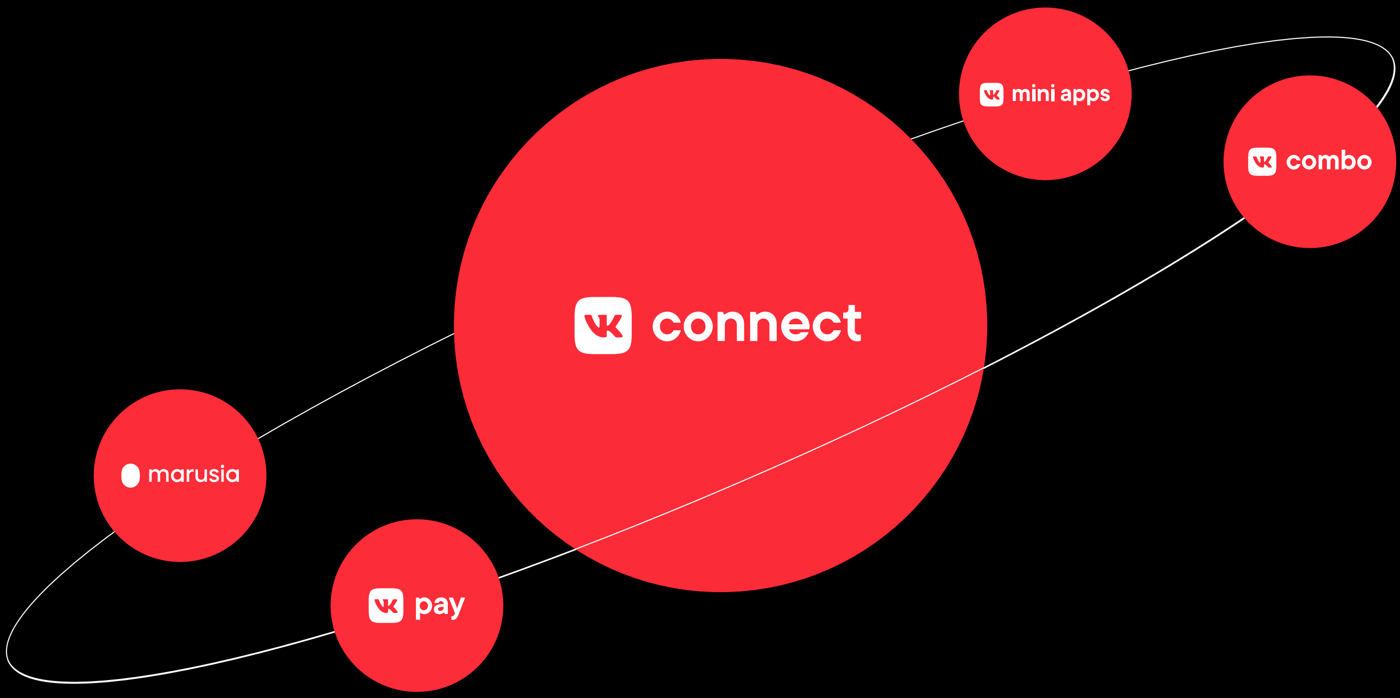
annual report

mail.ru group

contents

intro

Mail.ru Group is building an ecosystem around the VK social network to include digital products that help people with their day-to-day lives. They are all linked through the VK Connect unified ID, which means people can solve any task using a single account, and other shared services like VK Pay, the VK Mini Apps platform, the Marusia voice assistant, and the Combo loyalty programme.



Citymobil

Delivery Club

you ⟶ drive

local●kitchen

When the Covid-19 pandemic hit the world and changed the rules of the game, many of our services showed impressive growth. They helped people maintain the level of comfort they were used to before the lockdown – as far as it was possible. People could still get a cab, order groceries and food delivery to their homes, play games online, and learn new skills while staying at home.

As our business thrived in 2020, so did our team. We never stopped hiring professionals, even when moving to a remote working model. The Mail.ru Group team now has more than 8,800 top-tier talents on board.

8,800 ↗

GeekBrains

Skillbox

We have also focused on developing our online education business, becoming the most active investor on the Russian EdTech market. Mail.ru Group's remote education services allow users to study at every level, from pre-school to career enhancement. By 2023 we are expecting to see 10 million students complete our programmes.

We responded to the new lockdown paradigm by launching the #betterathome special platform to bring together solutions for working and studying from home, entertainment, running a business, and maintaining a household.

Mail.ru Group is also a socially responsible company. In 2020, we began publishing ESG reports presenting our environmental, social, and governance performance. Our goal is to make technology accessible and easy-to-use for the widest possible audience, and we are making solid progress.

Games played a pivotal role during the peak of the pandemic in 2020. By providing people with entertainment, social connection and distraction, they improved the quality of life for millions of people. We are honoured that during the lockdown period we were able to assist our 770mn users registered worldwide with new content and gaming experience.

We also continued to evolve as a public company, having completed a secondary listing on the Moscow Exchange in July 2020. This led to a >7x YoY increase in the liquidity of our GDRs in 2H, along with inclusion in the MSCI index in December.

Mail.ru Group in brief

Mail.ru Group offers a variety of online communication products, entertainment and e-commerce services.

Communications and Social

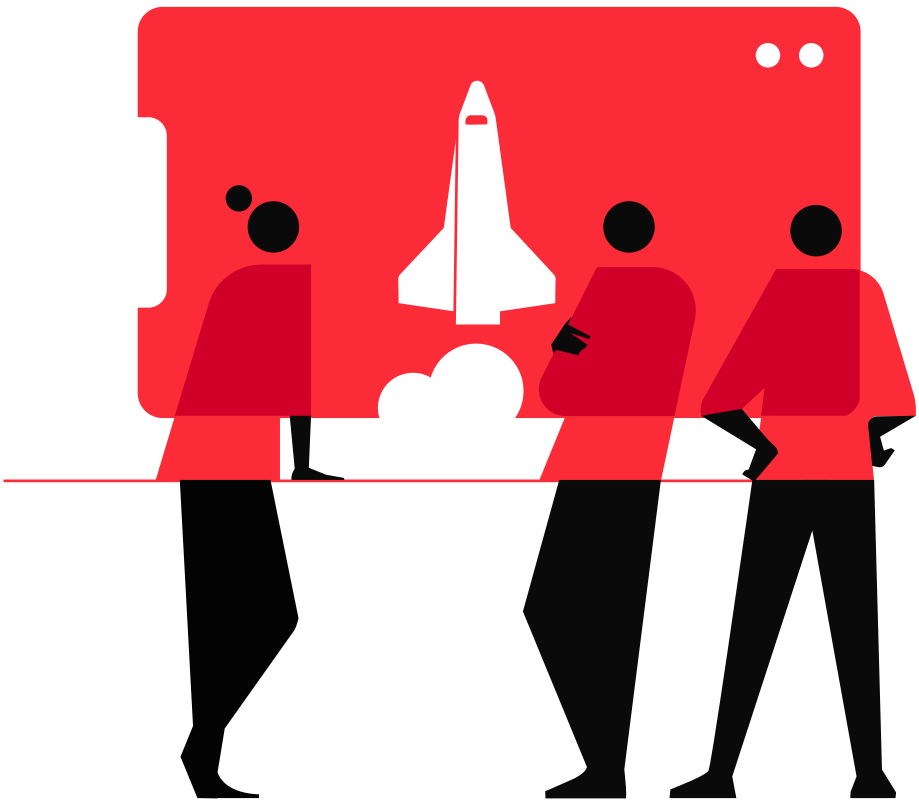
The two largest Russian language social networking services and communication platforms VKontakte (VK) and Odnoklassniki (OK), Russia's leading email service (Mail.ru), media projects, search and music services (VK Music and BOOM).

Games

Represented by the MY.GAMES brand, a global digital entertainment provider with leading positions in Russia, which creates and delivers immersive gaming experiences on mobile, PC, and console to millions of players worldwide.

New Initiatives

A location-based marketplace (Youla), online learning platforms (GeekBrains & Skillbox), B2B (Mail.ru Digital technologies, PREDICT).



our people

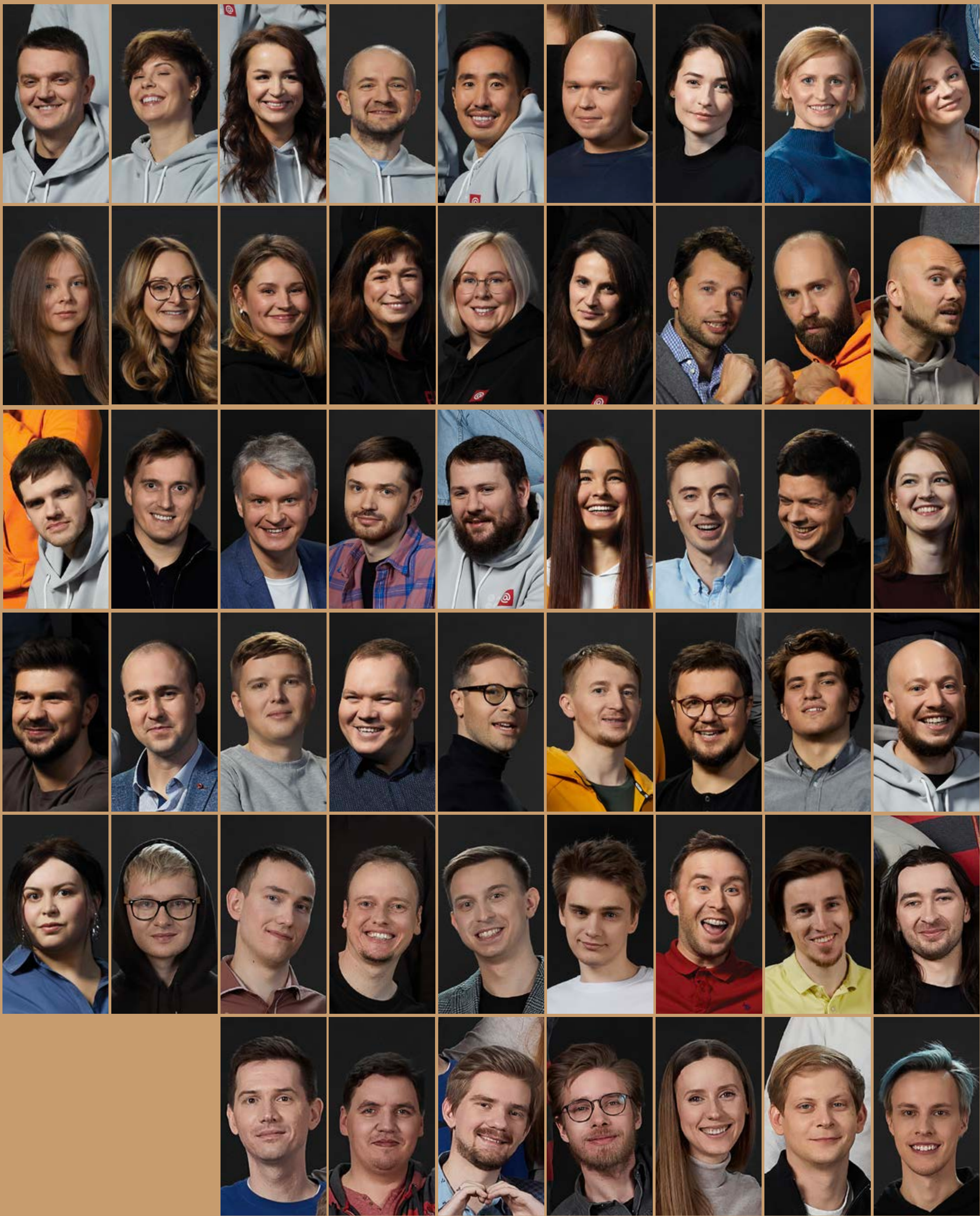
Our main asset is our people. Each year the best of them are recognised with our People of the Year Award.

2020 will be well-remembered for its lockdowns, remote work and education, home deliveries, video meetings and socially distanced online entertainment.

Video conferencing enabled us to work, discuss projects and strategy, meet up with friends, study, play and celebrate, with video calls and virtual backgrounds having been part of our daily life. As a reflection of this, we made video frames into a core theme of our company photoshoot related to the key highlights of the 2020 financial year.

Since the start of the Group, our success has been down to the dedication, commitment and passion of our people, and we would like to thank all of our colleagues who helped us achieve the outstanding results of 2020 despite all of its challenges.

