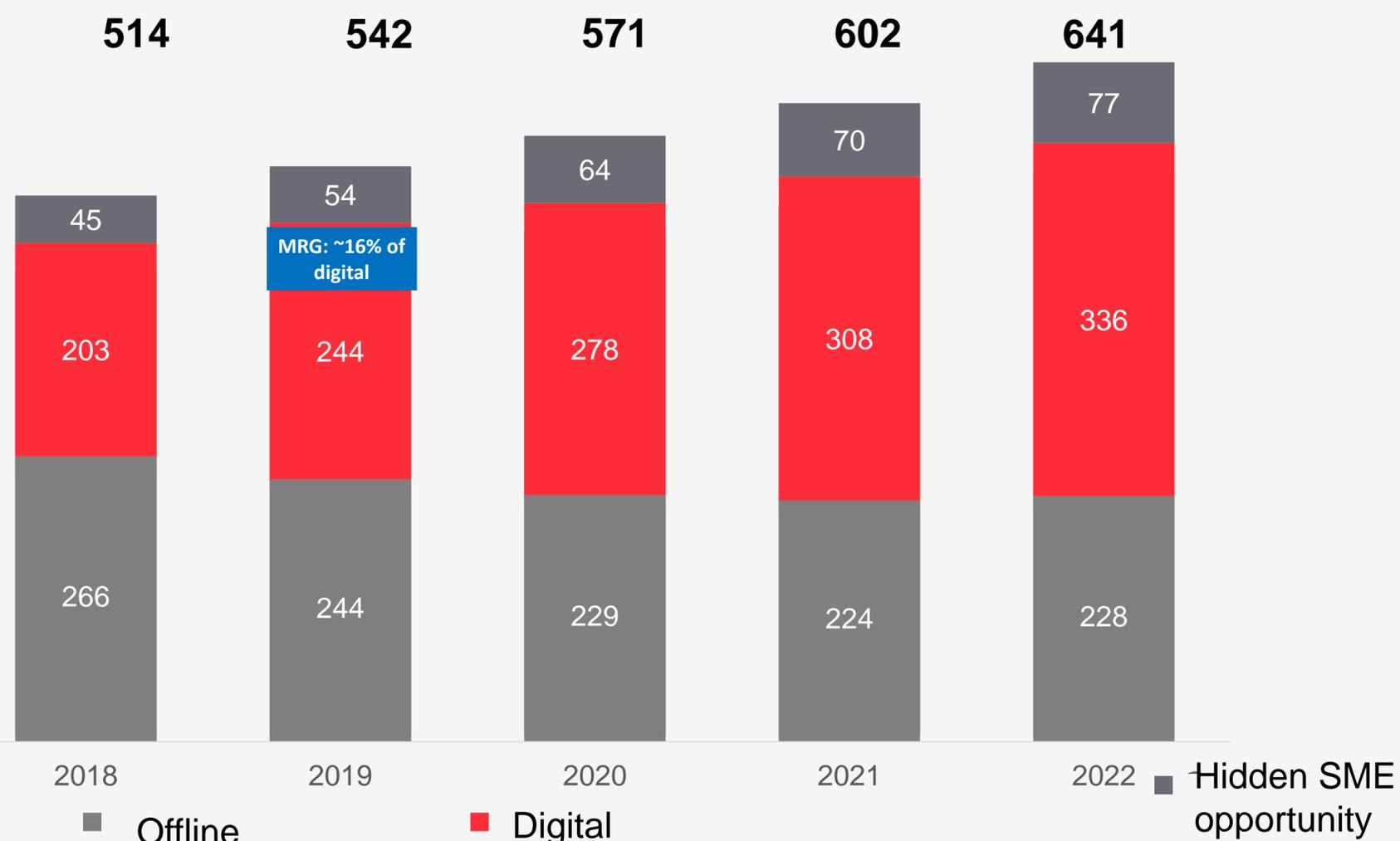
Online advertising growth vs real GDP growth correlation (2010-2019E)



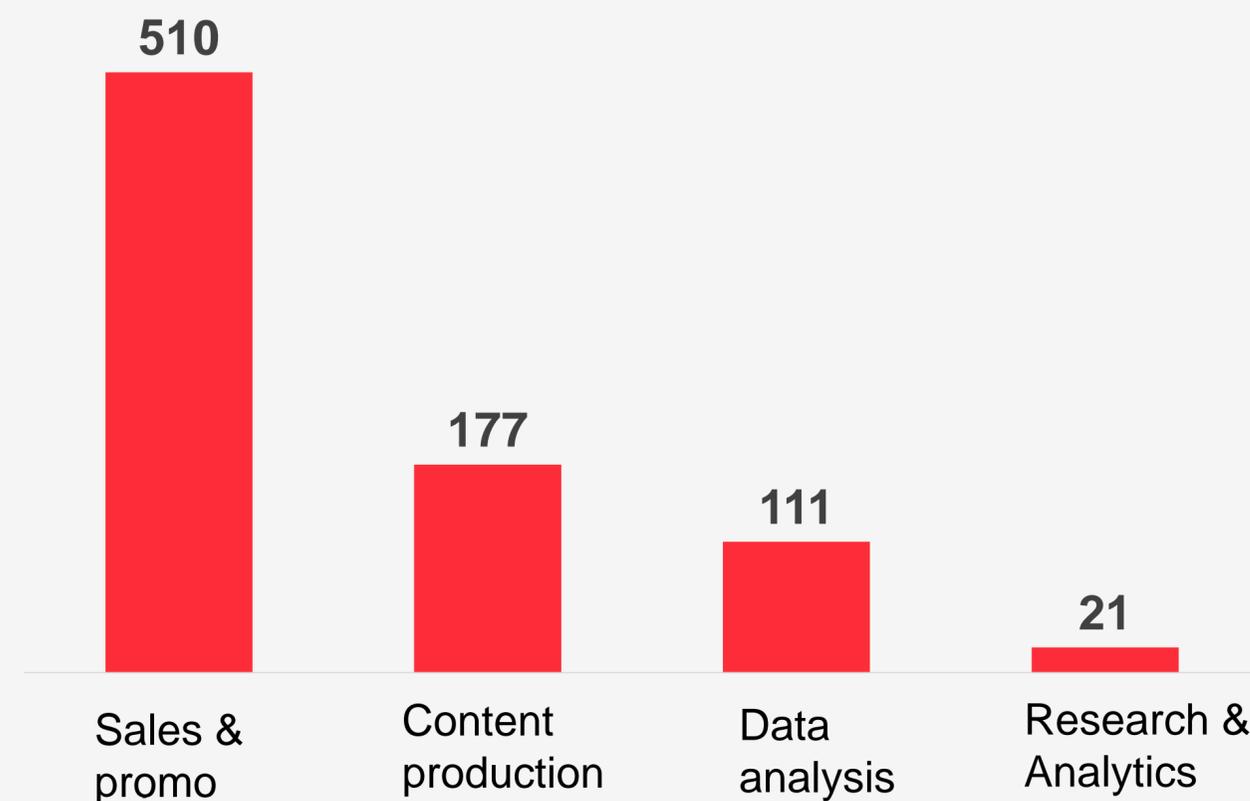
# We aim to continue to gain market share

- We see multiple growth opportunities ahead given our ~16% digital market share in a growing market
- SME segment and performance advertising are among key growth areas

Russian advertising market forecasts, 2018-2022, RUBbn



TAM across some of the adjacent markets to advertising, 2019E, RUBbn



\* Accounts of revenues of Avito, regional classifieds, ads in social network groups, offline placements

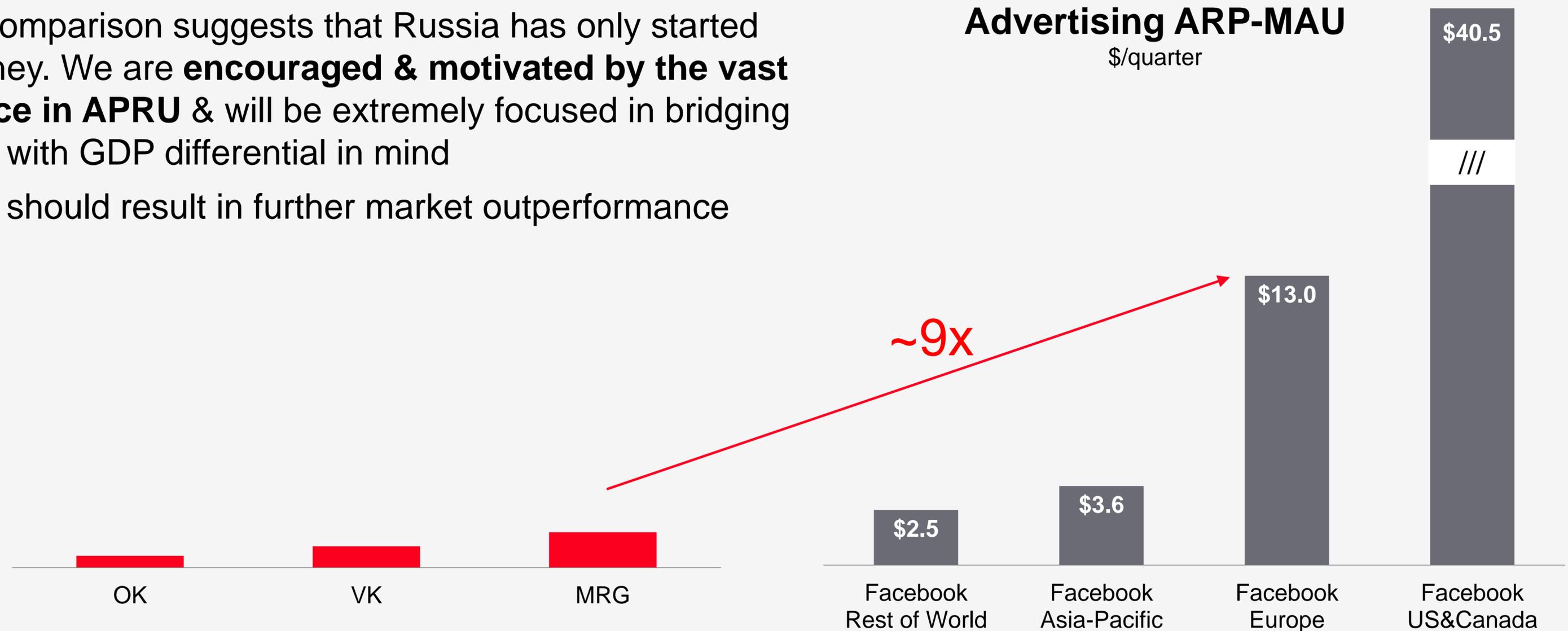
Source: Internal forecasts, AKAR, IAB, Ministry of Economic Development