Mail.ru Group People Awards
2020



We are grateful to everyone for their contribution to the company's development.

our history

1998-2001
Communications

Launch of Email & Portal

@ mail

2007
Social

Entry to the social network business

2008
Games

Entry to the games market

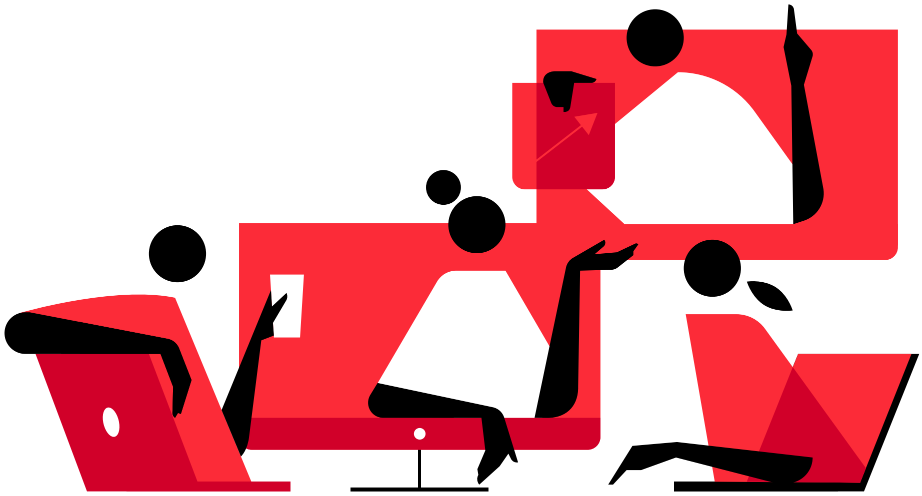
MY.GAMES

2016-2020
New Initiatives

E-commerce & O2O launch

Citymobil
Delivery Club
youla
Skillbox
pay
GeekBrains
connect
combo
marusia
mini apps
local kitchen
AliExpress Россия

2020 with us



During the Covid-19 lockdowns, internet use skyrocketed. A huge portion of people's work and personal lives moved online. In the meantime, we were scaling integration among our products to turn the VK ecosystem into a one-stop-shop where users would have all the services they need at their fingertips.

In 2020, OK users gained access to the VK Mini Apps services. Youla was integrated with VKontakte, so listings published on one platform are now cross-posted to the other. Job-hunting got much easier for VK users thanks to the launch of VK Rabota (powered by Worki). During 2020, we also rolled out the VK Combo loyalty programme, which lets users save money when using VK ecosystem services, such as music, taxi, food delivery, etc. On top of that, 12 Group projects were at least partially integrated with the VK Connect unified ID, doing away with the need to switch accounts.

The pandemic nudged people into a heavier reliance on Mail.ru Group's services, which allowed them to work, study, communicate and enjoy entertainment at home, as well as use taxis to minimise in-person contact.

Staying in touch with family and friends, communicating with classmates and fellow students, interacting with colleagues and studying remotely – all this was made possible by VKontakte tools, such as communities, chats, video calls, etc. In 2020, VKontakte generated RUB 25.4bn in revenues (up 14.9% YoY).

+14.9%

Users all over the world were doubling down on online games to enjoy themselves while in lockdown. Our growing portfolio features game titles in the most popular genres, and includes a wide range of mobile games. This is one of the reasons MY.GAMES was able to generate RUB 40.7bn in revenues in 2020 (up 30.4% YoY).

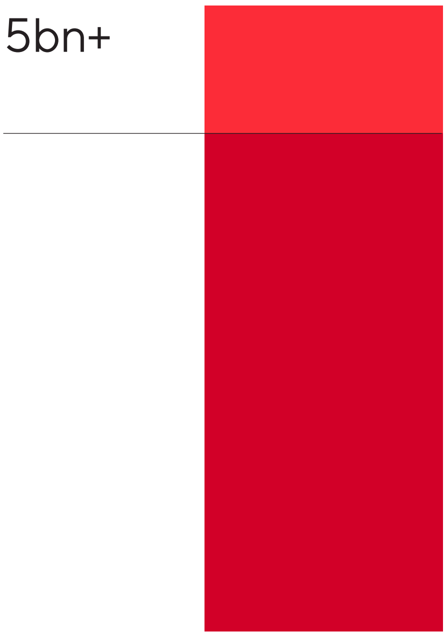
+30.4%

With things changing, people were particularly active in hunting for a job, getting rid of unnecessary items and finding the right ones at a bargain price – and Youla was there to help. It provides for secure payment transactions while also helping reduce social contact through contactless delivery. In 2020, Youla generated RUB 3bn in revenues (up 43.0% YoY).

+43.0%

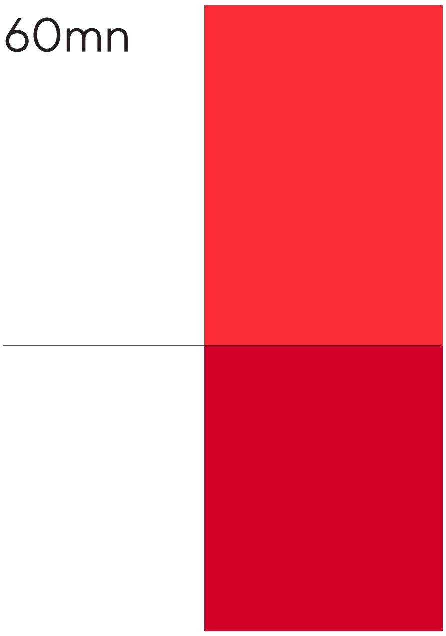
During the pandemic, many people began to think increasingly about a career change towards digital or developing their professional and soft skills, including via our educational projects. The revenues of consolidated online education services represented by Skillbox and GeekBrains reached RUB 6.1bn, exceeding the target of RUB 5bn+.

6.1bn



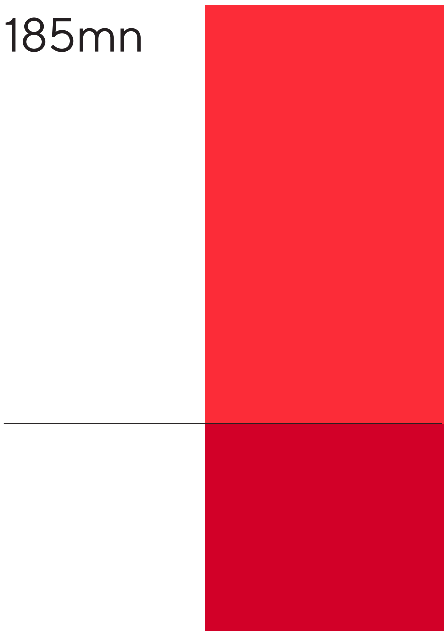
Home food delivery proved to be one of the most vital and in-demand services amid the pandemic. Delivery Club serviced 60mn orders in 2020, demonstrating 2.2x growth YoY. We also added an option to order food directly from people's favourite social media, with integration with the VK Food mini app bringing around 10% of new users to Delivery Club. In 2020, Local Kitchen, a "dark kitchen" operator, serviced 5.2mn orders (up 3.4x YoY). Samokat delivered 18mn orders in 2020, demonstrating 15x growth YoY.

↑2.2x



In the midst of the pandemic, taxis were among the safest means of transportation, helping people avoid crowds on public transport. In 2020 Citymobil hit 185mn rides (~3x YoY), along with the continued rapid growth of the VK Taxi mini app, which allows users to order Citymobil through the VK platform. By the end of the year, the mini app had in excess of 2mn customers.

↑~3x



Online shopping was perhaps the only way for people to buy essentials for themselves or gifts for their loved ones during lockdowns. AliExpress Russia (AER) JV continued to scale. As at the end of 2020, its MAU and DAU amounted to 29.1mn and 8.8mn users, respectively. The number of people interacting with AER monthly via the OK and VK platforms reached 8mn.

8 mn

In addition to strong performance across its product services and despite the adverse market backdrop, Mail.ru Group's advertising revenues grew by a solid 5.3% in 2020, which accelerated to 10.2% YoY in Q4 2020.

+10.2%

2020 key highlights

01 January

VK and Worki launch the interview platform VK Jobs: interviews can now be held right on VK.

MY.GAMES launches Warface: Global Operations on mobile, an action-packed first-person shooter developed by our Whalekit studio.

Youla launches online safe voice calls via its mobile apps to protect users from unwanted calls.

Mail.ru Group launches Capsula, a smart speaker with the Marusia voice assistant integrated.

02 February

VK adds the ability to create interactive stickers for Stories.

VK unifies its payment solutions, allowing users to transfer money from card to card, as well as via VK Pay.

VK launches retargeting for community products. Advertisers can now promote products that users have already viewed in their communities.

VK introduces a new e-commerce platform by launching Store 2.0. All the tools needed to start selling goods are now in one place.

MY.GAMES launches Warface on the Nintendo Switch platform.

Mail.ru Group launches Digital Camp, a free educational project offering four programmes: digital marketing, special ad projects, UX research and IT recruitment.

03 March

VK launches the Covid-19 mini app, providing users with the most important information related to the coronavirus.

VK consolidates the Super App's key services into the new Hub section, located in the second tab of the app. This helps users take care of a wide range of tasks while adapting to their interests and needs.

OK launches face and gesture recognition as new enhanced tools for profile recovery.

MY.GAMES launches World Above: Cloud Harbor, a mobile puzzle game in the merge genre developed by our IT Territory studio.

Mail.ru Group allocates RUB 1bn to support small and medium-sized businesses.

Mail.ru Group provides free tools to help schools and universities switch to distance learning.

Mail.ru Group releases the platform for measuring mobile advertsing visibility.

04 April

VK becomes the first social network in Russia to launch physical goods delivery through some of the largest delivery market players, CDEK and Boxberry.

MY.GAMES launches Dino Squad, an action-packed mobile shooter developed by our Pixonic studio.

MY.GAMES launches a special programme to support the publishing of hyper-casual games.

Mail.ru Cloud Solutions partners with X5 Retail Group to introduce its IaaS, PaaS and SaaS services as part of the retailer's digital transformation.

Youla adds functionality for bargaining: sellers can accept, change or decline prices suggested by buyers.

GeekBrains introduces new courses for freelancers to help them through the crisis.

05 May

VK Fest 2020, held online, is viewed by 41mn unique users from 203 countries.

VK adds the ability to book a taxi through VK Taxi directly in VK communities: users can book a taxi and go straight to a store, beauty salon or bank right from an organisation's VK page.

VK launches group video calls.

OK presents an internal business manager for SMBs, keeping all essential business tools in one place, including ad and related statistics, group video calls, streams, chats, etc.

MY.GAMES launches Warface: Breakout, a new premium tactical competitive first-person shooter for PS4 and Xbox One.

O2O JV acquires 75.6% in Samokat, an online express grocery delivery service.

Mail.ru Email service launches group video calls for up to 100 participants.

Mail.ru Group, SkillFactory and MISIS launch the first Russian-language online master's degree in Data Science.

06 June

VK introduces the Clips service: an endless feed of short vertical videos, with features allowing users to create content at a near-professional level without advanced skills or expensive equipment.

VK launches voice message speech recognition technology, providing users with transcripts of voice messages of up to two minutes long within a matter of seconds.

VK launches music listener targeting, making it possible for advertisers to target users based on the artists they listen to.

VK launches VK Connect, a single sign-on platform for all Mail.ru Group products, to strengthen the unity of the VK Ecosystem.

VK launches VK Donut, a platform for community content monetisation in collaboration with Boosty.to.

MY.GAMES Store offers game developers a 90/10 revenue split.

Youla becomes the first classifieds service in Russia to allow users to upload videos in the Stories format to promote their goods.

Worki adds functionality for video interviews.

Mail`s GDRs are admitted to trading on the Moscow Stock Exchange.

Worki launches automated vacancy posting from Youla to Worki.

07 July

VK introduces a new music recommendations format. Song and artist recommendations are made based on users' interests, their preferred genres, what they've listened to and what music they might like.

VK launches the Shopping section, an endless, personalised feed on the VK mobile app.

OK introduces Robbie, an automated platform for content analysis based on neural networks and big data technologies.

Youla launches Shops for SMBs, a simple way to set up an online shop on Youla with all the essential business tools.

Mail.ru Group invests in the SkillFactory online educational service.

Worki launches automated vacancy posting from Worki to Youla.

Mail.ru Cloud Solutions launches Kubernetes Federation with Amazon Web Services.

Mail.ru Group launches initiative to support entrepreneurs with VEB.RF.

08 August

VK becomes the first social network to launch shared playlists in chats. This feature allows both large and small groups to create collections of tracks and update them together.

VK launches AR backgrounds with 360° technology in Clips, making it the first short vertical video service to provide such a feature.

OK adds an opportunity for non-registered users to join calls via a link on both desktop and mobile devices: the limit for such calls is 100 participants.

OK and the telemedicine service Doctis launch video call consultations.

Mail.ru Group launches a mobile version of the Atom browser for Android with the built-in VK Mini Apps platform.

Worki launches a VK app for employers.

Mail.ru Group releases a tool to automatically assess the impact of outdoor advertising on app downloads.

09 September

VK launches live text feeds, making it possible for communities to hold text broadcasts of live events.

VK launches Market, a marketplace on the desktop version of the website with personalised recommendations displaying products from stores and friends.

VK introduces VK Combo, which combines the VK Music and BOOM subscription with the best offers from the Combo loyalty programme.

VK launches the Health platform, which helps users learn more about their bodies, take a more conscious approach toward their health and start developing good habits.

VK rebrands its Messages section as Messenger: it now allows users to make calls, transfer money, and share music, photos, videos and files.

MY.GAMES invests in the U.S.-based studio Hypemasters.

MY.GAMES launches Storyngton Hall on mobile, a free-to-play puzzle game developed by our BIT.GAMES studio.

AER JV launches widgets with goods for Mail.ru Group's media projects.

Mail.ru Group releases the targeting by key phrases in VKontakte.

10 October

VK adds the ability to place targeted ads in Clips.

VK launches music recommendations from curators: to discover something new, users can find quality music communities in the Curators block in the Music section.

VK launches instalment payment options in VK Pay.

OK launches Moments, a new photo and video Stories-format service, including special competitions between friends via weekly ratings.

OK integrates Worki, providing vacancies and employers' contacts via a chatbot upon request.

MY.GAMES invests in the Reaction Games studio.

MY.GAMES acquires the Deus Craft studio, the developer of the Grand Hotel Mania game.

MY.GAMES invests in the hyper-casual publisher Mamboo Games.

MY.GAMES launches War Robots Remastered on mobile, a shooter developed by our Pixonic studio.

Youla launches user verification via VK Connect; the number of friends on VK will be displayed to verify the user (the VK profile is hidden).

O2O JV invests in Local Kitchen, a service offering express delivery from "dark kitchens."

Mail.ru Digital Technologies introduces Digital Assistant, a virtual smart assistant that helps employees manage daily tasks; the assistant is accessible using voice commands and a chat.

11 November

VK launches a free webpage builder based on VK communities. With this, community administrators can create a fully-fledged landing page from any device, free of charge.

VK adds the ability to order physical goods delivery from stores on VK using VK Taxi.

OK launches Marathons, a service which allows users to share photos related to particular topics.

OK launches contextual targeting, based on proprietary technology inside the OK ads manager for SMEs.

MY.GAMES launches its own cloud gaming service MY.GAMES Cloud, in the beta stage.

Pulse and AER JV launch a special form for product reviews: links are transformed into product info cards. Pulse will support authors by showing their posts on the Mail.ru main page.

12 December

VK and Youla launch the Classifieds section, where users can find a catalogue of products and services from other VK and Youla users.

VK adds the ability to live stream video calls. This new feature makes it possible to hold lectures, conferences and other events more effectively, and manage online meetings more easily.

OK introduces Okno ("Window" in Russian), a new dating service based on the Group's video call technology.

OK integrates the VK Mini Apps platform, including the Delivery Club and Citymobil mini apps.

OK and Boosty.to integrate a new subscription service for exclusive content in OK groups and a donation service for creators.

Mail.ru Group invests in the Uchi.ru online educational service.

MY.GAMES invests in the Appyfurious studio.

MY.GAMES invests in the Purple Games studio.

MY.GAMES invests in the Applife studio.

MY.GAMES launches Rush Royale, a mobile game in the tower defence genre developed by our IT Territory studio.

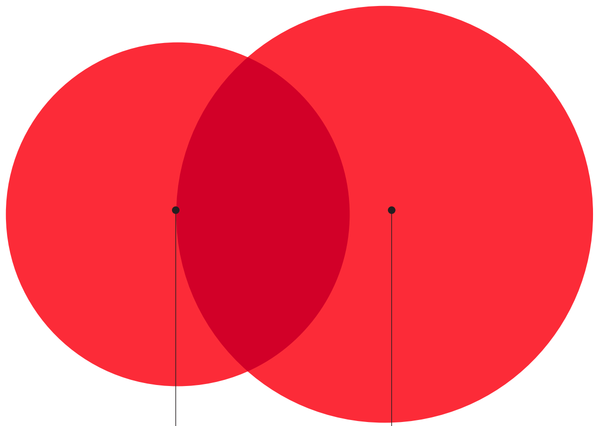
MY.GAMES announces a collaboration of War Robots by our Pixonic Studio with Serious Sam 4.

financial highlights

Revenue

RUB mn

21%



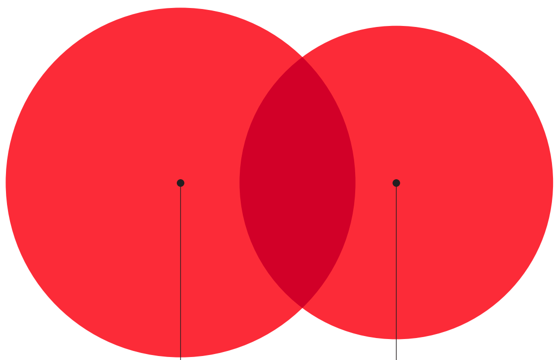
88,660
2019

107,427
2020

EBITDA

RUB mn

-7%



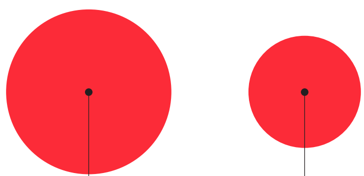
29,099
2019

26,974
2020

Net profit

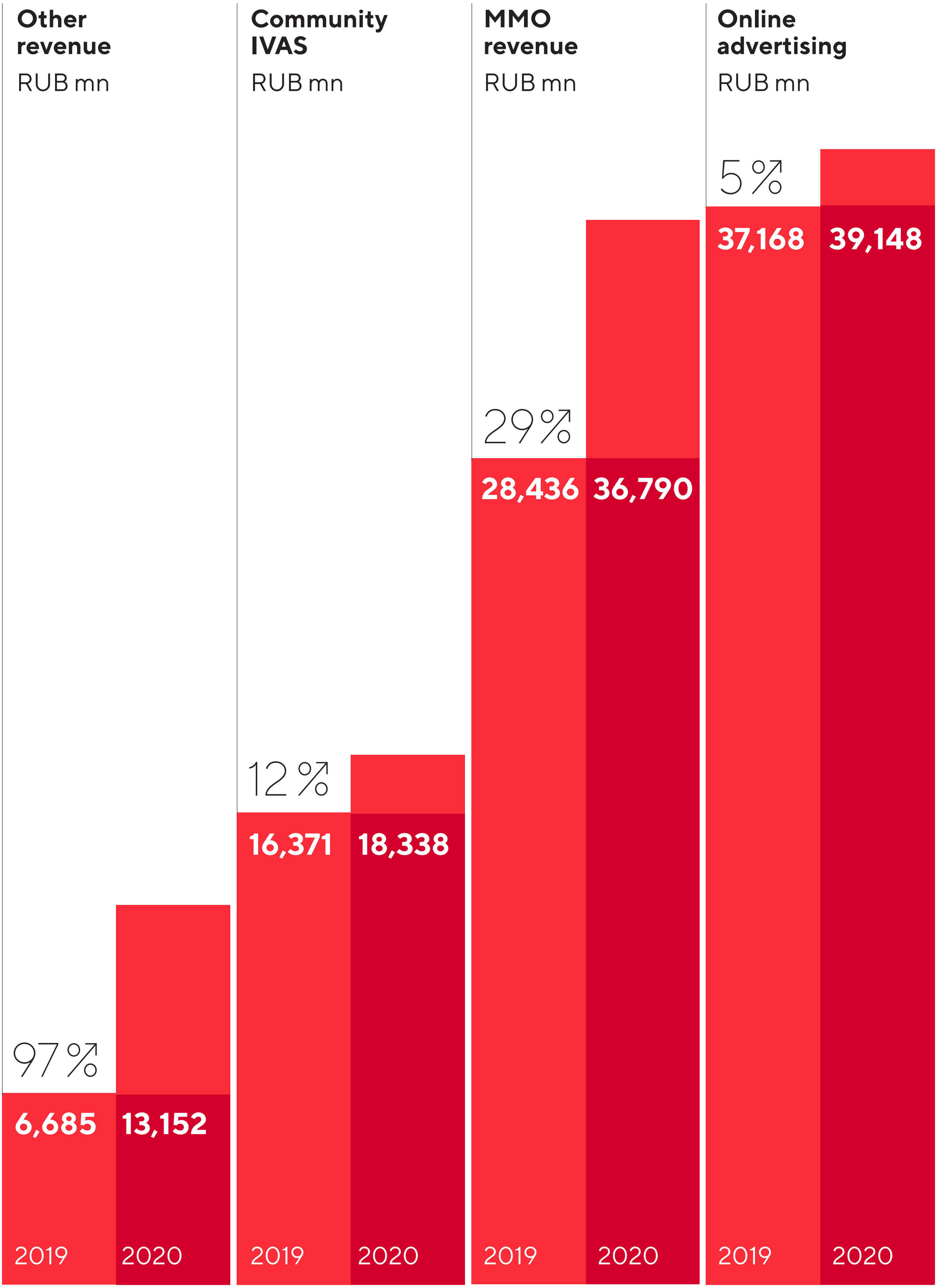
RUB mn

-32%



14,755
2019

10,014
2020


Other revenue
RUB mn
97%
6,685
13,152
2019
2020
Community IVAS
RUB mn
12%
16,371
18,338
2019
2020
MMO revenue
RUB mn
29%
28,436
36,790
2019
2020
Online advertising
RUB mn
5%
37,168
39,148
2019
2020

chairman and CEO statement

While 2020 presented a number of obvious challenges in light of the global pandemic, this did not stop our commitment to scaling our business. We continued to provide our users with convenient, safe and unifying products and technologies and made major progress in our ecosystem development strategy, with the aim of further strengthening our Group and creating added value for our shareholders

Boris Dobrodeev
CEO (Russia)
Mail.ru Group

Dmitry Grishin
Co-Founder
and Chairman of the Board

Despite the pandemic, our Group revenues grew by 21.2% on a pro-forma basis in 2020, with revenues exceeding RUB 107bn for the year. We managed to adapt to the new reality and took advantage of the expedited digitalisation of Russians' daily user needs, stimulated by Covid-19, while also maintaining our mass-market and high-frequency focus and progressing in our major partnerships. As a result, we finished the year with 92% domestic internet audience reach, evidenced by our ~87.8mn monthly active users (MAU)[1] in Russia and leading daily access at 56.8mn daily active users (DAU), or >66% of those accessing the web on a daily basis[2]. On average, Russians spend 185 minutes per day online (web + apps)[3], with roughly 20% of that time spent across Mail.ru Group's platforms. Additionally, we continued our internationalisation via MY.GAMES, which drove a major part of our growth in 2020.

In 2020 we invested heavily across our consolidated businesses to take advantage of the acceleration in online penetration, which occurred in many of the verticals where we are present. The pandemic acted as a major catalyst for this. In 2020, we launched nine new games, invested in seven games studios, started beta tests of our Cloud gaming platform, launched sales of Capsula (a smart speaker), rolled out VK Connect (a unified ID), launched VK Combo (a loyalty programme), enhanced our audio and video call offering across projects and updated the Boom app (music). We successfully completed multiple major cross-integrations, including between Youla and VK, enhanced the capabilities of VK Pay (a virtual wallet), significantly scaled VK Mini Apps, launched multiple experiments in social commerce, invested in high-potential businesses like Uchi.ru Group, Tetrika and Skillfactory in online education, and much more.

As a result, our core communication and social platforms remain among the most popular on the Russian and C.I.S. markets, with VK the No.1 player. VK revenues grew by ~15% in 2020 versus the 4%[4] growth for the domestic digital advertising market and expanded its Russia MAU by 4.5%, nearly 2x above the market rate[5]. Our games continue to become more international and increasingly mobile, with a multi-platform presence and a continued focus on our own IP. Having expanded by ~30% in 2020 and accounting for >30% of the Group's revenues, we finished the year among the top 50 global games companies and manage one of the world's top 10[6] games venture capital funds. Youla demonstrated further strong growth, even during the peak of the pandemic, and gained a major share on the local classifieds market, being Russia's second largest general classifieds. Our music subscriber numbers continued strong growth, exceeding 4mn as we broadened the Group's overall content offering. We significantly scaled our EdTech business, represented by Skillbox and GeekBrains, with related revenues exceeding RUB 6bn. Our B2B technology business reached its first RUB 1bn quarterly revenue milestone from software and cloud services in Q4, expanding to in excess of 200% YoY.

The year 2020 also marked the first full year of execution for our major partnerships: the AliExpress Russia JV in e-commerce and the O2O JV in foodtech and mobility. Delivery Club, Samokat, Local Kitchen, Citymobil and AliExpress Russia are all among the leaders in their respective categories, with significant growth ahead.

Despite the pandemic, we remained committed to our development plans and ecosystem strategy. There are a large number of synergies within the Group that we are aiming to unlock. The goal is for all services to be personalised, with smooth and easy movement for the user between them, which should result in an increase in the share of paying users and ARPU in the coming years.

Our future plans involve a continued focus on cross-selling and deeper integration of our assets, including through tools like the Group's loyalty programme or unified ID. We will continue to transform VK into the heart of our ecosystem, with the VK account now the foundation for the unified ID, loyalty programme, payment product and Mini Apps platform, as well as our music offering. VK is also at the centre of some of our largest latest investment initiatives within video, including short video or social commerce, which we expect to drive the growth of the core Communication & Social segment as well as the Group as a whole.

Consumer and advertiser innovation remain our top priorities in advertising, with continued focus on the further improvement of measurement and attribution, performance formats and penetration into SMEs, which will help us drive further outperformance of advertising revenue growth versus the broader market, including in 2021. Overall, we believe that our digital advertising share should be much closer aligned with our share in time spent, which marks our ambition to grow from 15%+ to 20%+ of the domestic digital market in the coming years.

Despite the high base effect for games in 2021, we remain positive about the prospects of MY.GAMES, as we believe that the games industry is poised to continue to increase its share of media consumption globally. It has a growing player base, which is becoming increasingly focused on mobile and free-to-play, with 76% of our games revenues coming from mobile and 98% from F2P games in Q4. Looking ahead, we anticipate that MY.GAMES will continue to increase its global reach and largely mobile focus. We are targeting further market share gains through the ongoing scaling of existing titles and the development of new franchises, along with the development of the MY.GAMES Store, Cloud and M&A.