Sources: OIPOP, AKAR, DAN, PWC, IDC EMEA, iKS-Consulting, Nielsen

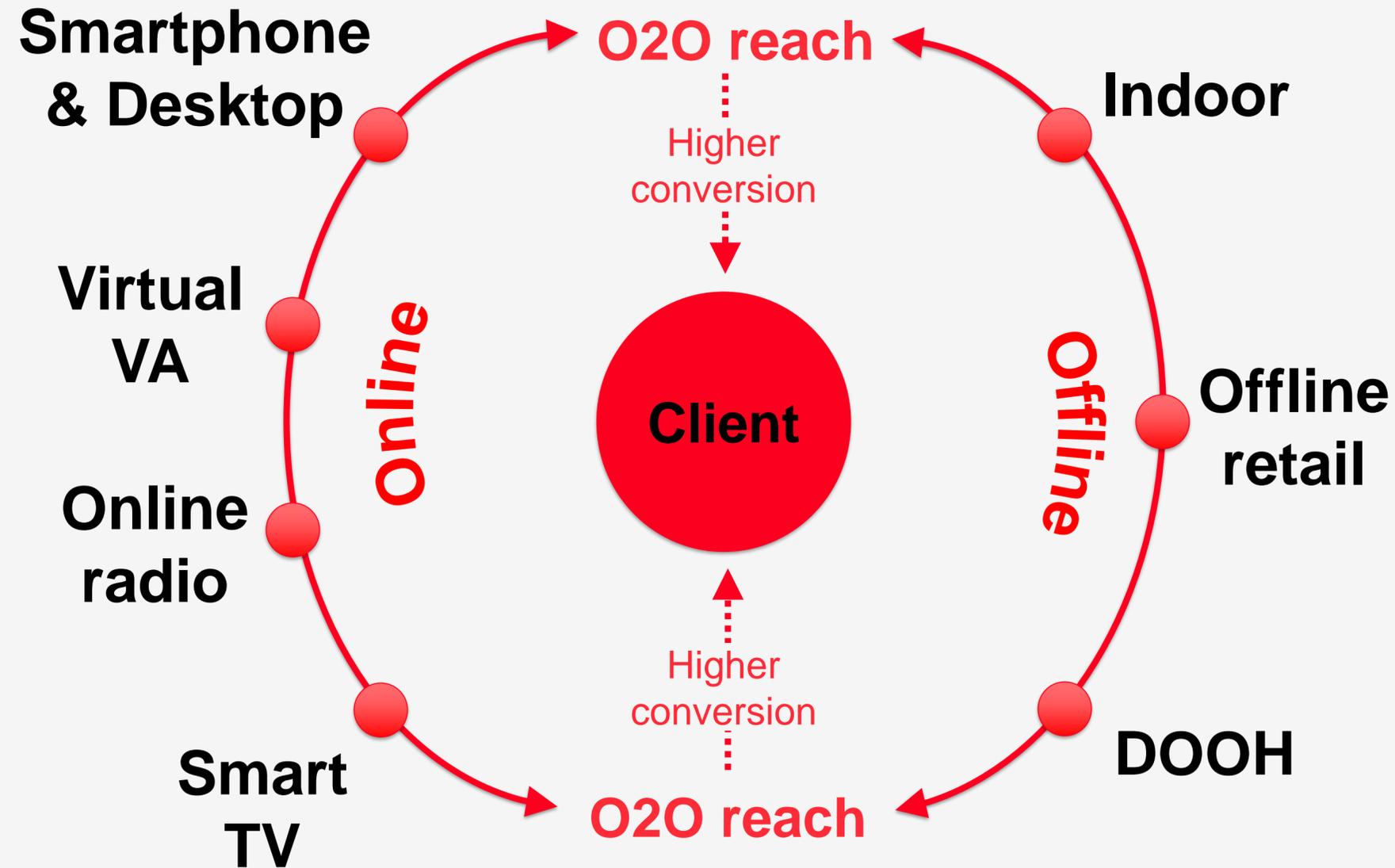
# MRG vs Facebook in the US and globally

ARPU comparison shows significant upside potential

- We have seen Facebook gain >10p.p in digital share in the US since 2015 vs Google flat in the meantime, as budgets continue to shift into social even in more established markets
- Market comparison suggests that Russia has only started this journey. We are **encouraged & motivated by the vast difference in ARPU** & will be extremely focused in bridging this gap, with GDP differential in mind
- Success should result in further market outperformance



# Advertising Strategy – omnichannel approach

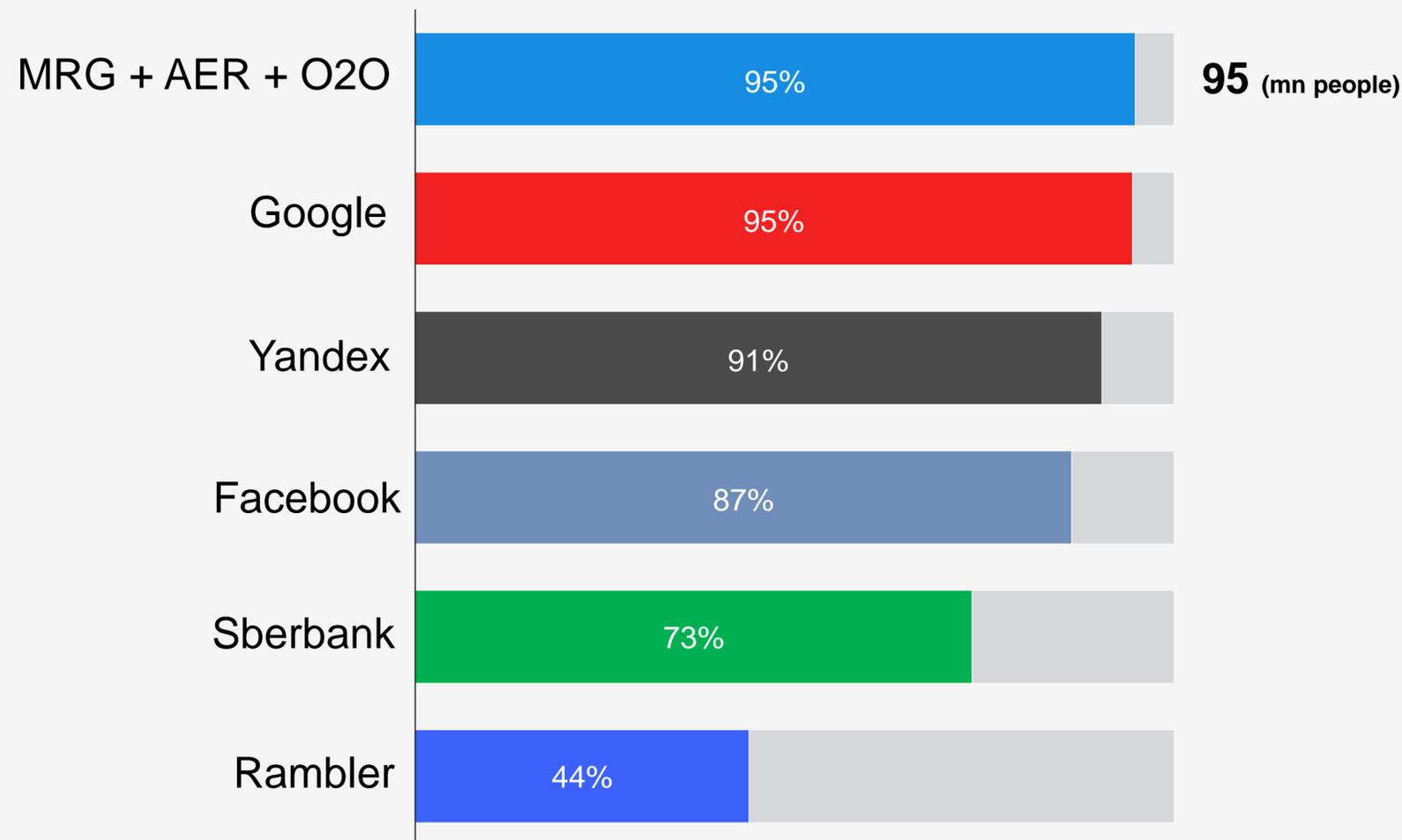


- We will further advance in **performance** advertising, grow exposure across **SMEs**, and will be more active in **video**
- We are building **ecosystem of marketing tools** for all types of clients, including tools for omnichannel reach
- Our sales approach will be to create and enhance **synergy in sales** of advertising and IT solutions
- We will expand our **ad network** and experiment across **adjacent markets**

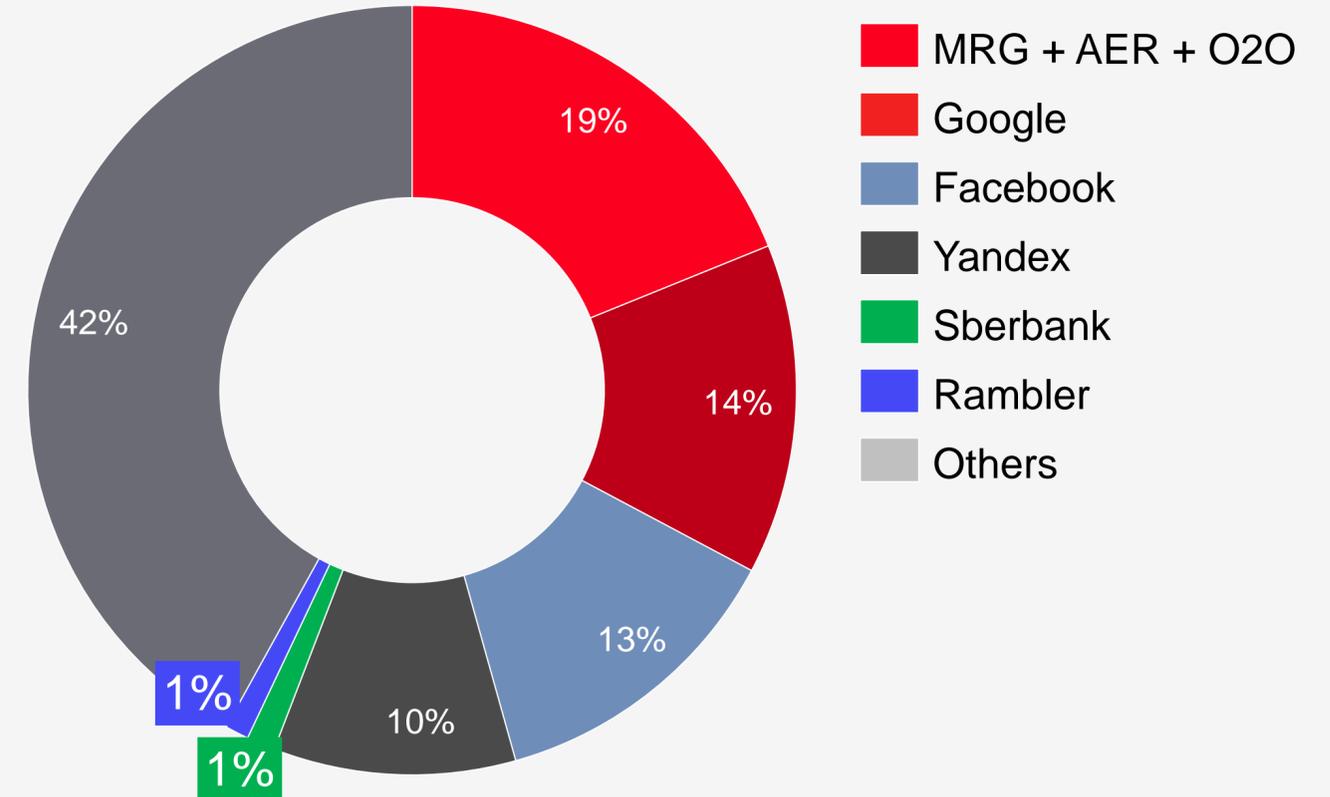
# Maintain leadership in reach and time spent

Our strategy is to use current market position and competitive advantages (e.g. access to social networks, broad portfolio of services, strong partners) to strengthen market position through broader integration, cooperation, cross-selling, exploitation of synergies within MRG and through our partners

**MAU**  
% of Internet users



**Engagement**  
Daily time spent, % of total



# VK: Key Strategic Priorities for 2020–2022



## AUDIENCE

- Our ultimate goal is to grow VK's audience in Russia and the CIS to **above 100mn within the next 2–3 years**



## ENGAGEMENT

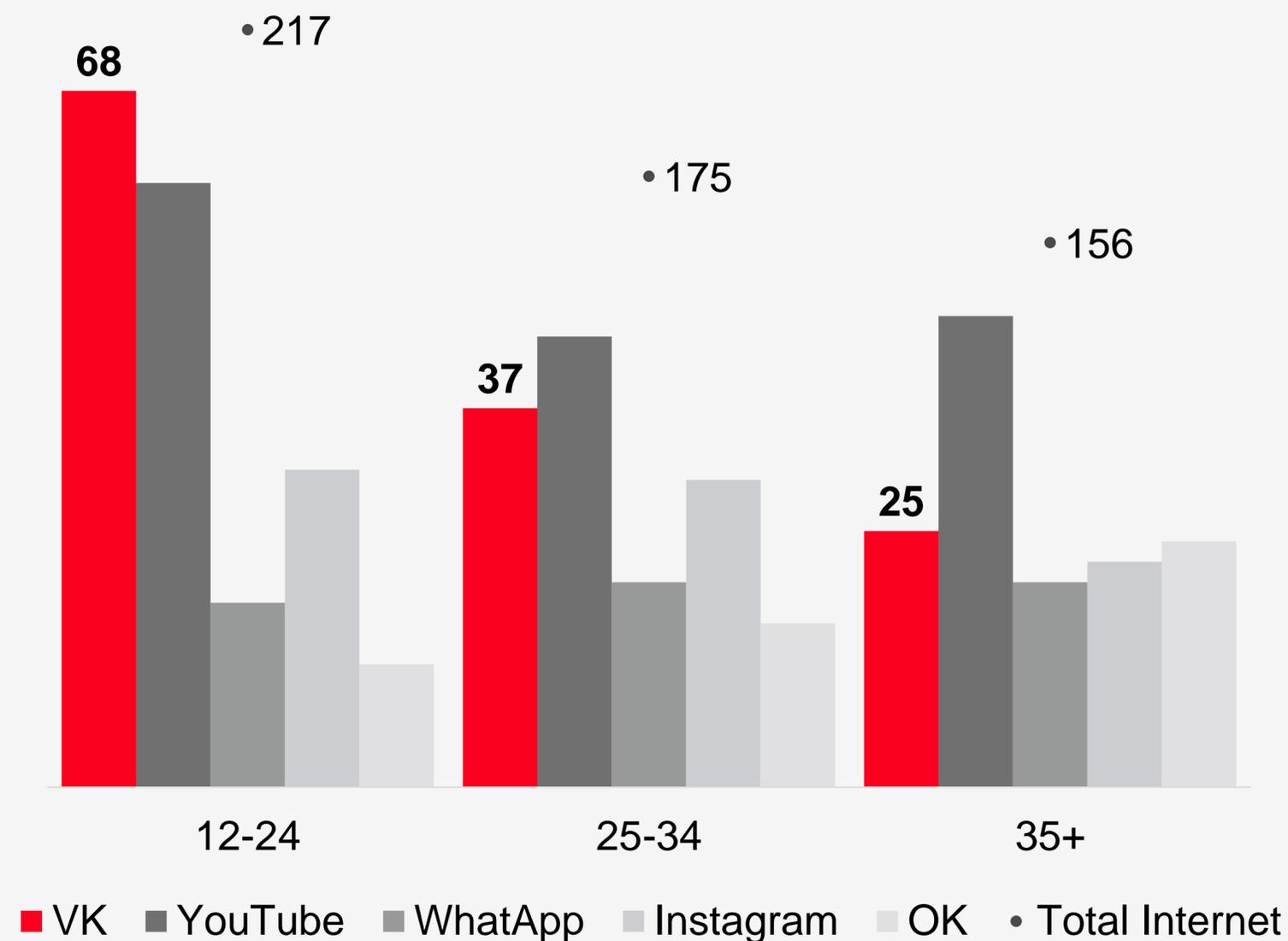
- VK is focused on boosting time spent and stickiness
- We plan to **significantly increase time spent, especially in the 30+ audience** in which we see large potential