1 Mediascope WEB-Index, Russia 0+, age 12+, December 2020 (including JVs)
2 Mediascope WEB-Index, Russia 0+, age 12+, December 2020 (including JVs)
3 Mediascope WEB-Index, Russia 0+, age 12+, December 2020
4 According to Russian Association of Communication Agencies
5 Mediascope WEB-Index, Russia 0+, age 12+, December 2020
6 Games One rating

Turning to New Initiatives, we continue to view the segment as an area of investment, with experiments in new products, services and use cases. The results of such experiments serve to unlock new long-term growth opportunities, as has been the case with our EdTech investments, which will now become a separate reporting segment. While this would be the most common route for successful new initiatives, in certain cases we envision their integration into existing segments, providing a pathway to synergies and maximisation of value for the Group and our shareholders. The last significant component of our New Initiatives is Youla, where we are in the process of testing deeper integration with VK. This is showing encouraging initial results. Youla is expected to continue to gain market share, with target revenue of RUB 3.6-3.9bn in FY2021. At the same time, we will continue to focus on improving its profitability in 2021 with a lower proportional loss, and we anticipate breaking even in 2022. We will also look to further develop and expand other new initiatives, including our B2B cloud and software services, as well as recommendation platforms, voice technologies and related hardware, among others.

We also remain committed to our major partnerships in foodtech, mobility, and e-commerce, which we expect to create significant synergies for the Group, benefitting our ecosystem and our customers. We expect to see a clear path to profitability and positive net income contribution for the Group in the coming years.

Lastly, as we evolve as a public company, we are increasingly focused on corporate governance and broader ESG topics. Among other goals, we are striving for increasing transparency and a stronger alignment of our interests with those of our shareholders, as well as higher share liquidity and accessibility. In 2020 we successfully completed a local listing, with the liquidity of our GDRs rising by >600% YoY in 2H20. Mail.ru Group was admitted to the major MSCI indices in December 2020. We published our inaugural stand-alone Sustainability Report, which we plan to build upon this year. In 2021 we will also provide more granular segmental disclosure, including through the introduction of Online Education as a separate reporting segment.

Additionally, following extensive conversations with the analyst and investor community, we will no longer be reporting on a pro-forma basis. And we do not intend to stop here, with further ESG-related enhancements to come in 2021 and beyond. The business continues to value the feedback from our stakeholders on any further areas of improvement, which we welcome at IR@corp.mail.ru or esg@corp.mail.ru.

Performance review

Communications & Social

VK

VK maintained its leadership among domestic social networks in 2020, with MAU of 73.4mn (+4.5% YoY) and DAU growth by 2.2% YoY in Russia[7]. VK reaches 47.7% of Russian internet users every day, with its monthly reach having grown from 74.3% in December 2019 to 77.1% in December 2020[8]. People visit VK 15 days per month on average, with a sticky factor of 55.3%, the highest among social networks used in Russia. Mobile time spent stood at 36.8 minutes per day as of December, including 60 minutes per day for the 12–24 age group[9].

The number of services on the VK Mini Apps platform almost doubled, approaching 26,000, with MAU up 67% YoY to 39mn in December. A total of 30 mini apps had an MAU of 1mn+ in December, up from 12 mini apps in January. VK Taxi shows the platform's potential, with >2mn having used the service in 2020. The VK Food app, which was relaunched in July, accounted for >10% of new Delivery Club customers in Q4.

Since its launch in June, 17.3mn people have used VK Connect for authentication, not counting authentication on vk.com. In 2020 this number was growing by 70% MoM on average. Twelve Group services, including Delivery Club, Citymobil, LocalKitchen, Marusia, OK, VK Combo, Classifieds, email, and BOOM, have been at least partially integrated with VK Connect, with a further rollout in 2021.

VK is highly focused on enhancing its video offering. In Q4, users uploaded 11% more videos YoY to VK (excluding short videos from Clips), with the number of daily video views reaching a new record of 900mn in December. Livestream MAU stood at 45mn in December.

VK Clips had ~31bn views within the first six months of launch, whilst 3.5mn+ clips had been published by 1.1mn content creators and 75.6mn people had watched clips as of the end of 2020. The number of views per day reached a new peak of 230mn in December, with DAU now exceeding 16mn. We will continue to invest in the platform in 2021, including in Professional User Generated Content (PUGC) and other exclusive content. We see significant monetisation potential in Clips and are actively conducting experiments on CPM-based ad targeting, methods of sharing revenue with PUGC creators, and the ability to make purchases directly from Clips.

7 Mediascope WEB-Index, Russia 0+, age 12+, December 2020

8 Mediascope WEB-Index, Russia 0+, age 12+, December 2020

9 Mediascope, December 2020

Voice messages remain the most popular type of attachment on VK Messenger, with MAU of 33mn in December. The number of messages delivered daily rose by 50% YoY to 15bn in December, with the number of voice messages sent +10% YoY in December.

The VK Mobile Games catalogue grew 3x YoY, with 2x YoY mobile games audience growth in December and the average session length rising to 20 minutes. In-game payments on mobile using VK's internal currency grew 2.5x YoY in Q4.

VK is maintaining its focus on communities and SMBs, having launched a simplified webpage builder that allows users to create webpages in just a few clicks. Over 300k webpages have been created since the feature's launch. VK also launched a Recommend button in communities, allowing users to help their favourite brands or content creators grow and show them to their friends. Within a month of the feature's launch, 1.5mn groups received at least one recommendation (~400,000 of them being SMBs), with users providing ~200,000 recommendations every day. The VK Ad Network is actively growing. This VK tool allows administrators to have ads displayed in their communities. Over 10,000 content creators have already joined the network, with the most successful ones generating RUB ~1mn per month in revenue. As a result of this and other product updates, the number of active communities rose by 23% YoY in December.

Social commerce remains a key focus, with the launch of courier delivery on VK Store, including delivery via VK Taxi. B2C transactions completed through VK Store grew from 8% to 23% of total VK ecommerce GMV, including deals completed on merchant websites.

Key focus investment areas for 2021 are video, including Clips; video and audio calls for personal and professional use; music; social commerce; and ecosystem products, including VK Combo, VK Connect, VK Pay and Mini Apps.

OK

Russian average MAU stood at 41mn in 2020, with the total number of unique mobile-only users rising by 11% YoY.

IVAS, including games, remains the main driver of OK's revenue, with OK users having sent 52.8bn virtual gifts (+18% YoY) and 6bn postcards and stickers (+67% YoY) in 2020. Active product updates continued in Q4: 1) the Moments photo and video stories format was launched in October, with MAU exceeding 11mn in December; 2) the "Okno" video chat-based dating service was released in December; 3) Marathons, a service which allows the sharing of photos related to particular topics, was rolled out in November.

Games DAU rose by 24.3% YoY in 2020, with related total time spent up by 32.4% YoY. Total payments to mobile games developers stood at RUB 970mn in 2020 (+62% YoY), with payments to all game developers exceeding RUB 3.3bn in 2020. Payments to developers for advertising grew by 60% YoY in Q4.

OK's video platform exceeded a 1bn record in daily views in 2020, with views of live broadcasts up by 50% and video uploads up 19% YoY.

Engagement in groups continues to rise, with the number of group publications up by 46% YoY in 2020. In December, OK and Boosty.to launched a subscription service for exclusive content in OK groups and a donation service for creators, with commission set at 5%.

Ecosystem-related product launches continued in Q4, integrating VK Mini Apps into OK in December.

In Q4 OK and AliExpress Russia relaunched their social marketplace, which enables product demos not only in the goods section but also within newsfeeds or while watching videos, alongside a personalised shopping feed. Order tracking and support are now also available on OK, with a 56% QoQ increase in related e-commerce orders in Q4.

OK continues to focus on growing its advertising revenue share, with the number of advertisers in OK up by 34.8% in 2020 and OK continuing to invest in its SME solutions. The number of SME advertisers in OK Ads Manager (an internal ad creation tool) grew by 77% YoY in Q4, with SME revenue doubling YoY in 2020.

Further ecosystem integrations and social commerce will be among the main focus areas in 2021.

Games

MY.GAMES grew revenues by 30.4% YoY in 2020 (to RUB 40.8bn), with the segment accounting for 38% of the Group's revenues in 2020. MY.GAMES revenues increased by 27.1% in Q4 (to RUB 11.1bn) with only one mobile launch (Rush Royale) in late December. F2P games produced ~98% of revenues, with mobile share at 76% in Q4.

Mobile games remain the top driver for MY.GAMES growth, with five in-house mobile launches in 2020. The top five revenue-generating games in Q4 2020 were: War Robots, Hustle Castle, Grand Hotel Mania, Left to Survive and Zero City.

The number of registered users reached 770mn in December (+165mn in 2020). Average MAU continues to rise, at 21mn in Q4 2020 (+8.8% YoY) versus 14.8mn back in Q4 2017, with a 5.3% share of paying users. Further internationalisation remains in focus, with 77% of revenues coming from outside Russia/the C.I.S. (versus 76% in Q3).

Games segment EBITDA in 2020 stood at RUB 6.3bn (28% YoY growth) with a margin of 15.4%. This was driven by the ongoing shift to mobile, a large number of new launches, acquisitions of early-stage studios as well as active year-round marketing, including during the peak Q4 season, in the light of elevated Covid-related demand and our focus on the retention of new users.

MY.GAMES Venture Capital (MGVC) successfully completed two consolidations in 2020, which added two revenue-generating titles to our portfolio, with the BeIngame studio growing monthly revenues by 96% in nine months following consolidation and Deus Craft revenues reaching RUB 1.2bn in Q4 (+44% QoQ). MY.GAMES made 12 new minority investments in 2020 with 35 studios in the MGVC portfolio and options for acquisition of control in most of them, which provides room for further growth through M&A. At the same time, the newly acquired and consolidated studios contributed ~9% to MY.GAMES revenues in 2020, with the vast majority of MY.GAMES growth being organic.

New Initiatives

Revenue for the New Initiatives segment grew 101.5% YoY in Q4 2020 to RUB 5.9bn, with 95.5% growth to RUB 14.3bn for the year. Among the key drivers were the rising scale of online education, as well as the continued progress of Youla, Pulse, and B2B Cloud&Software and other new initiatives.

Online Education (EdTech), represented by the consolidated Skillbox and GeekBrains businesses, remains the largest contributor to the New Initiatives segment, with related revenues amounted to RUB 2.6bn in Q4, a growth of 3.1x YoY. For 2020, EdTech generated RUB 6.1bn in revenues, exceeding the set target of RUB 5bn, while also being profitable.

Youla delivered 43% YoY revenue growth in Q4 (RUB 1,015mn). This was driven by B2B sales and overall traffic growth, triggered by the rising collaboration with VK. For 2020, Youla delivered RUB 3bn in revenues, at the top of the RUB 2.7-3bn guidance, with EBITDA loss as a proportion of revenue below the 2019 level (RUB 2.2bn or 73% of revenue in 2020 versus 95% in 2019).

The number of people who used both of our recommendation platforms reached 62mn per month (+47% YoY) in Q4. Relap DAU rose to 8mn (+40% YoY) in December, with MAU of 109 mn (+33% YoY), while Pulse DAU rose to 6mn (+75% YoY), with a MAU of 62mn (+40% YoY) and a combined revenue that exceeded RUB 200mn in Q4.

Our Mail.ru Digital Technologies business exceeded RUB 1bn in quarterly revenue in Q4 2020, with growth of 200%+ YoY.

Overall, New Initiatives EBITDA loss remained largely flat YoY in Q4 at RUB 0.7bn and at RUB 3.9bn for the year (30.2% YoY), with Youla and areas like voice and hardware beeing the main areas of spend. EBITDA loss as a share of New Initiatives revenues decreased from 40.7% in 2019 to 27.1% in 2020, thanks to a higher positive contribution from Online Education.

Key Partnerships

O2O JV (equal ownership by Mail.ru Group and Sber)

O2O JV showed impressive growth in 2020 despite lockdown pressures, particularly in the mobility business. Following the consolidations of Samokat and Local Kitchen in 2020, the O2O JV perimeter now includes: Delivery Club, Citymobil, YouDrive, Samokat, Local Kitchen and r_keeper (Foodplex), with 2020 GMV on a pro-forma basis exceeding RUB 118bn (2.3x YoY) and a GMV run-rate of more than RUB 170bn as of December.

FoodTech, including Delivery Club (98.1%), Samokat (85.1%), r_keeper (99.1%) and Local Kitchen (84.7%)

Delivery Club is maintaining its leadership position on the local restaurant delivery market, with gross revenue growth of 2.1x YoY (to RUB 3.1bn) and 2.0x order growth YoY (to 18mn) in Q4, including a 9% share of non-restaurant orders. The service outperformed set guidance for 2020, having grown revenues 2.3x YoY to RUB 10bn, with the delivery of 60mn orders (2.2x YoY). Delivery Club is present in 299 localities, covering >50% of the Russian population, with the share of 1P at 59% of total orders as of December. The platform's network reached 39,000 (+2.8x YoY) in December, with more than 7,000 restaurants using the takeaway option. Having been first-to-market with its e-grocery, takeaway and pharma delivery initiatives, Delivery Club continued to broaden its offering in Q4 with the launch of meal kit deliveries. Further integrations with r_keeper (also part of O2O JV) and other diversification initiatives are expected in 2021.

The Samokat online express retail service grew gross revenues 19x YoY (to RUB 4.3bn), with 8.5mn in orders (12.3x YoY) in Q4 and up to 100,000 in daily orders in December 2020. For 2020, Samokat delivered 18mn in orders (15x YoY) and generated RUB 9bn in revenue (23x YoY). Samokat's dark store base reached 400 in December, vs. 80 a year ago. The private label SKU base expanded to 340 out of 2,600 in total and contributed to >11% of revenue in 2020.