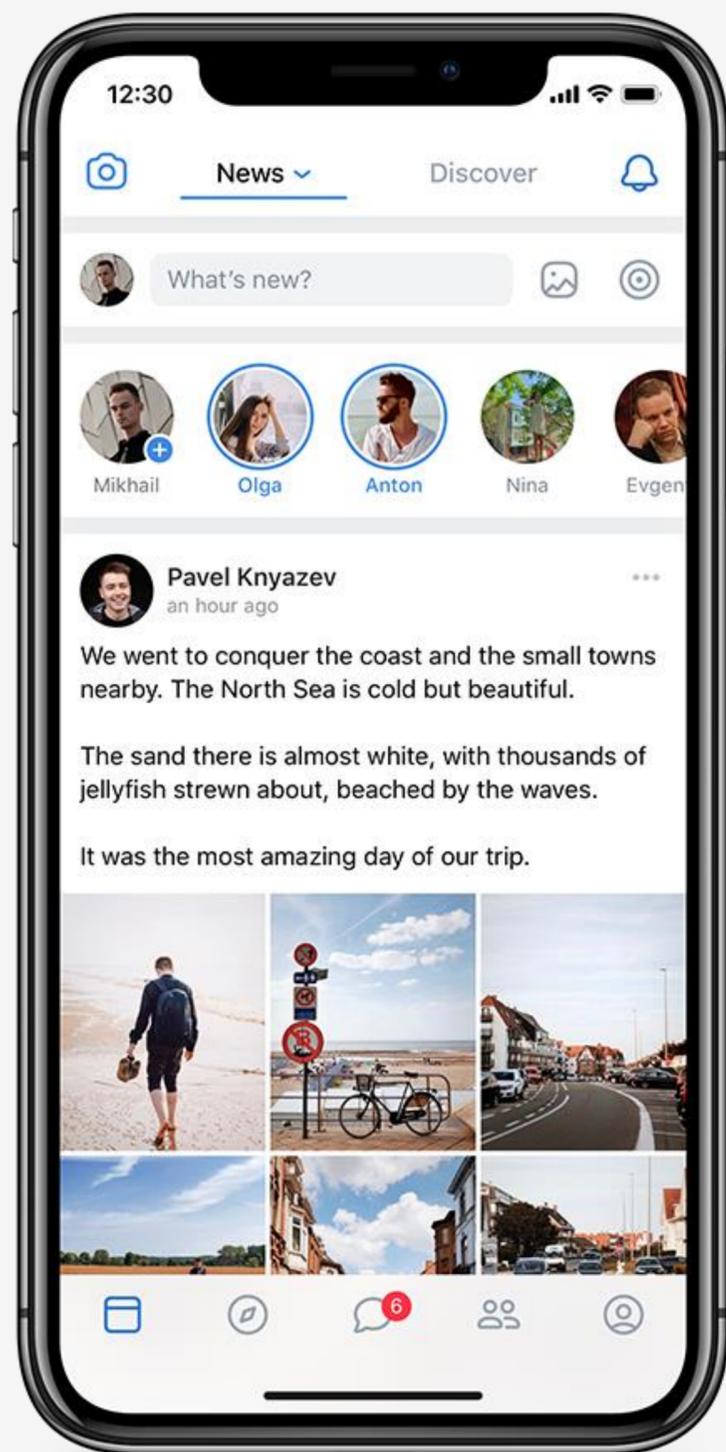
## REVENUE

- VK revenue grew 4x between 2014 and 2018
- Our goal is to **further double VK revenue by FY22 to ≈37bn**
- We are on track, with **>20% revenue growth in 2019**

### Internet time spent, mins/day



# VK: Key products in focus



**News Feed, Discover  
& Communities**



**Music**



**Messenger**



**Mini Apps**

- VK has very strong **social and content features** which allow users to create content, chat, learn new information and have all of their communication needs met all in one place
- With Mini Apps, for example, users can take care of any task they need, from ordering food to finding your soulmate. Such products are one of the strongest features of VK, and we will continue to develop them
- We will also continue to **diversify our product offering** in order to stimulate retention, creativity, and time spent, while further expanding audience reach across Russia and the CIS

# VK and MRG – significant potential for synergies

## VK ecosystem offer for MRG

- 1 **VK Mini Apps**
- 2 **Music**
- 3 **Social graph**
- 4 **Messenger platform**
- 5 **Content preferences & recommendations**

## MRG access benefits



**Video, audio and streaming technologies** (e.g. launching video service with OK, use tools & expertise of Portal)



**SME & B2B**



**Social Commerce & O2O services** (e.g. AER, CM, DC, Combo, Youla)



**Payment instruments** (e.g. VK Pay, Money.Mail.ru)

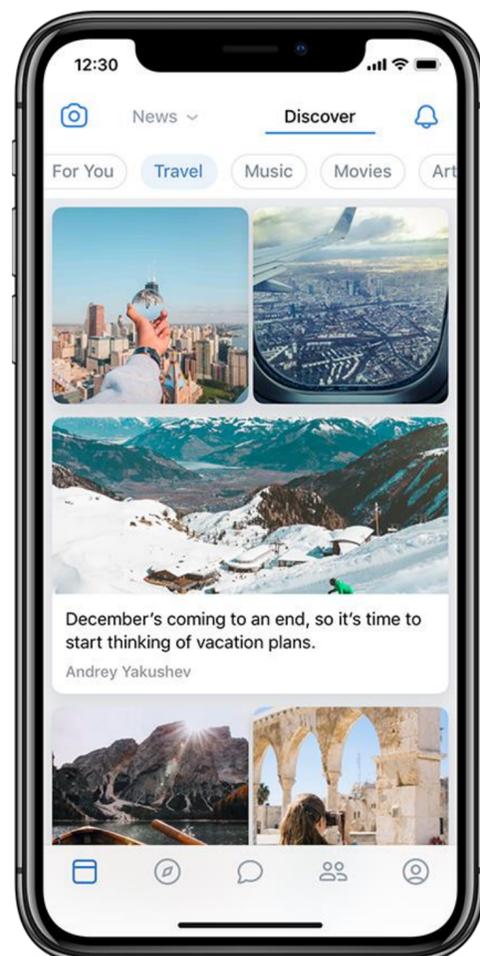
# VK is already a Super App

## Communication



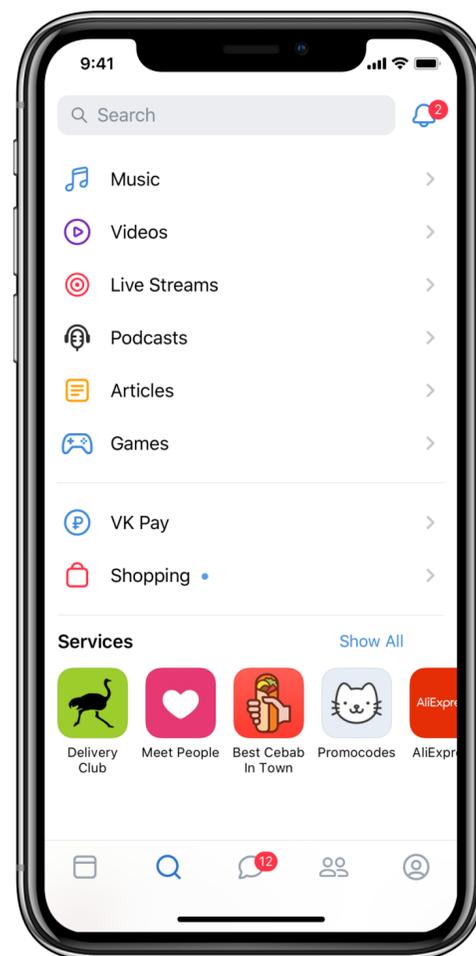
Personal messages,  
Group chats, Calls,  
Business chats

## Content



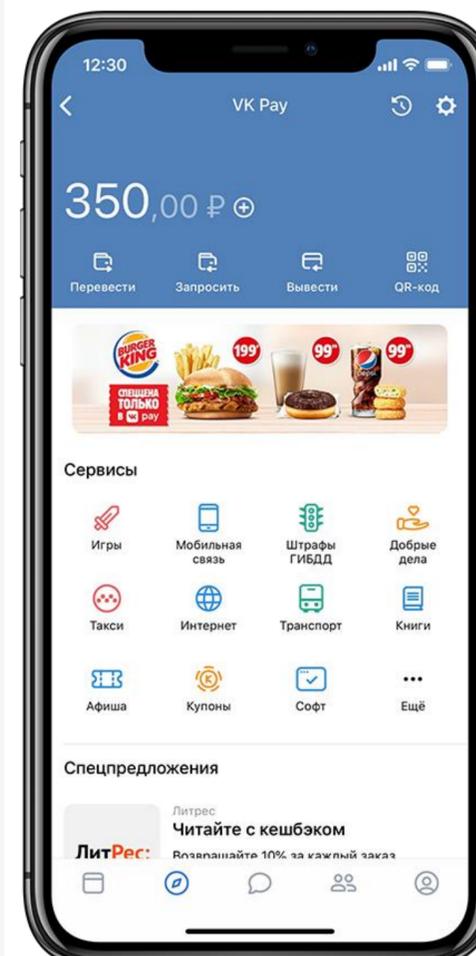
News,  
memes,  
Stories

## Services



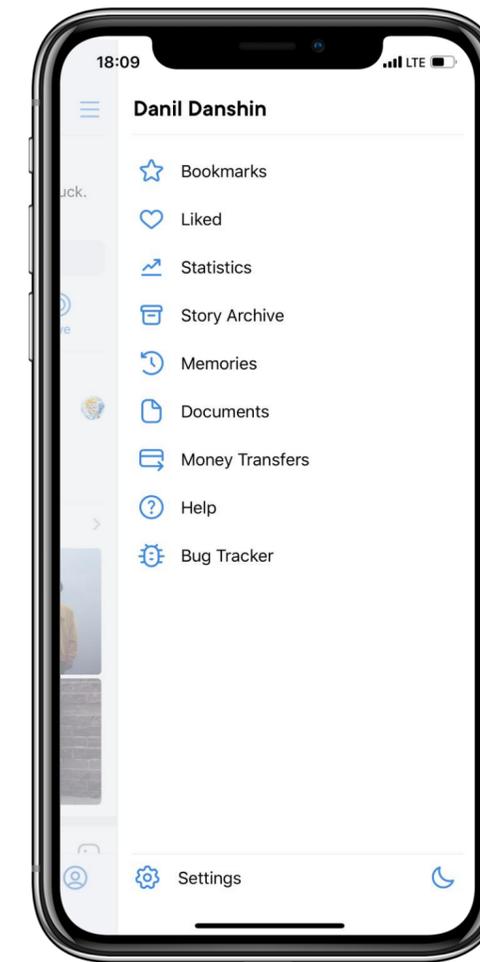
Games & entertainment,  
shopping, services,  
loyalty program

## Payments



Payment for goods &  
services of VK + our  
partners, deferred and  
regular payments

## Infrastructure



Profile + Service profile;  
properties & account  
management; entry  
points; sharing & hosting

# VK – ways to reach our goal to become a leading Super App @mail.ru group

- VK will **expand its line of products** and continue developing **VK as a Super App**
- VK will also **expand its ecosystem beyond the main app** using the VK Mini Apps platform, a universal authentication system, VK Pay, a broad loyalty program, and other integrations with Mail.ru Group products. This will allow VK to grow its audience, meet even more of its users' needs and become the main app for addressing everyday tasks of users across Russia/CIS
- By 2018, VK had already become a Super App, thanks to the launch of the VK Mini Apps platform. Even then, developers had the ability to easily create Mini Apps of their choice, and users could do any task they needed to without leaving VK. The platform grew quickly since. Now, there are **more than 13k active Mini Apps, with a MAU of 23mn**. We will continue to develop the platform and make it more functional so that anyone could use it to meet any need they have

## TRANSFORM VK

into the main app for communication, entertainment & solving daily needs for users across Russia/CIS through a broad and differentiated offer as well as extreme convenience



### COMMUNICATION

(e.g. communities, chats, calls, news, business communication)



### ENTERTAINMENT

(e.g. memes, music, video, stories, games)



### SELF-REALIZATION

(e.g. education, work, shopping)



### UTILITIES

(e.g. payments, services, loyalty program)

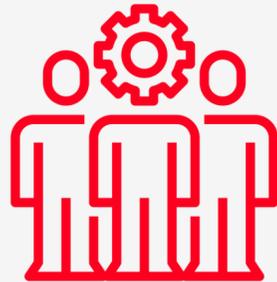
# Super App: Prospects with Mini Apps — Penetration Upside Potential

- Penetration of Mini Apps can more than double from here



# Single ID - platform advantages for users

- VK will form the basis for the unified MRG's user identification product
- VK is already used as an identification system, with **> 15 mn OAuth-authorizations daily**



## Single identification

Much more than just a VK login page: an overall MRG user account service center



## Smooth authorization

One-click access to all of MRG's services for those with a VK account



## VK passport

Access point to key user information (e.g. name, credit card, phone number, address, bonus points, loyalty), which allows for smooth and secure data storage and exchange



## Unified service

Unique access methodology and algorithms, loyalty and subscription program, unified account management system

# Single ID - platform advantages for MRG



## Strong synergy

between various Mail.ru Group products. Helps promote them more efficiently and improves new user conversion rate



## Transactionality improvements

VK Pay is a unified and convenient payment service that covers all of our users' online payment needs. The platform will offer digital payment services and e-wallets to Russian users

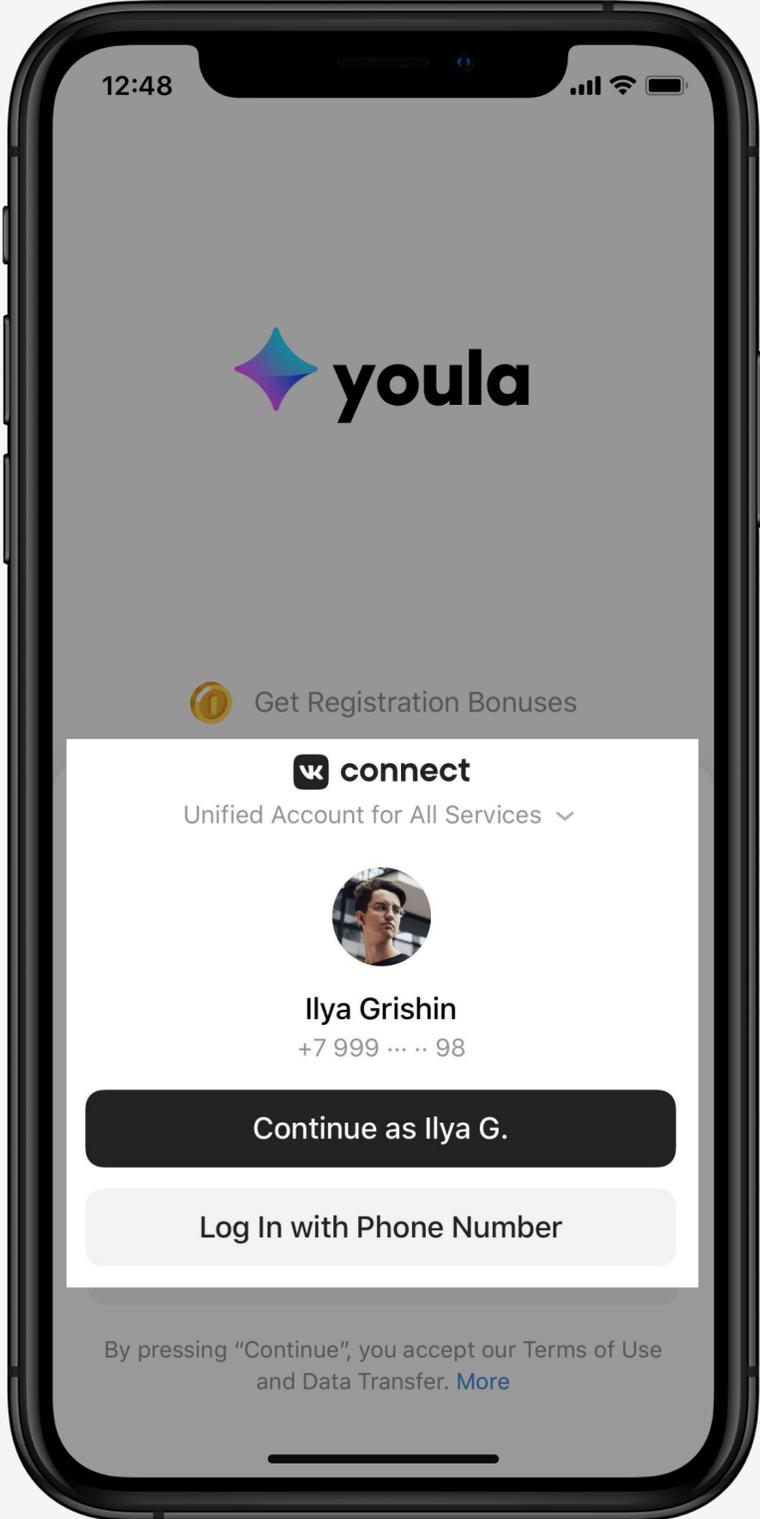
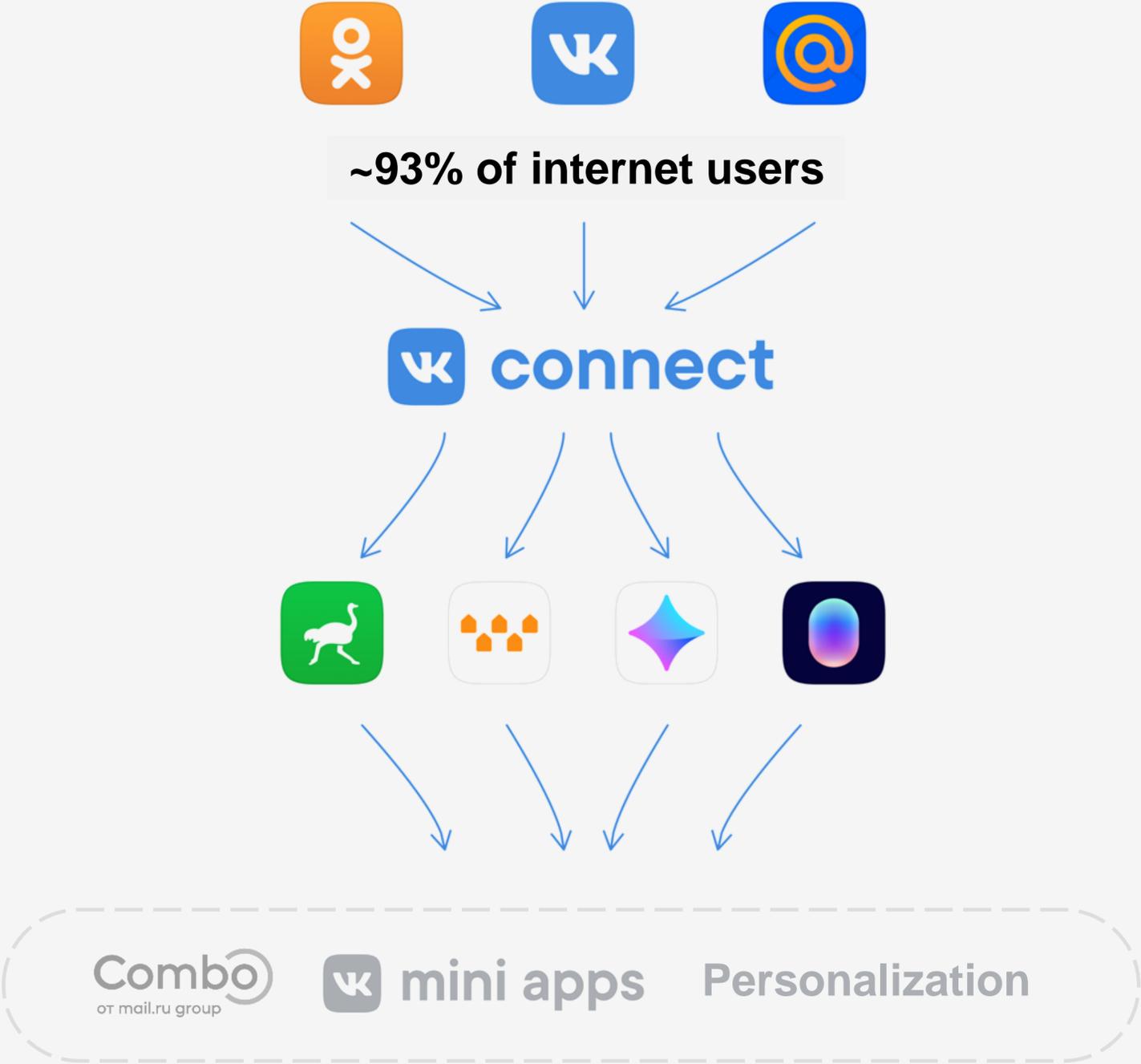


## Improving user knowledge

using a unified data warehouse. On the platform, users share data with MRG, which helps us improve our services. For example, using Big Data and machine learning, we can recommend posts that users would find more interesting and show ads that would be more relevant

# Single ID - penetration across the Group by 2022

- We want **all our users of all our products** to be **smoothly** connected through a Single ID by the end of 2022, if not earlier

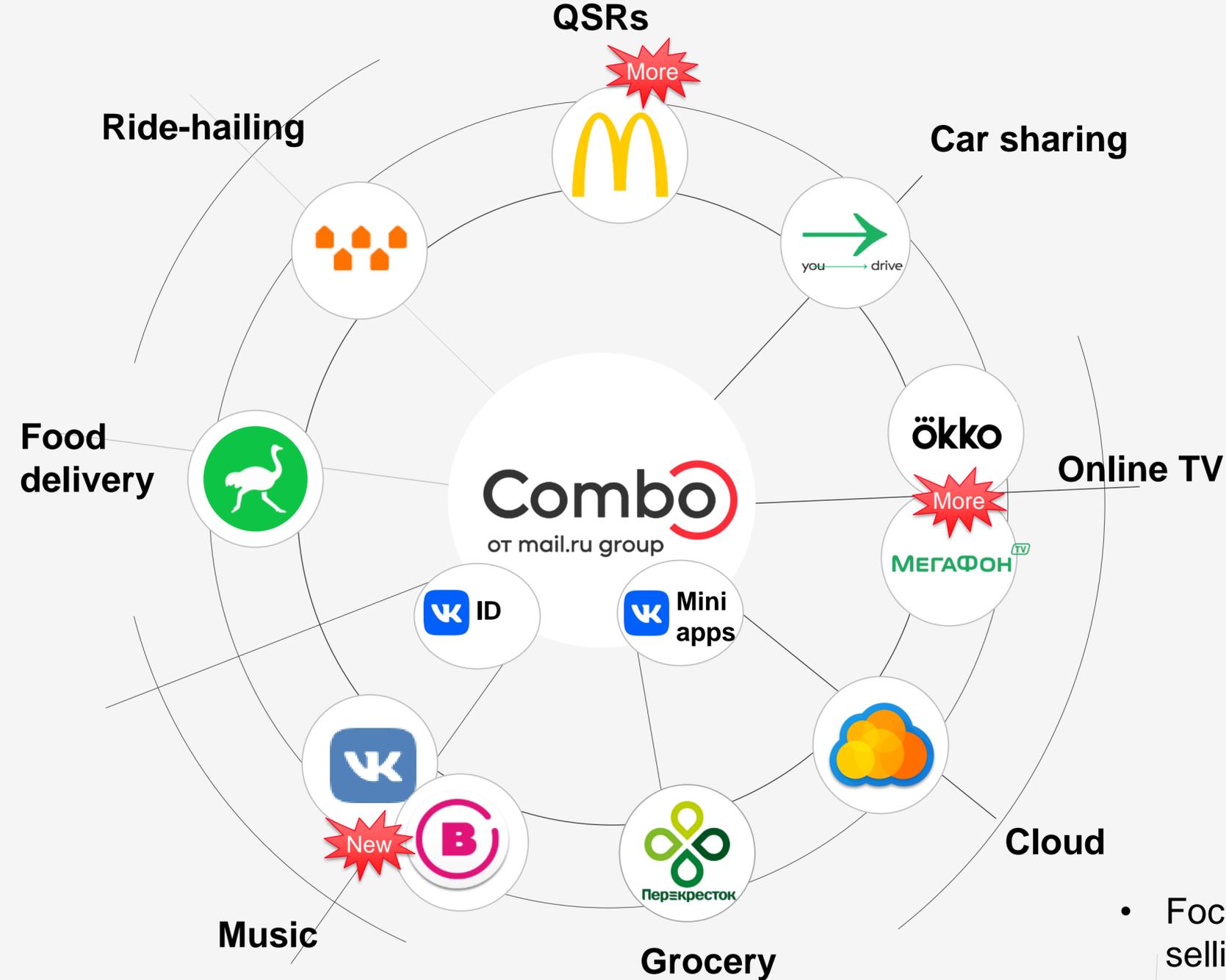


Source: Internal data

# Combo – benefit for the user of our ecosystem



- **Music and video** offers have been enhanced, with further **updates** expect in 2020
- Combo is available **on VK as a Mini App**, with **VK Pay** integrated as a payment method. More **integrations** to come