Local Kitchen, a "dark kitchen" operator specialising in home-style food on demand, serviced 1.9mn in orders (2.7x YoY) and generated RUB 0.9bn in revenues (2.9x YoY) in Q4 from its 45 kitchens across Moscow as of December (vs. 29 in January). For 2020, the service generated 5.2mn in orders (3.4x YoY) and RUB 2.6bn in revenues (3.7x YoY).

Mobility, including Citymobil (95.4%) and YouDrive (77.3%)

Citymobil increased rides and GMV by 20% QoQ in Q4, reaching 185mn in rides (~3x YoY) and RUB 46bn in GMV (2x YoY) for 2020, with growth of up to 30% of market share in select regions. Citymobil has continued its expansion into B2B and Higher Classes, growing rides in both segments by 70% QoQ.

Citymobil continued to expand its C2C/B2C delivery, adding new partners (including Samokat within the O2O ecosystem) and growing rides by more than 75% QoQ, with up to 20,000 in daily orders. As part of its multimodal vision, Citymobil launched full consolidation with YouDrive, with technical and operational integrations planned for 2021. Despite the shock from Covid-19 and unparalleled growth in 2020, Citymobil has marginally improved EBITDA burn as a proportion to gross revenue.

AliExpress Russia (AER) JV (15% stake held by Mail.ru Group)

AER continues to scale, with 29.1m MAU and 8.8m DAU. During their financial year 2021 (April 2020 – March 2021), AER's GMV reached RUB 229.3bn (RUB 209.6bn for the calendar year). The number of local sellers increased by 7x in 2020, exceeding 35,000 by January 2021 and 45,000 by March 2021. Sales generated by local merchants in CY2020 accounted for 23% of total GMV, or RUB 49bn. The selection of goods offered by local sellers rose by >3.6x YoY, exceeding 5.5mn SPUs (Standardised Product Unit) by January 2021 and 7mn by March 2021. AER's combined, cross-border and domestic businesses now offer >140mn SPUs from >270,000 sellers. The AliExpress Plus express delivery service (2-day local delivery, max 15-day China delivery) has simplified its returns policy, while also making it free of charge. As of our Q4, the share of AliExpress Plus GMV increased to 38% of total. AER updated its integration with OK in calendar Q4, with related GMV rising by 56% QoQ. AER and Mail.ru Group also launched virtual storefronts and integration with the Pulse recommendation service, with >8mn people interacting with AER monthly through OK and VK. The network of available pick-up points (including parcel lockers) had increased to 20,000 by March 2021.

Achieving improvements in delivery time for cross-border orders, along with further scaling of the local marketplace and social commerce, remain the key strategic focus areas for AER for 2021. Related targets include expanding local GMV to reach 50% of total GMV by April 2022.

On 1 October, Mail.ru Group completed the USD 82mn follow-on payment into the AER JV, made according to the initial deal terms secured in 2019, with the Group making a total USD 182mn cash contribution to the JV.

2020 financial performance

In 2020 our Group grew more than 21%, with revenues exceeding RUB 107bn. This exceeded the 18-20% revenue growth target to RUB 103-105bn we set for 2020 before the pandemic. The diversification of our business and a commitment to our strategy were the main drivers of this result.

Despite the adverse backdrop in the advertising market, our advertising revenue continued to grow throughout 2020, up by 10.2% in Q4 and with 5.3% growth for the year. We have consistently outperformed the broader digital advertising market for the last five years and 2020 was no exception.

VK remains a key pillar of our performance. Despite the pandemic and its largely advertising driven business model, VK revenues grew by 14.9% in 2020 to RUB 25.4bn.

MY.GAMES delivered 30.4% YoY growth in 2020 (to RUB 40.8bn), including 27.1% growth in Q4 (to RUB 11.1bn).

Youla continued its growth, having delivered RUB 3bn in revenues in 2020 (+43.0% YoY), with an improvement in the level of EBITDA burn (RUB -2.2bn).

Consolidated online education services, represented by Skillbox and GeekBrains, grew revenues 3.1x YoY in Q4 (to RUB 2.6bn), delivering RUB 6.1bn in revenues in 2020 versus the RUB 5bn+ target. The business is, and continues to be, profitable.

We have been investing heavily across our consolidated businesses to take advantage of the acceleration in online penetration, which has occurred in many of the verticals where we are present. As a result of the above and revenue mix, 2020 EBITDA was -7.3% YoY to RUB 27.0bn with a 25.1% margin, falling into the set guidance of mid-20s.

The cash-generating capacity of our business remains strong. Our net debt position, excluding lease liabilities, stood at RUB 9.4bn at the end of December. In Q4 2020 we refinanced some of the prior bank loans, and as a result, the effective interest rate across all outstanding bank loans payable stood at 7.0% at year-end, compared to 7.4% at the end of Q3.

Outlook

Looking ahead, our strategic priorities remain unchanged: 1) focus on the core and build a leading internet ecosystem with VK at its centre; 2) continue to outperform the broader digital advertising market to better align our market share with our leading positions in audience reach and time spent; 3) further internationalise and scale our games business while seeing the margin benefits as economies of scale kick in and the switch towards mobile is largely completed; 4) scale New Initiatives while progressing it towards break-even point, with Youla among the near-term focus areas.

Going into a bit more detail across the key products:

- Having grown revenues by ~6x+ since 2014, VK remains on track to double by the end of 2022 when compared to its 2018 revenue base of RUB 18.4bn, despite the adverse impact of the pandemic.
- The year 2020 resulted in some exceptional circumstances for our games division, with 47% growth in Q2, for example. However, despite this high base, our franchise and other existing titles, as well as pipeline projects, are expected to result in double-digit organic growth for MY.GAMES in 2021. Moreover, we continue to expect MY.GAMES EBITDA to double versus its 2018 level of RUB 5bn in 2022, with 2021 set to demonstrate considerable progress towards the set target.
- We are targeting ~RUB 3.6-3.9bn in revenues from Youla in 2021, with strong progress towards break-even point, which we anticipate reaching in 2022.
- We anticipate growth in excess of 30% from online education in 2021, despite predicting that the market will see a certain level of post-Covid normalisation. Given its already significant scale and proven profitability, online education assets will form a separate reporting segment as we move forward.

Overall, we are expecting revenue growth in the range of 18-21% in 2021 (to ~RUB127-130bn), with an improvement in EBITDA margin YoY. Businesses in mobility, foodtech and ecommerce are being developed as part of JVs and they are accounted for under the equity method, meaning, that they do not contribute to the above guidance.

Our people and culture

We continue to highlight in every annual report that our main asset is our people and the technology-driven culture that they create. Our unique culture remains one of the guiding principles for us, and Mail.ru Group's future success is very dependent on our ability to attract, retain and motivate the best engineers and other human talent. We continue to recognise this fact and very much value the contribution of every Mail.ru Group employee to the overall success of our business, especially during such a unique and challenging year.

Thanks and appreciation

As in the prior reports, we would like to close this section with an acknowledgement to a number of key groups, given the success that we saw in 2020 and the motivation that was required to make it through such turbulent times.

First off, our employees. Since the start of the Group, our success has been down to the dedication, commitment and passion that they show every day. Our employees are highly skilled and continue to show great loyalty to the Group. Underlying retention rates have improved, and we believe that this is mainly a function of our continued focus on a tech-driven culture and the commitment we demonstrated to growing our business during the pandemic year of 2020, when our headcount continued to expand, driven by business units such as VK, MY.GAMES as well as EdTech. The Board is again happy to extend its thanks to all the Mail.ru Group staff and to recognise their contribution.

Secondly, on behalf of the Board, we want to thank our shareholders. They continue to believe in, encourage and support us. The year 2020 saw progress in the major strategic partnerships we completed in 2019, with major progress across all the related verticals and growth in the scope of the O2O JV. Meanwhile, EdTech and a number of other new initiatives, including Youla and Cloud, have demonstrated a lot of long-term potential. Despite the required investments and major uncertainty in the light of Covid-19 and various macro shocks, we have been articulating guidance throughout 2020 and were able to deliver on both growth and profitability. We aim to continue to build on our success and are encouraged by the investments we made in 2020. These investments allow us to remain in the lead in one of the most competitive segments of the global internet market, while also gaining advertising market share, and progressing towards building an ecosystem and unlocking new major future monetisation opportunities, which should be revenue- as well as margin-enhancing over time. Meanwhile, cash contributions to the major JV provide grounds for future leadership within some of the largest segments of online, such as foodtech or e-commerce.

startup of the year

Server cooling system

Stanislav Zakirov, Yurii Zakharov, Alexey Kuznetsov

2020

Mail.ru Group People Awards

startup of the year

Mail.ru Videocalls

Ekaterina Nikulina, Alexander Tsvetkov, Sergei Zelenov, Viktoria Kamoldinova

2020
Mail.ru Group
People Awards

startup of the year

VK Clips

Nikita Samoylov, Gleb Semshchikov, Vlad Legotkin,
Alexander Schepilov, Oleg Feduschak, Suzanna Belkina

2020
Mail.ru Group
People Awards

MAIL.RU GROUP MONTHLY REACH
Mediascope, Russia, cities 0+, age 12+, Dec 2020

88%
of Russian mobile internet users

operating review

92%
of Russian internet users

operating review

Our services attract millions of users each day. Whether they are using email, instant messaging (IM), our social networks or our games, we aim to increase the time they spend on our sites and mobile applications by continuously offering new features and services.

Communications & Social

We operate the two largest Russian-language social networks, VKontakte (VK) and Odnoklassniki (OK). They enable users to find connect and communicate with friends, families and colleagues. Our products include a newsfeed, messaging services, status updates, photos, videos, stories 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 user engagement.

VK

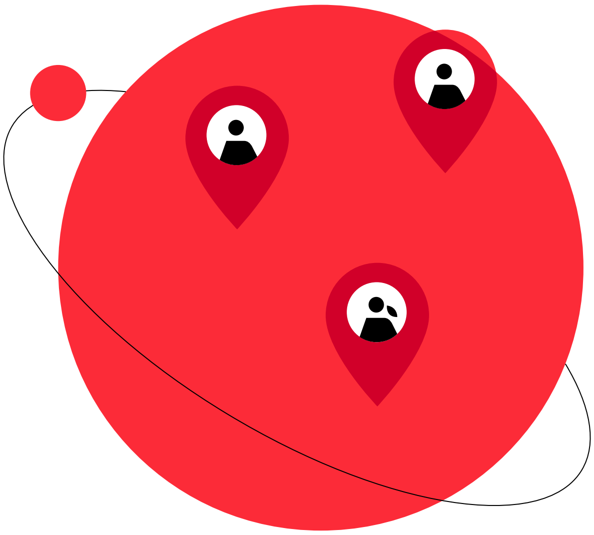
Despite all of the challenges that companies faced in 2020, VK was able to successfully reorganise its processes and prepare work-from-home procedures in advance. The company was able to quickly offer users products and services that could help them with essential tasks related to working from home, distance learning, leisure and communication. In total, the VK Team launched and supported over 65 coronavirus-related projects. For example, the VK Taxi and VK Food mini apps helped make life more comfortable during the lockdown by giving users a convenient way to book taxis and order food. VK group calls, which can hold up to 128 participants, were the ideal tool for collaborative studying, work and personal enjoyment throughout the pandemic. The VK Team also launched the following coronavirus-related projects:

- Section with up-to-date information about Covid-19
- Thematic News Feed
- VK Fest Online
- Online event listing mini app
- Social statuses
- Information channels within the messaging service
- Entertainment chatbots

Over the course of 2020, the VK team launched 220 major product updates. These updates included:

- VK Clips short video service
- VK Connect, Mail.ru Group's single sign-on service
- VK Combo loyalty programme
- New Hub section in the app, the centre of the VK Super App
- Major updates to the VK Mini Apps platform
- Group video calls
- New music recommendations
- Major updates to VK Messenger
- Updates to key O2O mini apps: VK Taxi, VK Food, VK Jobs, AliExpress, etc.
- New e-commerce platform
- Updates to business tools
- New monetisation instruments for content creators and businesses, with particular focus on social commerce tools and mobile.

Product updates showed impressive results. VK's audience not only grew during the lockdown period but continued to do so even after lockdown measures were eased. As a result, VK maintained its leadership among social networks, with an MAU of 73.4mn (+4.5% YoY) in Russia (DAU: +2.2% YoY), according to Mediascope. Even with our already large user base and continuing competition, VK's MAU and DAU growth significantly exceeded that of the overall Russian internet audience, which saw a 0.8% increase in monthly audience YoY and 1.1% growth in daily audience YoY. In addition, VK reached 47.7% of Russian internet users every day in December 2020, with monthly reach having grown from 74.3% in December 2019 to 77.1% in December 2020.



The two largest Russian-language social networking services and communication platforms are VKontakte (VK) and Odnoklassniki (OK)

According to Mediascope, people visit VK 15 days per month on average, with a sticky factor of 55.3%, the highest among social networks used in Russia. VK remains focused on boosting mobile time spent and stickiness, with time spent at 36.8 minutes per day as of December, including 60 minutes per day for the 12–24 age group.

In 2020, engagement also continued to grow thanks to product updates and VK content platform development:

- +50% messages delivered per day, reaching >15bn
- +10% voice messages, with a MAU of 33mn
- +11% videos uploaded to VK, with the number of daily video views (excluding short videos) reaching a new record of 900mn in December
- 3.5x more podcast listeners
- +67% VK Mini Apps MAU
- 2x larger mobile games audience
- +23% active communities
- 2x more active business clients, with >2mn businesses on VK

We continue to develop VK, ensuring its position as the main app for communication, entertainment and users' everyday needs throughout Russia and the C.I.S. This is made possible thanks to our broad and varied offering and the convenience of our services. VK will expand its line of products and continue developing VK as a Super App. By 2018, VK had already become a Super App thanks to the launch of the VK Mini Apps platform. Even then, developers were able to easily create mini apps, and users could do everything they needed to without leaving VK.