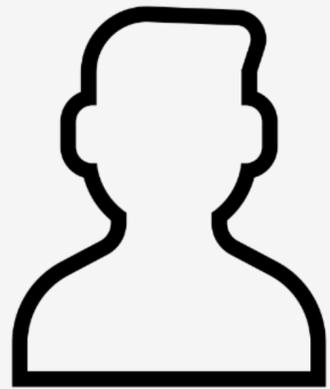
*Services included in Combo as of Feb:*

- 😊 Delivery Club (O2O)  
*Additional 10% discount on top of any current discounts*
- 😊 Citymobil (O2O)  
*10% discount on all trips (+3% on top of any existing discount)*
- 😊 VK Music + Boom (MRG)  
*Free unlimited access, ad-free, works offline*
- YouDrive (O2O)  
*50% discount on the first trip and 10% cashback on all trips*
- MegaFon TV ( Amediateka by HBO) & Okko (Partners)  
*Free access to video content from Amediateka through free access to promo package of MegaFon TV  
\* Okko was added in Feb*
- McDonald’s (Partner)  
*Buy 1 get 1 free Big Mac (per month)  
\*10% discount for the menu via Delivery Club*
- Perekrestok Online/Offline (Partner)  
*10% off the check*
- Cloud Mail.ru (MRG)  
*16GB of free space*

- Focus is on offering **superior customer value proposition** to boost cross-selling and paying audience share
- **Frequency uplift** among Combo-users is registered in transaction-based services

Source: Internal data \* Features launched after the initial Combo rollout on October 17, 2019

# VK Kit – platform for connecting MRG services into an ecosystem



**Unified account** for MRG user



Group's **mini app platform**



Group's **voice assistant**



Group's **widget platform**



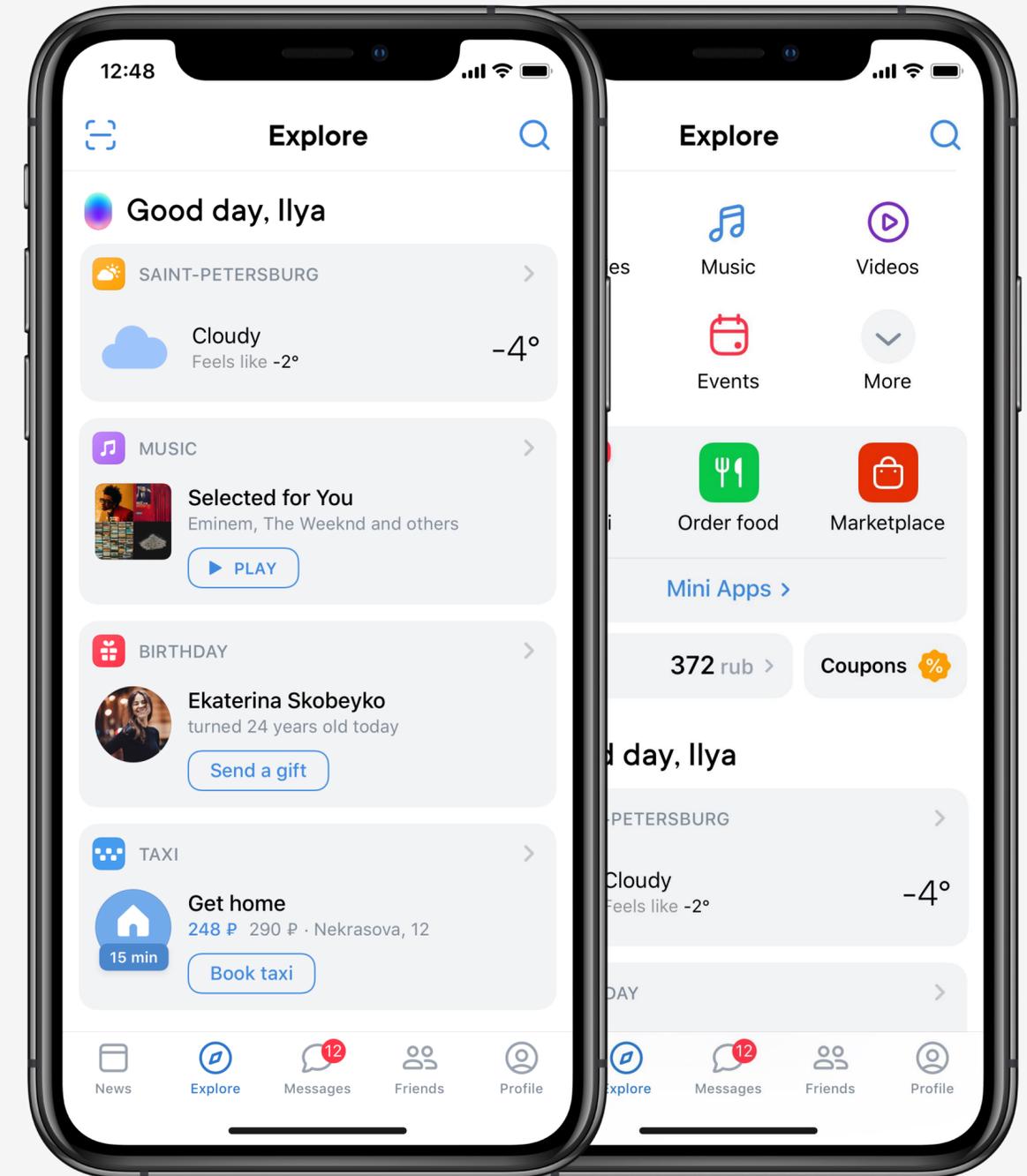
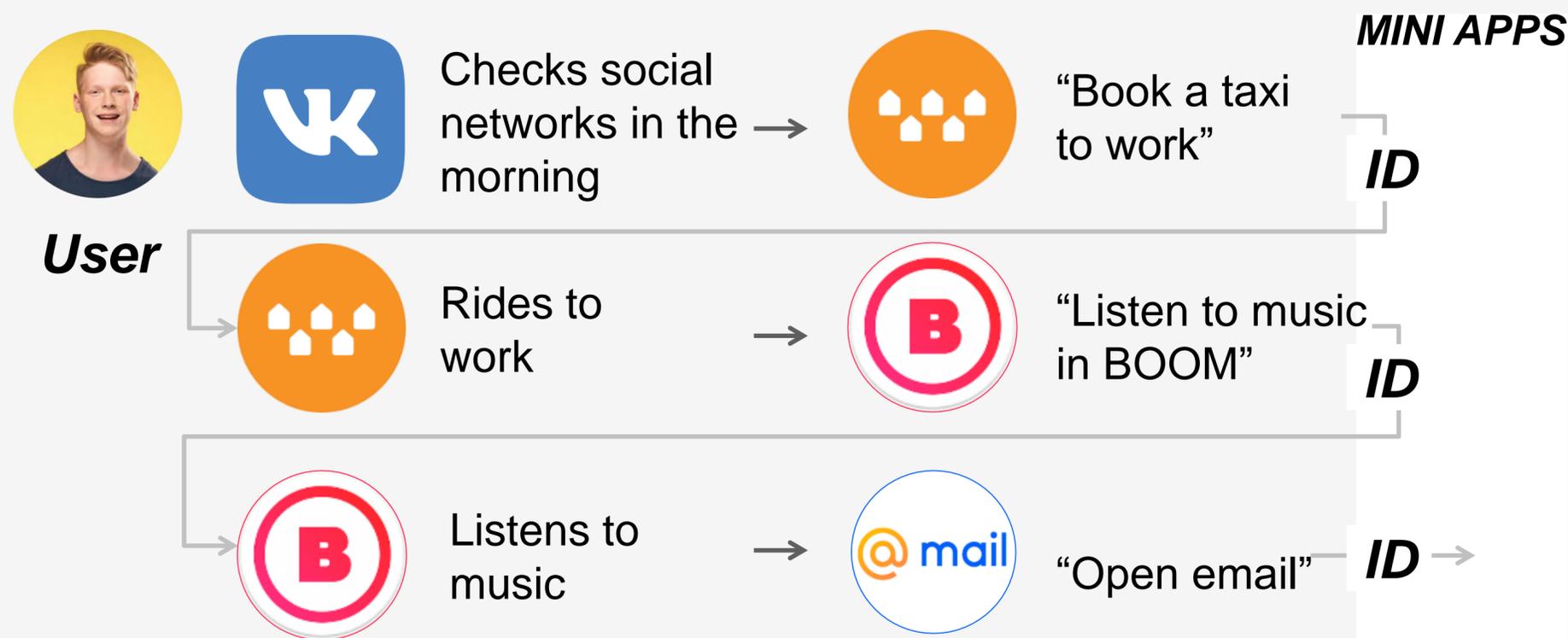
Group's **digital loyalty program**