Over the past year, we and our partners launched a number of services which strengthened the synergy of our products, viral mechanics and unique features. These are all made possible by the social graph of VK's multi-million audience. The AliExpress Mini App for online shopping is an example of one such service. VK also started to expand beyond the online sphere and into the physical world. The company has already introduced VK Taxi and VK Food and plans on launching other O2O services in the future.

VK is also expanding its ecosystem beyond the main VK app using the VK Mini Apps platform, the VK Connect single sign-on system, the VK Pay financial service, the all-in-one VK Combo loyalty programme, and other VK Ecosystem products. This will allow VK to become the main app for users' everyday needs across Russia and the C.I.S.

New Hub section: Super App

In 2020, VK consolidated the Super App's key services into the new Hub section, located in the second tab of the VK app. It helps users take care of a wide range of tasks while adapting to their interests and needs. In the Hub section, users can do almost anything, from shopping, ordering food and services, checking the weather and sports results to making beauty salon appointments, booking tables at restaurants and even playing games. Some services are displayed as interactive widgets, providing useful features and up-to-date information, such as local weather.

>2,000,000

active SMBs

VK Mini Apps

For two years, we have made technological improvements to the VK Mini Apps platform, actively developed our own Mini Apps and worked on establishing relationships with third-party developers. The number of services on the VK Mini Apps platform almost doubled, approaching 26,000, with MAU increasing by 67% YoY in December to 39mn. A total of 30 mini apps had MAU of >1mn in December, up from 12 mini apps in January. These services include AliExpress and several of the Group's own projects, such as VK Food, VK Taxi and VK Work.

VK Taxi shows the platform's potential, with >2mn users having used the service in 2020. VK Taxi continues to expand its unique social features, making it possible for users to create a list of favourite places, go to the same destination with friends from different locations, split the cost of rides, pay for them using VK Pay, etc. The VK Food app, which was relaunched in July, brought >10% of Delivery Club's new customers. We will continue to develop the platform and make it more functional so it meets all of our users' needs.

VK Connect

In June 2020, VK launched VK Connect, a single sign-on platform for all Mail.ru Group products, to strengthen the unity of the VK Ecosystem. After signing in to a service with VK Connect, users can access other MRG products in just one tap without having to enter their login credentials.

Since its launch, 17.3mn people have used VK Connect for authentication, not counting authentication on vk.com. In 2020, this number grew by an average of 70% every month. A total of 12 services, including Delivery Club, Citymobil, Local Kitchen, Marusia, Atom, OK, VK Combo, Curious, Worki, Youla, BOOM and Mail.ru Group's email service have at least partially integrated with VK Connect, with further rollout expected in 2021.

VK Pay

As of 31 December, 2020 the number of VK Pay users exceeded 16mn. We have expanded our fintech offering with the launch of installment payment options. These are available on VK as well as on the AliExpress mini app and with other partners outside the social network. Installment plans, as well as other VK Pay payment methods, are available at a number of online shops, including Russia's second largest independent handset retailer, Svyaznoy.

VK Combo

In 2020, VK introduced VK Combo. It combines the VK Music and BOOM subscription with the best offers from the Combo loyalty programme that Mail.ru Group launched in October 2019. VK Combo is fully integrated with VK Ecosystem features such as VK Connect, VK Pay and the VK Mini Apps platform.

Over the course of 2020, several Mail.ru Group products were added to the VK Combo subscription, such as the Samokat fast grocery delivery service, the Capsula smart speaker, and others. VK Combo plans to further expand its selection of services through several major updates in H1 2021. In 2021, VK Combo also plans to further enhance its distribution channels through partnerships as well as retail and product integrations.

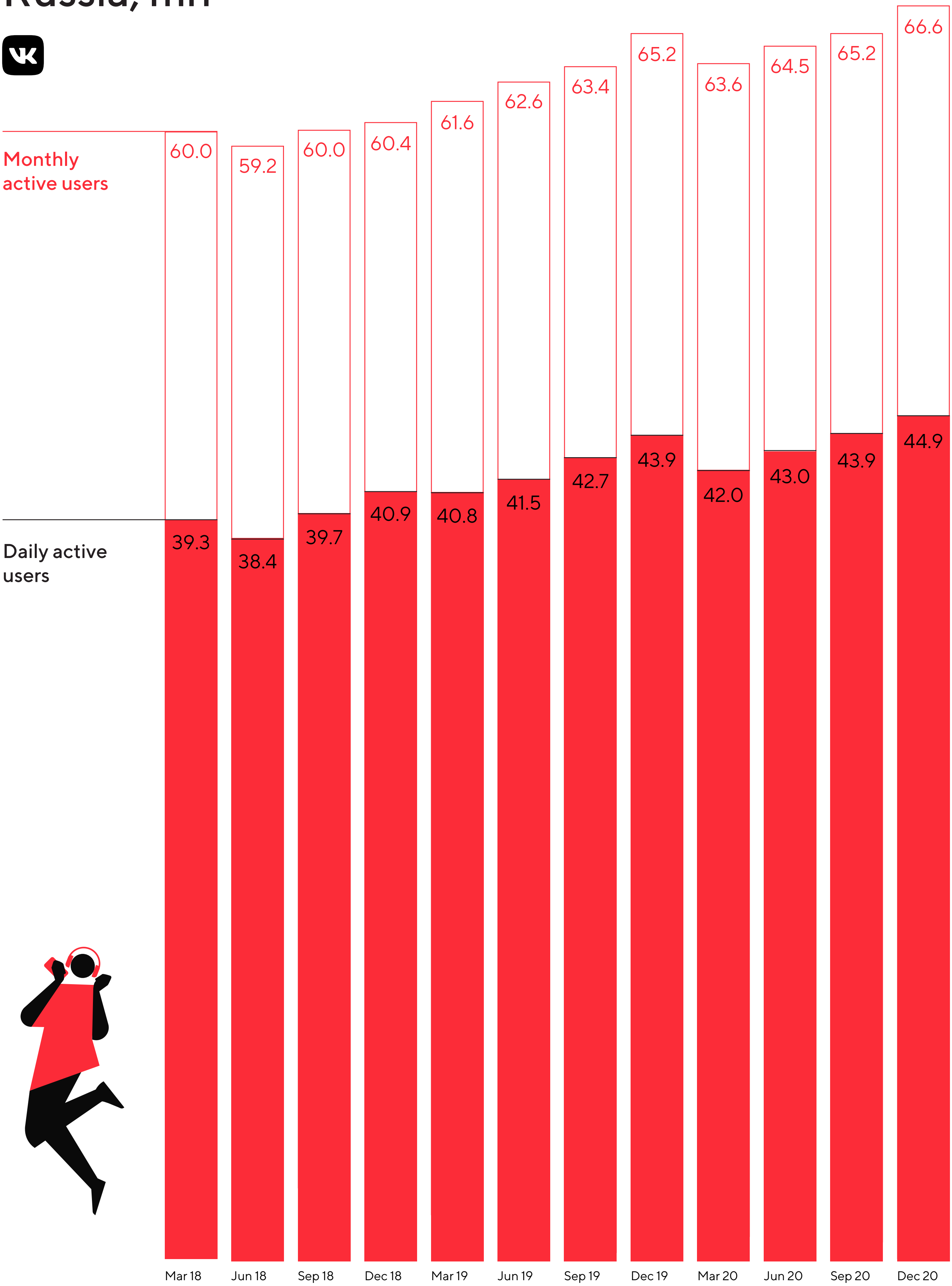
VK Music

In 2020, VK became the first social network to launch shared playlists in chats. This feature allows both large and small groups to create collections of tracks and update them together. What sets VK Music apart from its competitors is its social element, and playlists in chats are yet another feature that emphasises this. This new feature helps users collect tracks to create the perfect online atmosphere as well as put together playlists to play at offline parties.

The VK Team has also introduced a new format for music recommendations, which have moved to the separate "For You" tab. Song and artist recommendations in the tab are formed by taking into account users' interests, their preferred genres, what music they've listened to and what they might like.

We are actively working on our music recommendations and the technology behind them. Music on our platform is now even more personalised. Recommendations give users exactly what they are interested in and help them discover something new.

VK, mobile users, Russia, mn



39,000,000

monthly active VK Mini Apps users

Videos and Clips

VK is highly focused on enhancing its selection of video products. In 2020, the VK team introduced the Clips service, an endless feed of short vertical videos, with themes ranging from entertainment to education. This service's features make it possible for any user to create content on a near-professional level without advanced skills or expensive equipment. One key feature of VK Clips is that users are able to control the recording of a clip using AR mechanics. Users can show special gestures to start shooting a clip or enable effects.

VK Clips reached ~31bn views within six months of its launch. A total of >3.5mn clips were made by 1.1mn content creators and viewed by a total of 75.6mn people (as of the end of 2020). The number of views per day reached a new peak of 230mn in December, with DAU now exceeding 16mn.

We will continue to invest in the platform in 2021, including in PUGC (professional user-generated content) and other exclusive content production. We see significant monetisation potential in Clips and are actively conducting experiments on CPM-based ad targeting, methods of sharing revenue with PUGC creators, and the ability to make purchases directly from Clips.

In Q4, users uploaded 11% more videos YoY to VK (excluding short videos), with the number of daily video views reaching a new record of 900mn in December. Livestream MAU stood strong at 45mn in December.

Communication services

This year, tools for collaborative work, studying and communication have been in high demand. Therefore, VK focused on further developing its conference communication tools. In 2020, VK launched group calls that can hold up to 128 participants, making them an ideal tool for collaborative studying, work or personal enjoyment. This feature works on both the desktop version of VK and the mobile app, with no additional software needed. Users can share their screens, calls have no time limits, and participants can join calls anonymously, even without a VK account.

In 2020, VK expanded features in group chats, which have seen significant growth in use during the pandemic. We added new features for managing group chats as well as the ability to mass-mention chat members using @all and @online. VK also rebranded its Messages section as Messenger, to more accurately reflect the service's features. In addition to sending messages, VK Messenger also allows users to make calls, transfer money, and share music, photos, videos and files. Other features that users are familiar with from instant messaging apps have also been added. These include the ability to synchronise phone contacts with VK, making it easier for users to message people who aren't on their friend list yet, as well as custom backgrounds, which people can use to customise their chats. Thanks to product updates, the number of messages delivered daily rose by 50% YoY to 15bn in December.

In 2020, VK also launched voice message speech recognition technology, providing users with transcripts of voice messages of up to two minutes long within a matter of seconds. Voice messages remain the most popular type of attachment on VK Messenger. The number of voice messages sent grew by 10% YoY in December, with MAU of 33mn.

Games

The VK mobile games catalogue grew 3x YoY, while its audience grew 2x YoY in December. Game engagement grew as well, with average session length increasing to 20 minutes per day in Q4. In-game payments on mobile using VK's internal currency also grew 2.5x YoY in Q4.

Content creators and content monetisation tools

In June 2020, VK launched VK Donut, a platform for community content monetisation developed in collaboration with Boosty.to. Users can buy subscriptions to support their favourite communities on a regular basis. This provides content creators with a new way to earn money, while subscribers can now receive exclusive content, early access to new material, and the ability to leave comments or participate in private contests, meetups or special offers. Money received from subscriptions is transferred to a VK Pay account or a payment card. The VK Donut platform fee is 10%. Content creators who joined VK Donut earned RUB >25mn within the first five months of its launch, with the number of paying subscribers growing by 30% every month. The most successful community earned RUB >2mn within three weeks through VK Donut.

The VK Ad Network is actively growing. This VK tool allows community administrators to have ads displayed in their communities. Over 10,000 content creators have already joined the network.

In 2020, VK announced a new unified monetisation platform for content creators. It provides access to all monetisation tools, including VK Donut, grants, products, native ads, as well as monetisation of Mini Apps, music, etc. The platform will launch in H1 2021.

As a result of this and other product updates, the number of active communities rose by 23% YoY in December.

Business & e-commerce

The advertising market worldwide has slowed due to the coronavirus pandemic. To compensate for this, we focused on improving advertising technologies as a whole and special products for SMBs in particular. To do so, we sped up development during the pandemic and launched many new features for businesses on VK, including tools that promote e-commerce. This helped brick-and-mortar businesses, whose revenue streams came to a halt, to bring their businesses online. As a result, the number of active advertisers on VK grew by 30% YoY in Q4.

More than 2mn SMBs are active on VK. Paying SMBs account for <10% of the total number of SMBs, which means that there is significant potential for further monetisation.

Social commerce remains a key focus. In 2020, VK introduced a new e-commerce platform by launching Store 2.0. All the tools needed to start selling goods on the VK platform are now in one place. Users no longer have to enable various functions individually to set up a store in a community.

VK became the first social network in Russia to launch physical goods delivery through some of the largest delivery market players, CDEK and Boxberry. With this new feature, making purchases in VK communities is even more convenient.

As a result, more and more customers are making their purchases entirely on VK. B2C transactions completed through VK Store grew from 8% to 23% of total VK ecommerce GMV, including deals completed on merchants' websites.

Thanks to the actions we have taken over the last year, and despite the impact of the coronavirus pandemic, VK has increased its total revenue. In 2020, VK revenues grew by 14.9% to RUB 25.4bn. Having grown revenues by 6x since 2014, it remains on track to double its 2018 revenue base of RUB 18.4bn by the end of 2022.