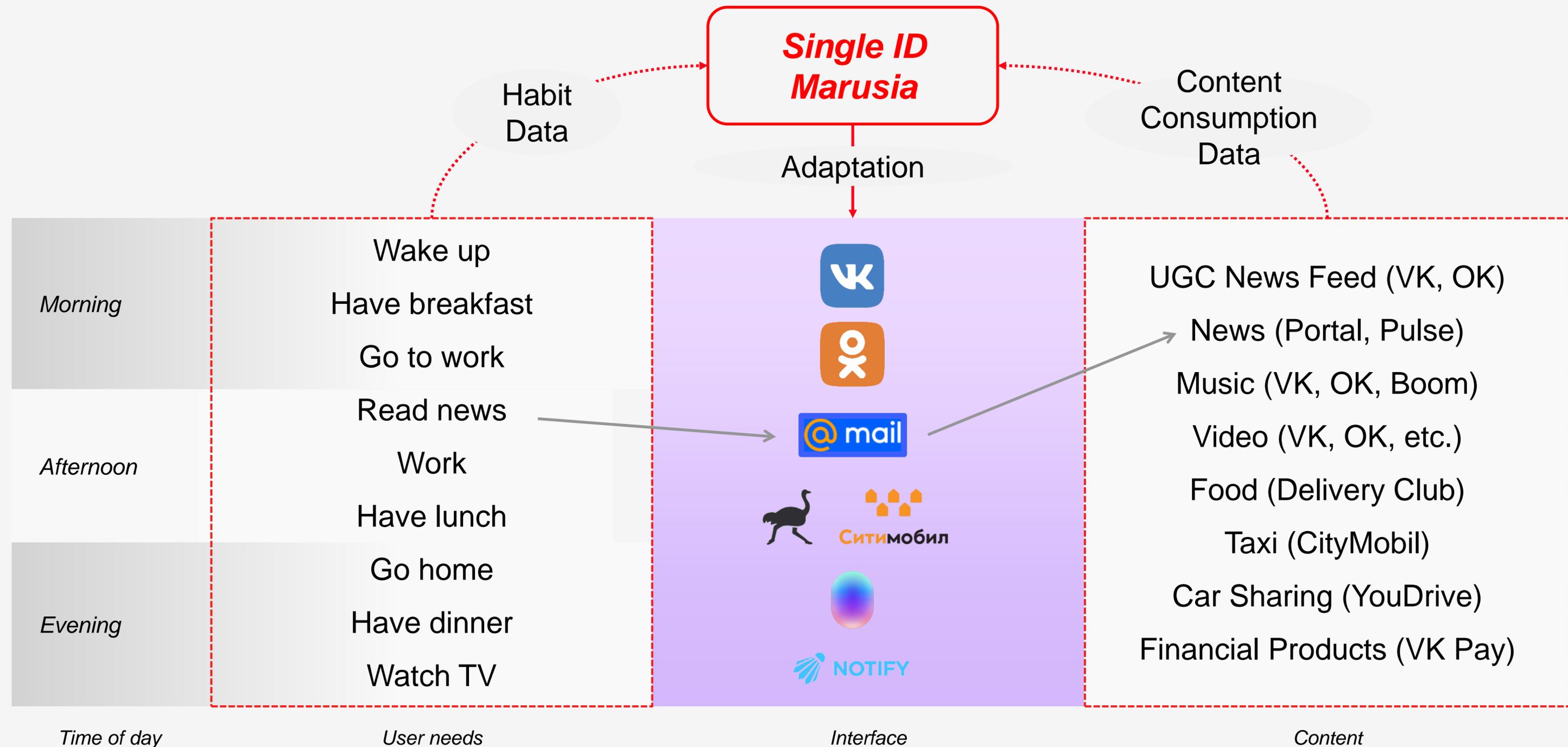
Group's **payment system**

# Path towards an ecosystem of Super Apps and Mini Apps

- Our strategic vision is to boost VK Mini Apps penetration and expand the platform across Mail.ru Group products while simultaneously establishing VK as the core of the Group's user identification system
- With Mini Apps, **other MRG products can also become Super Apps**
- With the single ID system, users will receive an ecosystem of ecosystems that will accompany them in everything they do, both online and offline



# Ultimate goal - each interface will fulfill any need at any time

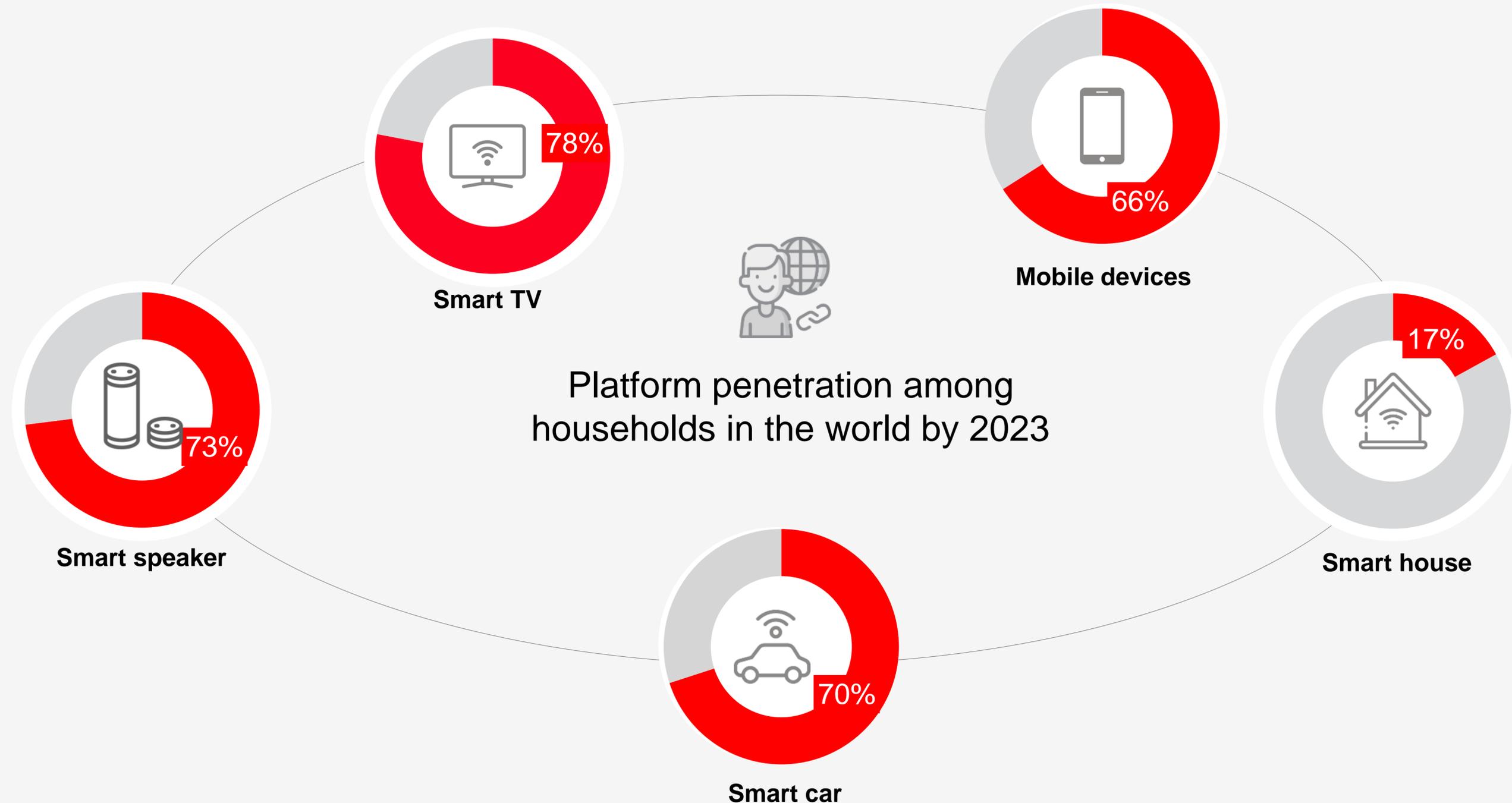


# OK & IVAS – key strategic priorities into 2022

- **Maintain differentiation between OK & VK**, with OK positioned as a social network focused on features to emotions exchange and entertainment (e.g. presents, like-service, video, games, music, stickers), including through IVAS-driven features, with a goal to continue to gradually expand IVAS revenue for the Group without negatively affecting audience, but with a declining share of IVAS in Group revenues due to single digit growth rate potential
- Continue to **increase in engagement and sticky factor** on OK
- **Grow share of advertising revenues** on OK and **boost advertiser numbers**. Penetrate deeper into **SMEs**
- **Launch unified video platform** based on OK technologies for all MRG video services
- **Grow time spent and avg video view time**
- Further **enhance mobile social gaming platform, with a goal to triple related revenues** in OK in 3 years in order to offset expected decline in social gaming revenues on desktop
  1. Increase playing audience penetration on mobile;
  2. Attract new mobile titles;
  3. Develop additional monetization models (e.g. in-game advertising, subscriptions)
- Develop **more technological products** with ML-based algorithms to increase engagement and new UX cases
- Launch experiments with **other sources of monetization**: video subscriptions, donations etc
- Get benefit from product synergy with other MRG business units and vice versa

# Omnichannel approach for channels of presence

- Broad penetration, with presence around the user across multiple platforms is important for long-term leadership
- Platforms will complement each other



# Marusia smart assistant vision into 2022

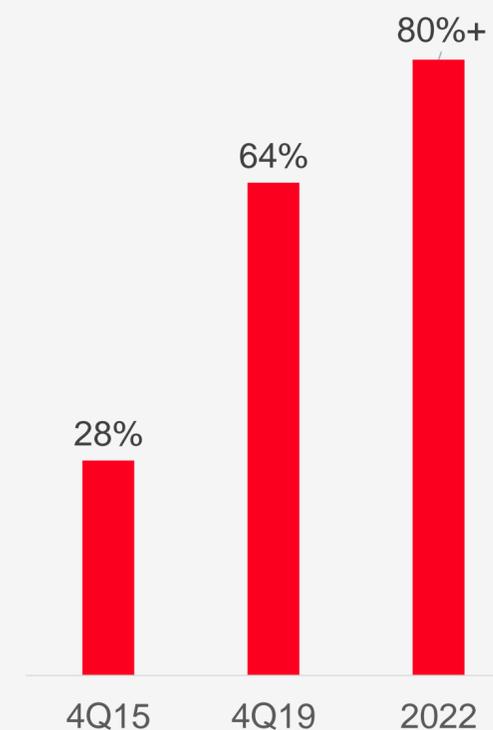


# Games Division – Becoming More Global

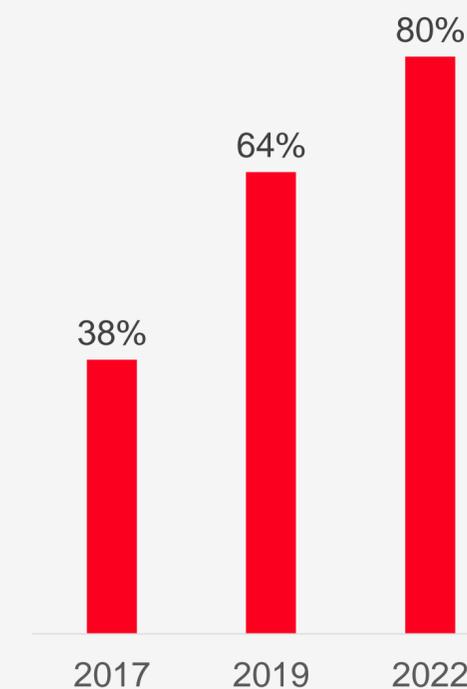
- **Global games** market is **~80x larger** than the Russian market and mobile is the largest gaming segment globally
- Hence, our ongoing efforts to become increasingly global and mobile, with the share of international and mobile revenues at 64% as of 4Q and expected to reach 80%+ in 2022
- Our goal is to be **80%+ international** and **80% mobile** by **FY22**, while maintaining strong position in Russia



**MY.GAMES international revenue trend, % of total**



**MY.GAMES mobile revenue trend, % of total**



**Our key markets:**



# MY.GAMES – Product strategy

- We will continue to focus on global audience and revenue growth through the creation and management of the gaming portfolio diversified in terms of platforms and genres
- Our competitive advantages come from our scale, experience, diversification, quality of analytics and marketing
- Strategy assumes annual launch of **2 or more PC and console games and 4 mobile games** and ongoing consolidation of MRGV portfolio studios

## Diversified

100+

Games in operation

15+

Games in development

10 / 200+

Offices / countries of game sales

13 / 22

Studios in-house / MRGV

## Experienced

70+

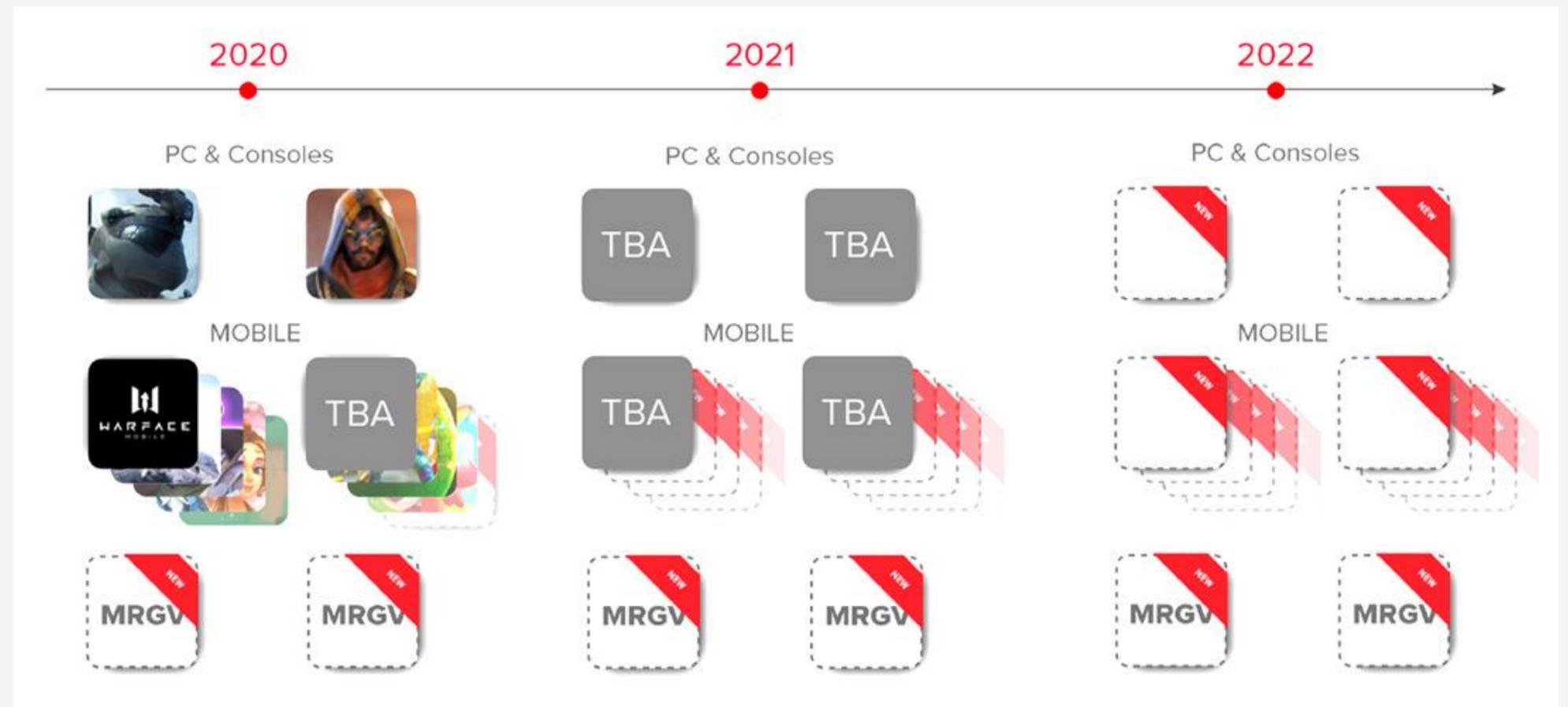
Games developed

16+

Years of gaming experience

605mn

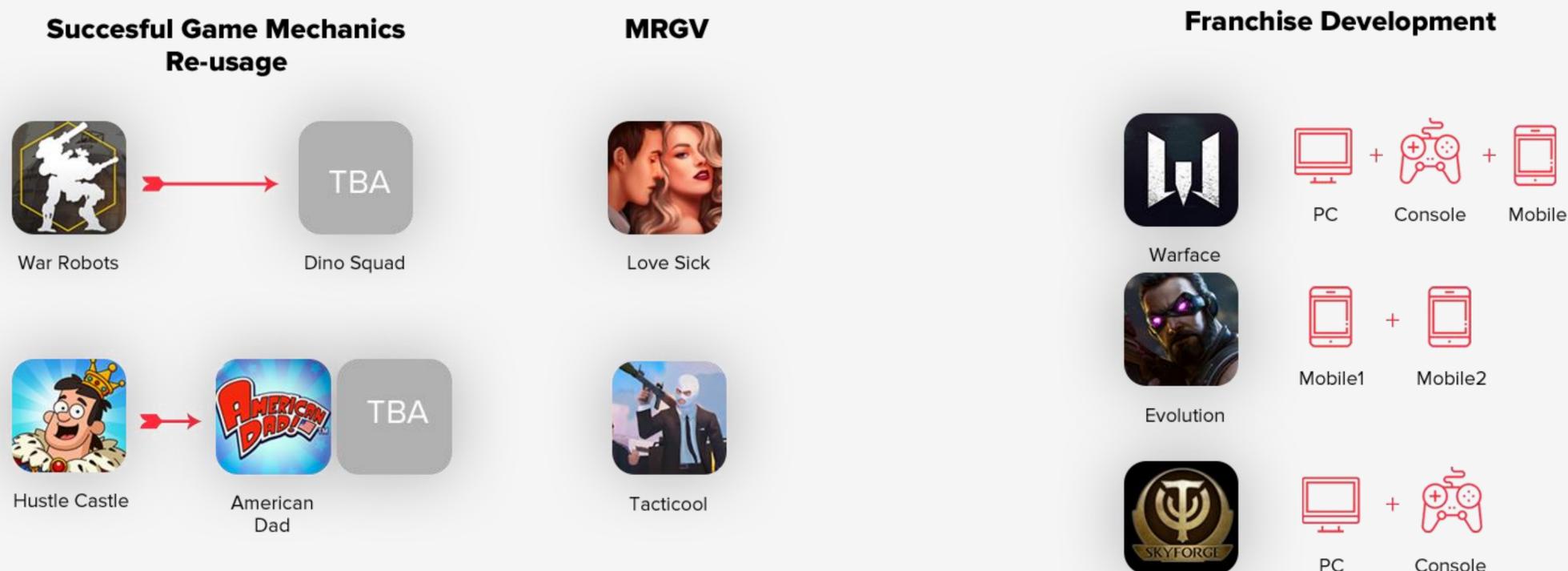
Game registrations



# MY.GAMES – Risk-reduction & value maximization

Our strategic focus is on further **development of our gaming ecosystem** with focus on **risk/volatility management** and **sustainable growth** of revenue through:

- **Scaling of success** of existing franchises (e.g. WarRobots, Hustle Castle and Warface), by developing new engaging gaming experiences and moving them across platforms (where suitable). There are 7 franchise-based games in the pipeline
- Creating and developing **new strong gaming franchises** across existing as well as new genres
- **Utilizing** but **also modifying and enhancing** proven gaming mechanics
- Identifying **new talent** and diversification opportunities through MRGV, related gradual consolidation



# MY.GAMES – Strategic pillars in becoming a top-25 player globally

- We have entered 2020 with a **single international gaming brand MY.GAMES launched in mid-2019** bringing together a growing variety of our products and services, with a goal to further expand them internationally
- We are **top-50 games company globally today**, with a goal to be among **top-25** largest global players in the medium term
- We also remain committed to **doubling reported Games EBITDA vs 2018 level**, while achieving **low to mid-20s margin through the 2018-2022 cycle**



## DEVERSIFIED PORTFOLIO

Maintain a diversified portfolio, ensuring a constant flow of high potential products

## INTERNATIONAL EXPANSION

Boost international expansion through partnership with local expertise

## FRANCHISE DEVELOPMENT

Create and develop own viable gaming franchises as WF, WR, HC

## GLOBAL BRAND

Grow MY.GAMES brand, ensuring its high recognition and positive perception among players, partners and employees

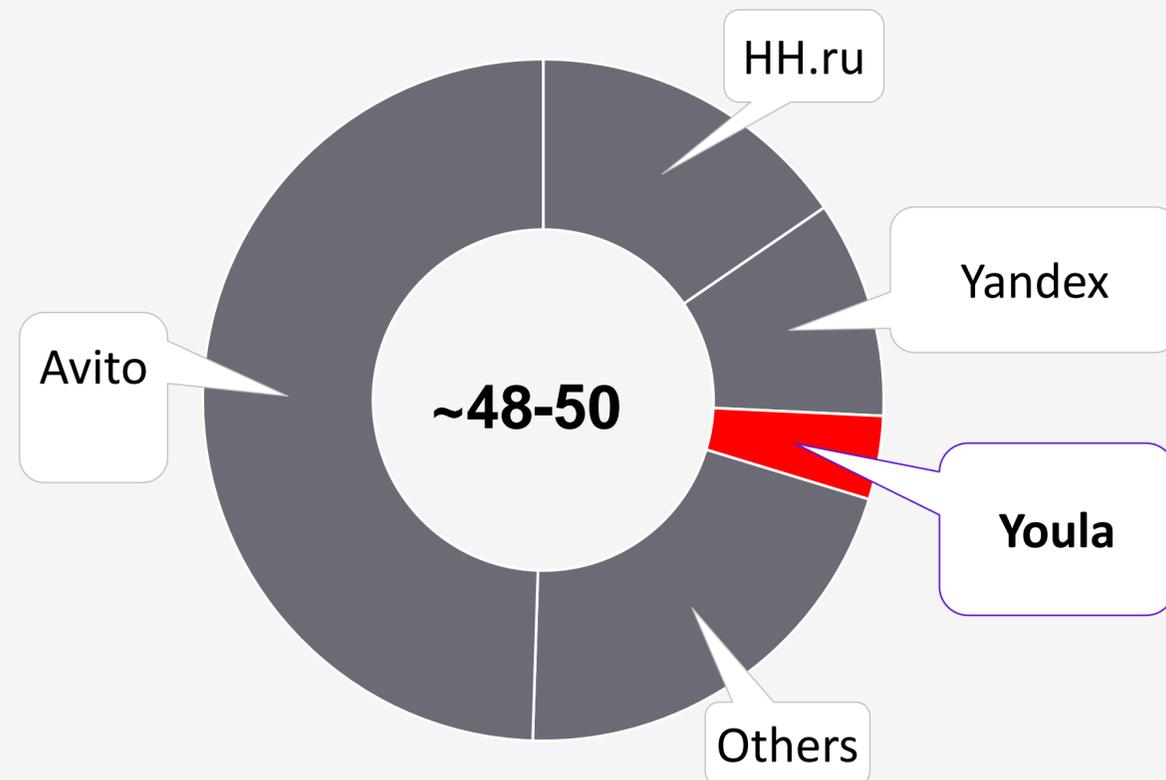
## GROW TALENTS

Build a strongly performing team with an agile mindset and versatile professional capabilities

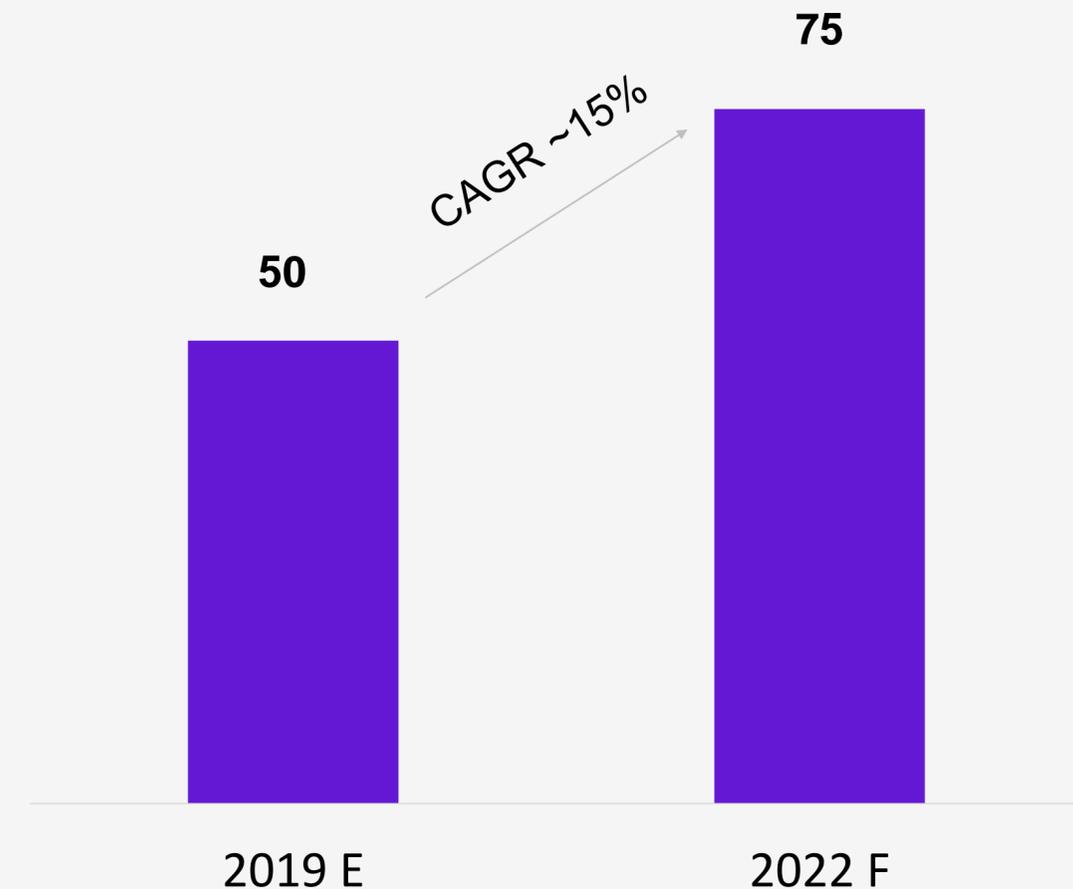
# Classifieds - ~RUB 48-50bn market

There is room for significant further expansion for Youla

Market size, RUB bn<sup>(1)</sup>



...with potential to reach RUB 75bn by 2022<sup>(2)</sup>



Source: Public data, Internal data, SPARK/Interfax.