Our vision for 2021

VK has very strong social and content features that allow users to create content, chat, learn something new and have all of their communication needs met all in one place. With Mini Apps, users can do anything from ordering food to finding their soulmates. Such features are one of the strongest qualities of VK, and we will continue to develop them. We will also continue to diversify our product offering in order to stimulate retention and time spent, while further expanding audience reach across Russia and the C.I.S.

We remain committed to not only maintaining VK's leadership among social networks but also to developing our product, ensuring its place as the main Super App in Russia. Key focus investment areas for 2021 are videos, including Clips; video and audio calls for personal and professional use; music; social commerce; and VK Ecosystem products, including VK Combo, VK Connect, VK Pay and VK Mini Apps.

53,000m

virtual gifts sent in 2020

OK

One of the leading social platforms in Russia, OK helps people bond with families and friends, find communities and grow businesses. The platform's average MAU in Russia stood at 41mn in 2020, with mobile MAU at 34mn. OK continues to grow its mobile user base, including its unique audience: The total number of unique mobile-only users has grown by 11% YoY, including a 7.3% rise in Android-only users in 2020.

In 2020 OK rolled out mandatory work-from-home policies as Covid-19 spread. Despite the OK team working away from the office, we launched over 20 new projects and updated dozens of current ones. During the most difficult periods of 2020, OK products helped people stay connected with friends and family, have fun and feel comfortable at home.

Key launches in 2020:

- Moments, a new photo and video service in the Stories format, with a special competition format for users;
- Marathons, a service which allows users to share photos related to particular topics;
- Okno ("Window" in Russian), a new dating service via video chats, which is based on the Group's video call technology;
- Robbie, an automated platform for content analysis based on neural networks and big data technology;
- Audio and video calls for up to 100 participants, accessible to non-registered users via an Invite link;
- Relaunch of OK's proprietary marketplace for Chinese goods together with AliExpress Russia;
- Integration of the VK Mini Apps platform into OK (including the Delivery Club and Citymobil mini apps);
- Worki, a special service that provides vacancies and employers' contacts via a chatbot upon request;
- A subscription service for exclusive content in OK groups and a donation service for content creators together with Boosty.to;
- An internal business account for SMEs, which keeps all tools for businesses in one place;
- Contextual targeting based on proprietary technology within the OK ads manager for SMEs;
- New and enhanced tools for profile recovery with face and gesture recognition;
- A new music recommendation algorithm based on neural networks.

New communication services

One of the main trends in 2020 was video calls. OK has been developing an AI-based calling platform since 2018, and in 2020 the platform introduced some updates that made video communication through OK simpler. For example, OK added an opportunity for even non-registered users to join the call via a link on desktop as well as mobile. OK also launched live streaming and recording for calls, to make them more useful not only for regular communication but also for remote work, business and creative processes. As a result, the total number of calls made during Covid-19 has grown by 39%, with calls being one of the fastest developing internal services during the pandemic. Group calls grew by 70% in this period.

To provide users with even more opportunities to communicate and exchange emotions, OK launched a new service for personal content: Moments. Moments is a new photo and video service in the Stories format. It also stimulates competition among friends in the form of weekly ratings. Since its launch in late October, Moments' unique audience has reached 16mn users, and in December MAU exceeded 11mn. User engagement and interaction with friends and their content has been growing rapidly, in part thanks to the competitive mechanics. In December 2020, the average number of views on Moments increased by 70% and user reactions doubled.

With the rise of social distancing, users are also seeking out new ways to communicate, so in 2020 we developed a new dating service with video chats called Okno ("Window" in English), which is built on Mail.ru Group's video call technology. Okno allows users to search for new acquaintances and communicate in video chats without leaving the social network. Users can quickly find a match with the help of a simple search by gender, age and common interests.

16,000,000

users of new service Moments two months after launch

Exchanging emotions

As a platform for sharing real emotions with friends and family, OK saw an engagement boost during 2020 as people spent more time at home. The pandemic sparked an active growth in communication services and the growth of traditionally popular ways of exchanging emotions on OK. This trend manifested itself most clearly in the spring during the national lockdown in Russia, but for some services, a noticeable increase occurred throughout the year. In total OK users sent 52.8bn virtual gifts in 2020 (+18% YoY) and 6bn postcards and stickers (+67% YoY).

Content creator engagement in Groups continued to rise, with the number of group publications up by 46% YoY in 2020. In December, OK and Boosty.to launched a subscription service for exclusive content in OK groups and donation service for creators, with commission set at 5%.

In addition, OK remains the main platform in Russia for sending congratulations, and during the lockdown, we continued to provide users with handy tools to send heartwarming messages to their relatives and friends. On International Women's Day (8 March), 41% of Russian women (32mn) received virtual gifts through OK, with 1bn gifts exchanged over a three-day period. OK also registered record numbers of users sending stickers during the Women's Day holidays – 11mn people. Traditionally, the New Year holidays saw huge user engagement: in the three days from 30 December to 1 January, more than 1bn congratulations were sent via virtual gifts, and users watched personal New Year cartoons made by the neural network more than 2.4bn times.

Entertainment platform

Entertainment services such as games, videos and broadcasts have also reached new heights during the pandemic, becoming a go-to form of entertainment for social network users in isolation around the world. Mobile game player engagement improved and many new users joined during lockdowns. Mobile games DAU rose by 24.3% YoY in 2020, with related total time spent up by 32.4% YoY. Thanks to improved engagement, players started purchasing more bonuses: total payments to mobile games developers made up RUB 970mn in 2020 (+62% YoY), with payments to all game developers exceeding RUB 3.3bn in 2020. Payments to developers for advertising grew the most rapidly – by 60% YoY in Q4.

The OK video platform reached a new milestone in 2020 with a record of 1bn daily views. Thanks to a variety of content, views of live broadcasts increased by 50%, and video uploads grew by 19% YoY. In Q1 2020, OK improved its video recommendation algorithms, expanded video selections and the reach of recommended content, both in the news feed and in the section with similar videos. As a result, the number of recommended video views has doubled YoY.

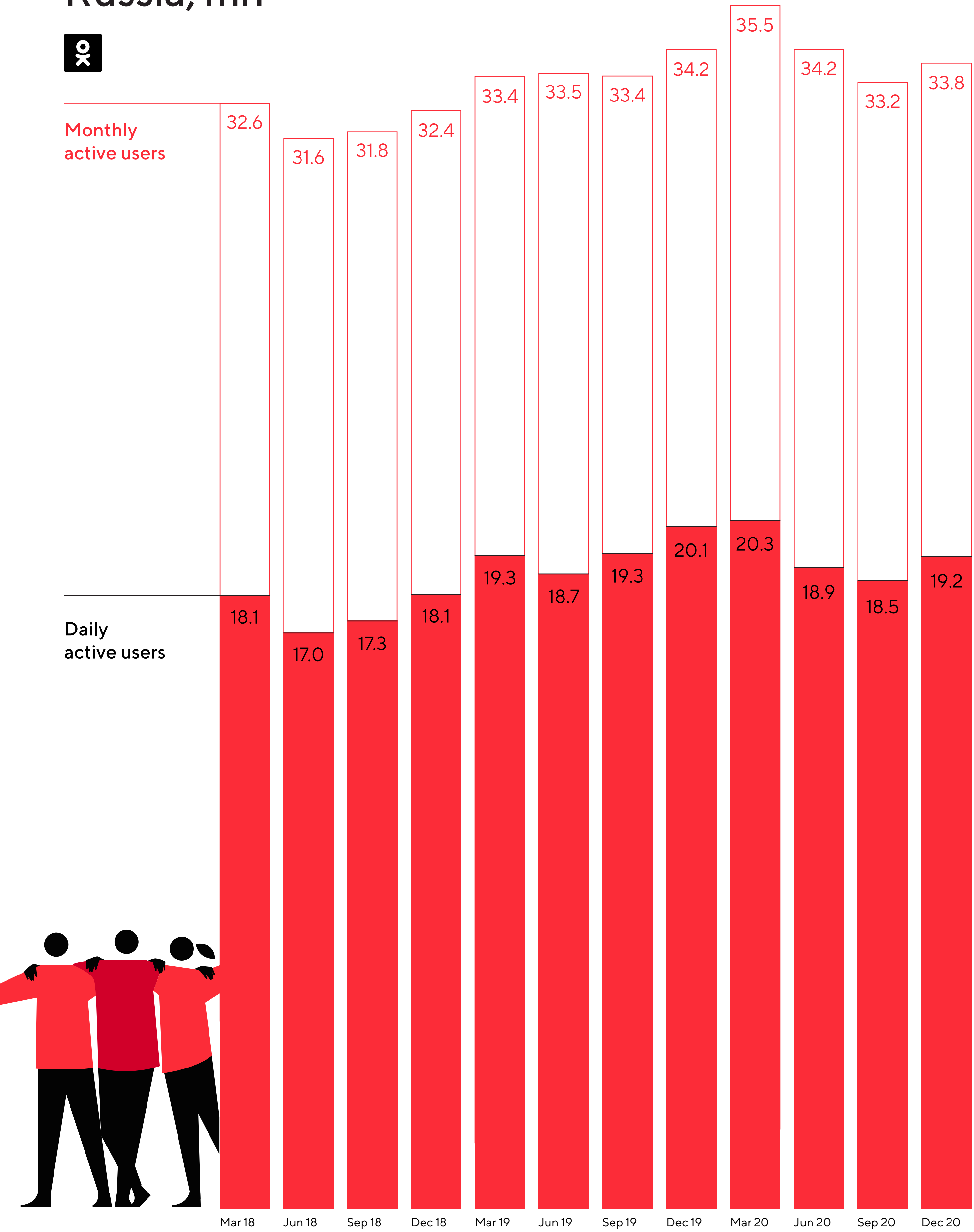
In 2020 OK also enhanced its music recommendation algorithm, with a 5x increase in the size of the music library used to make recommendations for users and +10% more listens to recommended tracks. OK has also launched a new music section with a neural network, which makes personalised recommendations based on tracks not previously listened to by the user.

Covid-19 initiatives

As lockdowns were imposed across the globe in response to the Covid-19 pandemic, users turned to different digital channels for entertainment, information and communication with family and friends. To support different user categories, OK launched the following initiatives in 2020:

- A separate feed with Covid-19 news from groups verified by the social network (only official publications by the Russian Ministry of Health and official socio-political and news media).
- The "Covid-19: Together it's not so scary!" project, with useful services and content to support users who decided to stay at home during the coronavirus pandemic.
- Free video consultations with doctors in collaboration with the telemedicine service Doctis. The service is based on the OK call platform and the virtual telephony service in OK groups.
- Different online events to entertain users during lockdown, including live concerts with famous artists and young musicians, theatrical performances, virtual museum tours, popular games, sports archive videos, marathons, etc.
- An online priest service via OK audio and video calls.
- Online tours of permanent and temporary exhibitions at Russia's largest museums, which were closed due to quarantine regulations (the State Hermitage, the Pushkin State Museum of Fine Arts, the Russian Museum, the State Tretyakov Gallery, etc.)
- Readings of fairytales by famous TV presenters and actors to entertain children during self-isolation and give parents a chance to rest.
- A series of daily live "Gym Online" workouts. Trainers and nutritionists used live streams to help users maintain their physical activity and health during self-isolation.
- Different initiatives for Covid-19 prevention, including a "Take care of yourself!" AR mask on the OK Live app and a special series of profile photo frames.

OK, mobile users, Russia, mn



Business & Ads

In 2020 OK also continued to expand the SME ecosystem and provide strategic solutions. Despite the challenges facing the advertising market during the pandemic, advertising revenue continued to be an important driver on OK: the number of advertisers increased by 34.8% in 2020.

Revenue from SME ads also continued to grow. The number of SME advertisers in OK Ads Manager (an internal ad creation tool) grew in Q4 by 77% YoY, with revenue doubling in 2020 YoY. There are currently over 1mn users running their own business through their OK pages.

To simplify online ad placement for entrepreneurs in OK, we launched an internal business account for SMEs, which keeps all tools for business in one place, including advertising and related statistics, group video calls, streams, chats and other communication functions, publication management, business page statistics, etc. In 2020 OK also launched contextual targeting based on its proprietary technology. Unlike traditional contextual ads, it takes into account not only the key requests but also the recent history of users' interactions across the Group's projects, including Youla, OK, and VK.

Social E-commerce

Work restrictions caused by Covid-19 prompted companies to move their business online, including the sale of goods on social networks. In 2020 OK users published >23mn product cards for their goods in the platform's special virtual storefront.

In 2020 OK took the next step in the development of its social e-commerce with the relaunch of its dedicated marketplace for Chinese as well as local goods, in collaboration with AliExpress Russia. This gave OK users access to more than 100mn goods. The marketplace is a new element in the joint venture between Mail.ru Group, Alibaba Group, MegaFon and RDIF. It allows goods to be displayed not only in the Goods section, but also in the news feed or as a personalised shopping feed while users watch videos. Order tracking and support is now also available on OK, with a 56% QoQ increase in e-commerce orders in Q4 2020.

Ecosystem & Synergy

Product launches related to the ecosystem continued in 2020, as part of Mail.ru Group's global development strategy. The VK Mini Apps platform was integrated into OK in December 2020, and Delivery Club and Citymobil are now available on OK as the Food and Taxi mini apps respectively: users can order food and book a taxi without leaving the OK interface. OK has also integrated Worki, a service providing vacancies and employer contacts via a chatbot upon request.