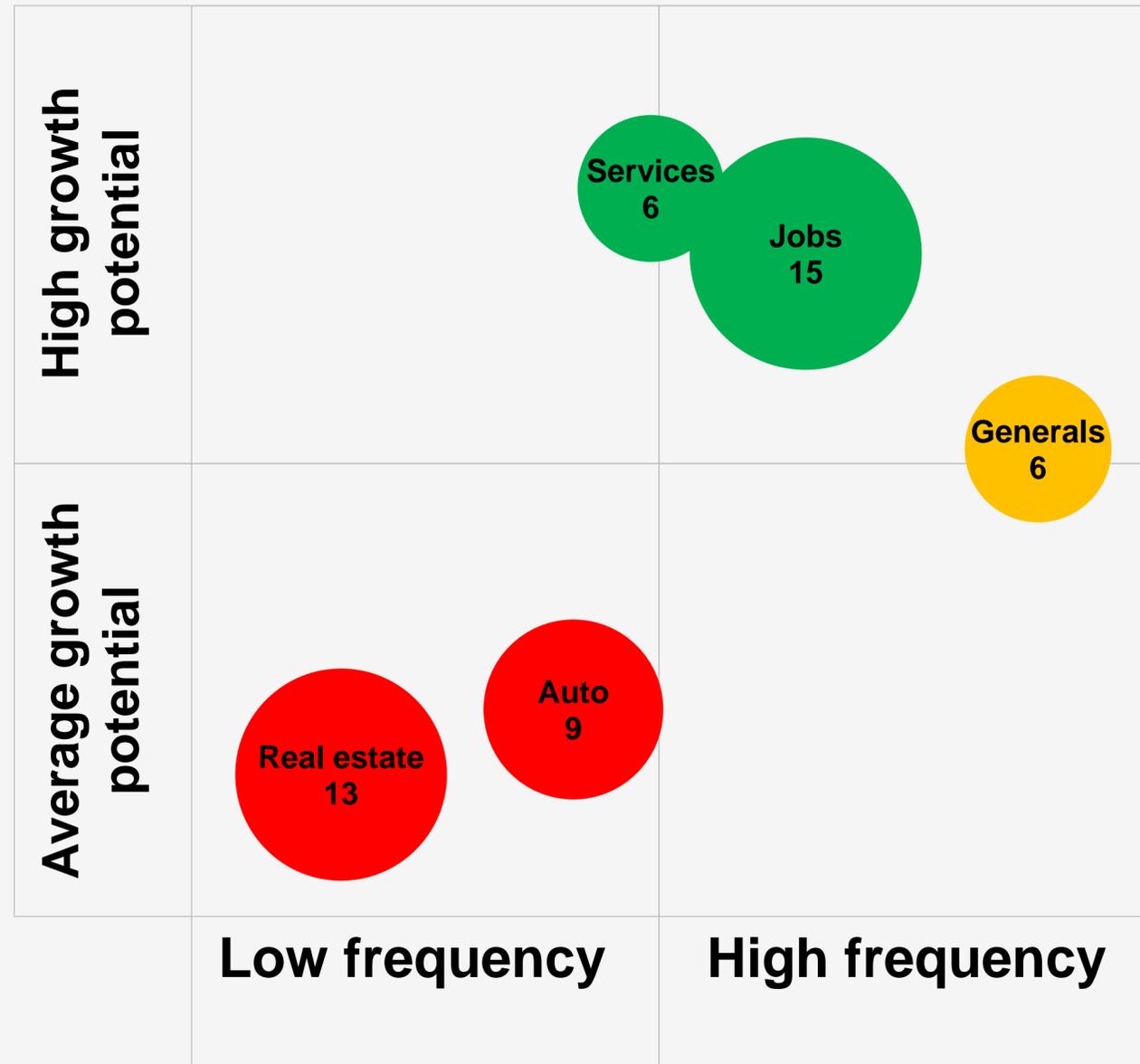
<sup>1</sup>Others include N1, CIAN, Drom.ru, Superjob, Zarplata, Rabota, Profi.ru, Youdo etc.

<sup>2</sup> Calculation is done using 2019 market size estimate and GAGR, forecasted by Goldman Sachs for 2020-2022

# Classifieds – opportunities across 5 verticals

Jobs & Services offer high growth potential with relatively lower competition

X - Market volume, 2019 RUBbn



Relative competition level: ● High ● Average ● Low

## Jobs & Services (~RUB 21bn):

- Segment offers high growth potential. Drivers include ongoing shift from offline, increase in blue-collar category, expansion of the base of self-employed, the rise of freelance
- Average level of competition, with multiple players

## Generals (~RUB 6bn):

- Segment offers potential GMV of >RUB 350 bn, but is difficult to monetize through C2C
- Growth drivers come from deeper penetration into transaction, organized consumption
- Segment is facing a risk of rising competition with e-commerce

## Real estate & Autos (~RUB 22bn):

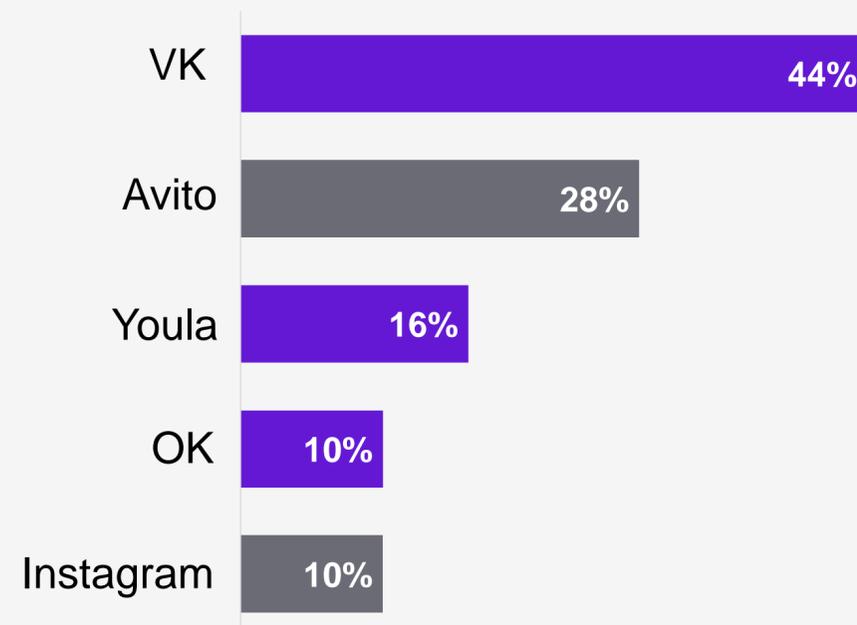
- Limited growth potential – market is not expanding in terms of units on sale, online penetration is already quite high
- High competition for same wallets
- Growth drivers – deeper penetration into the value chain, change in the market structure in favor of an increase in the share of agents/dealers

# Youla – competitive advantage from access to MRG

- Full integration into the Group provides Youla with access to the most attractive customer acquisition channels – social networks and related integrations
- MRG provides Youla with access to almost entire Internet audience base of Russia, allows for lower CAC

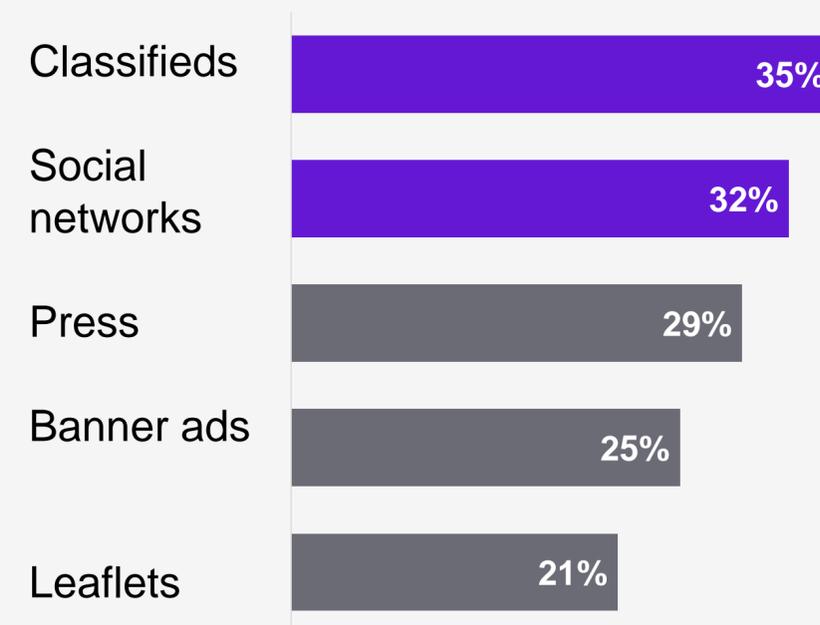
## Social networks and classifieds are the most popular social commerce platforms

% of Internet users, making purchases through social platforms<sup>(1)</sup>



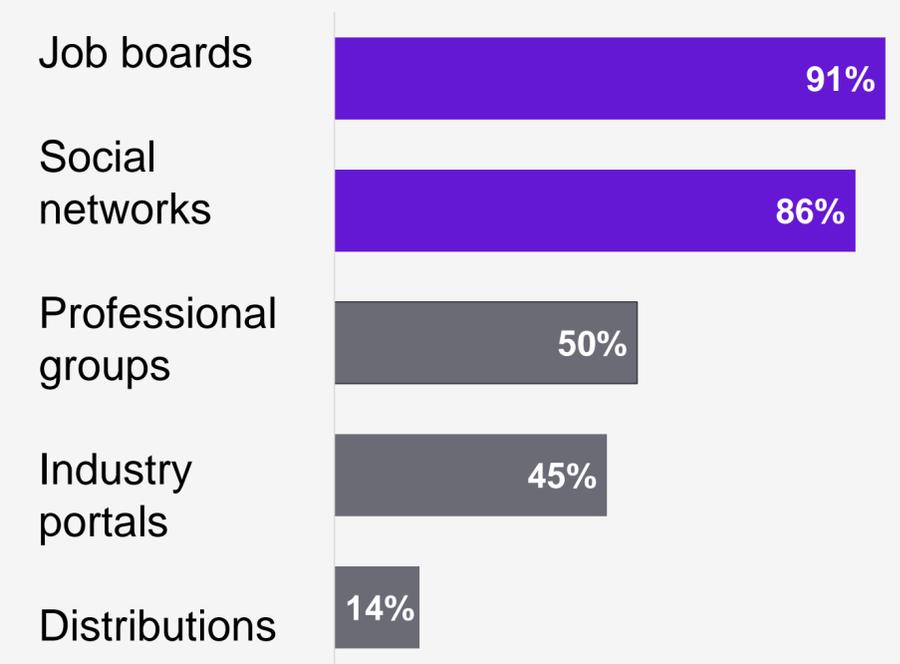
## ...as well as are the most popular channels in attracting service providers

% of service providers, using the channel for securing orders<sup>(1)</sup>



## ...as well as among recruiters

% of recruiters, using the channel for placement of vacancies<sup>(2)</sup>



# Youla strategy – audience and monetization growth

by ~12x  
Gap between revenue of Youla and market leader\*

Audience of Youla is 1.4x smaller vs  
the leader

MAU  
is 1.4x below

Depth of monetization is 8x lower vs  
the leader

Revenue from 1 MAU  
is 8.4x lower

Share of paying users  
is 2.8x lower

ARPPU  
is 3x lower

- We are behind in terms of the number of available monetization instruments due to recent monetization launch
- Few B2B clients
- Undeveloped high-ARPU verticals

**Target 1: Grow in audience**

**Target 2: Progress towards break-even driven by more extensive monetization**

# Youla strategy – remain highly product-driven

## First-to-market features launched by Youla

Location-based search

Quick registration with phone number

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Escrow payments

C2C delivery

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Gamification

Subscription on sellers

Rankings across users

Smart personalized listings feed

C2C discounts

In-app audio & video calls

App in App integration in social networks

Stories

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## Global trends in classifieds products<sup>(1)</sup>

Mobile-first innovations

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Escrow payments and delivery to get deeper into a transaction

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Focus on improvement of user experience

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# Approach to entry into new verticals



**We are pleased with our portfolio offer today**, but rapid evolution means openness and readiness to change. We want to be transparent in our thinking. We will remain **fast, flexible and entrepreneurial**. When looking for new development vectors, we assess hundreds of factors, take into account thousands of nuances, and review tens of thousands of assumptions. However, there are six main criteria, which are most important:

- 1. Positive effect:** The new product or technology should change people's lives for the better, making them more comfortable. We want technology to serve people
- 2. Potential coverage and market size:** MRG is a sizeable company, and we only invest in a way that would benefit and drive development and further growth of the Group
- 3. Barriers to entry:** We need to be able to create moats around the business that eliminate potential entrants. Markets that may have more than three key players and are relatively established are of limited interest to us
- 4. Complementarity:** The service should hold value for MRG and vice versa
- 5. Economics:** We are prepared to invest a lot and wait for a return, but with a clear vision about how and when a business is set to at least break even
- 6. Team:** We make a point of having products managed by an energetic and ambitious team fueled by their entrepreneurial spirit, which can be unique and should not be influenced

If the business meets all of the foregoing criteria, we will venture into the new market, including through M&A, to save time-to-market

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