OK technologies have also formed the basis of new products across the Group. In July, OK launched Robbie, a business platform that uses big data and neural networks for content analysis and moderation. The OK audio and video call platform was integrated into several Mail.ru Group's projects during the year.

Further ecosystem integrations and social ecommerce will be among the main focus areas in 2021. Our long-term growth strategy includes innovations and the development of new products and services to better meet our users' needs.

Russia's leading email service (Mail.ru) and media projects

Email

Mail.ru continues to maintain its position as the No.1 email service on the Russian-speaking internet, with 18mn daily active users and 46mn monthly active users in Russia alone[1].

Mail.ru consolidated its status as a major communication tool during the Covid-19 pandemic, and our user base grew faster than in 2019, with mobile app downloads increasing by 18% YoY[2]. The Mail.ru email mobile app joined the ranks of Russia's top five apps on the App Store and Google Play during the pandemic. The mobile app's DAU grew by 13%, ahead of that of our competitors[3].

To support users who found themselves working remotely during the pandemic, we quickly re-oriented our product teams and launched Mail.ru Video Calls within one month of quarantine restrictions taking effect in Russia. Our collaborative efforts with the OK and VK teams resulted in a stable and highly regarded video call web application with a built-in ML algorithm for noise suppression, video and sound quality auto adjustment, and function-rich chats featuring polls, stickers and file sharing.

Video Calls have been integrated into email and the newly redesigned Mail.ru Calendar, allowing users to seamlessly add video call links to emails and events. Another productivity tool launched in 2020 was Mail.ru ToDo Lists. Integrated into email, the product was a response to strong user demand for tools to track and plan tasks.

We continued to streamline our email service, making it more organised and easier to use. Spam complaints and false spam detections fell by 7.5% and 19% respectively YoY. We continued further developing ML-based smart unsubscription tools, and unsubscribe suggestions were displayed 10 times more frequently, with the CTR increasing by a factor of two. To support the growing popularity of e-commerce among our users, we doubled the number of online shops that support order notification bundling. This groups all the emails about a single purchase into one thread, improving ease of navigation. Many leading e-shops support this feature, including AliExpress, Ikea, H&M, Asos, Zara, Adidas, and Avon.

The email search function was made more robust and efficient as well. Emails opened via search grew by 33%, while unsuccessful search queries dropped by 26% in Q1 2020 MoM.

We made major upgrades to overall service security, reliability, and efficiency in 2020. Migration to a new technology for email storage, along with other measures, allowed us to reduce hosting expenditures by a factor of 10 while improving SLA (Service Level Agreement). We continued to strengthen our information security and analysed more than 450mn passwords leaked across the internet globally. In this way we protected 400,000 users from the threat of losing access to their email accounts. Our new phishing alerts reduced potentially dangerous clicks in suspicious emails by 28%.

In order to secure our leading market position and ensure the long-term success of our business, we developed and adapted a new strategy focusing on the growth of user time spent and our services' sticky factor. This strategy boils down to the integration of products and services that complement current user behaviour. In accordance with this strategy, the Mail.ru app was upgraded to a Super App at the end of the year, with a number of productivity services enhancing email. These include:

- Video Calls
- Calendar
- ToDo Lists
- Cloud File Storage
- Marusia Smart Voice Assistant

A new email attachment section has been added to Mail.ru Cloud in the Super App in order to simplify file searches and improve navigation in our email. Uploaded Passport and ID files are automatically recognised using ML, and are stored in a special folder where users can easily locate them. Marusia has also learnt some new skills and can now help users find and read email and check calendar events.

Our approach of carefully selecting services that synergise well with email resulted in the update being accepted enthusiastically by the public and media. News covering the update displayed the highest media index that our email service had seen since 2018, indicating widespread approval.

The Mail.ru ecosystem is also facilitating the development and roll-out of the Super App with ready-to-integrate solutions like VK Connect (authorisation as a service) and VK Pay (payment processing). Further Super App development will remain a major goal for our team in 2021.

1 Source: Mediascope, Russia 0+, age 12+ ,average for Jan-Dec 2020

2 Source: Internal Data

3 Source: Mediascope, Russia 0+, age 12+

Media Projects

Media Projects created a separate workflow for the news agenda in 2020 and launched a number of informative and special projects covering Covid-19. The teams were rescheduled to work 24/7 in periods when demand for information peaked. We have published an informative landing page with key news, statistics, and a coronavirus spread map.

The #betterathome project united all Mail.ru business units and other companies in the fight againstthe first wave of the coronavirus. We addressed our 60+ audience with the quick release of Zabota.mail.ru, which helped to make staying at home more comfortable for them. Finally, we created the special project Life after Quarantine, which used influencers' predictions to look at how our world will change after the pandemic.

Media Projects created a new editorial e-commerce cash stream, integrated the CPA sales model in partnership with AliExpress for all media projects, and designed new sales development tools, for example, graphic shop windows (based on the API of the largest trading platform). Our revenue has grown more than 100% in one year, and many projects have shown even higher growth. We also learned how to sell special projects with performance metrics and integrated e-commerce. We introduced the popular scroll2site and swipe2site advertising formats to our projects.

We launched the first product ecosystem integration with VseApteki ("All Pharmacies" in Russian) service capabilities: this helped Delivery Club launch delivery of over-the-counter (OTC) drugs to its customers. The VseApteki project grew rapidly: the number of installations of iOS & Android apps had exceeded 1.5mn as of December. New pharmacy chains have been connected to the service, and new categories developed (Veterinary Pharmacy and Pet Supplies).

Paying close attention to ecosystem trends, most projects have developed apps for the VK Mini Apps platform: Weather and News, Cinema and TV Programmes, Pregnancy Calendar, and the Hi-Chef cooking app. The Pulse recommendation system feed and the content scoring tool with the Marusia voice assistant have been widely integrated.

We launched mail prod., an internal media production team which now also helps other divisions within the Mail.ru Group create spectacular commercial and PR projects.

Our tech team has developed a plan for implementing general technical solutions for projects, and reorganised the back office in order to save on resources.

In addition to the coronavirus workflow, in 2020 News Mail.ru launched hourly audio news broadcasts for Marusia, carried out a major update of the Currency Rates section, and introduced many editorial and commercial projects. During the year, the News project released a motivational trilogy: "5 things I will do first after completing self-isolation", "How I spent my summer," and "2020: Remember all the good things". About 1mn users benefitted from these special projects as 38 celebrities and other users answered questions from the editorial board about the weirdest and most unusual year of their life. The Weather project launched broadcasts from webcams installed in several large cities in Russia and Europe. The project also integrated video news. We integrated broadcasts and highlights of the Spanish and Italian football championships.

Hi-Tech Mail.ru launched a new catalogue with fully automated product page generation and established two new annual media hubs for smartphone manufacturers. The project designed the first AliExpress shop windows (fully automated graphical product displays by API). We also held the first conversion award, "Gadget of the Year," in cooperation with Sber.

Cinema Mail.ru focused on online streaming and integrated several new partners into the catalogue, including MegaFon TV and Okko. Significant improvements have been made to the search algorithm logic for films and TV series, and the design of the mobile version has been updated.

Auto Mail.ru expanded the variety of topics, adding financial and lifestyle content (plus five new sections). A new way of integrating partners into content was introduced: conversion blocks and unified widgets for car sales, test-drive applications, compulsory motor third-party liability insurance, etc.

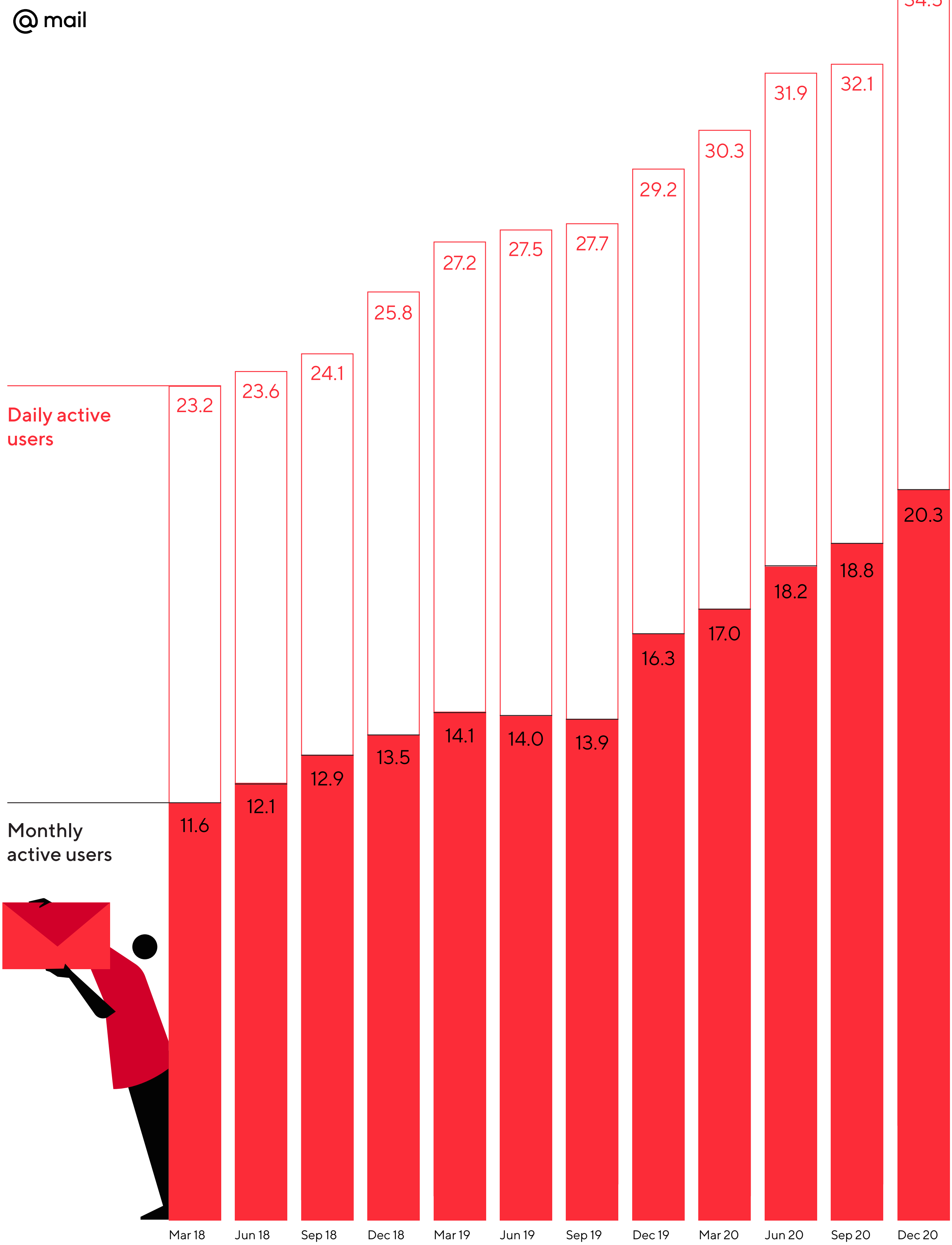
In addition, we have followed market trends and combined the Lady, Children, Home, and Horoscopes projects into one cluster. Some editorial launches have also been made: the shopping section, gallery stories format, and a new section, "Baby Product Guide," featuring editorial product reviews.

Health Mail.ru has integrated remote telemedical consultations, created unified branded pages, and provided data for the VseApteki project.

Pets Mail.ru has integrated a pet food store and launched two special projects: a social one devoted to helping animals during the pandemic and an entertainment project where users can find the best stories about animals.

Hi-Chef Mail.ru has released a TWA (trusted web activities) version for Google Play, launched personal accounts, added calorie information and allowed users to add new recipes.

Mail.ru email, mobile users, Russia, mn



Games

General overview

For MY.GAMES, our global gaming brand, 2020 was a year of both challenges and opportunities, much as it was for the gaming industry overall. MY.GAMES continued to scale, with 30% YoY growth in 2020 (to RUB 40.76bn). The gaming segment accounted for 38% of the Group's revenues in 2020. The number of registered users increased by 21.4%, reaching 770mn users throughout the world. A total of 75% of revenue came from outside the Russia and C.I.S. markets in 2020, with the U.S., the UK and Japan our top three markets. We followed our initially planned 2020 publishing pipeline by ending the year with nine new games in the portfolio, including Warface: GO, Warface: Breakout, Warface on Nintendo Switch, Zero City, World Above, Dino Squad, Storyngton Hall, Grand Hotel Mania, and Rush Royale. We also heavily increased budgets for acquiring new audience to maximise growth on the back of elevated engagement. With EBITDA for MY.GAMES expected to double by 2022 vs. 2018, this year's results show that the company is well-positioned to reach its objective. It aims at growing its revenues at a double-digit rate in 2021 despite the high base achieved in 2020 as a result of the Covid-19 pandemic.

In 2020 MY.GAMES used its investment arm MGVC (MY.GAMES Venture Capital) to consolidate two studios, BeIngame and Deus Craft, and invest in 12 additional studios. The MGVC portfolio now boasts 35 partner studios with a path to control in most.

Throughout 2020 we launched a series of initiatives aimed to support both players and game developers throughout the challenging period of the pandemic. The #PlayAtHomeStandUnited campaign was launched in March, attracting support from over 6mn players who participated in the activity. Together with the non-profit organisations Take This, Fair Play Alliance, and IGDA (International Game Developers Association), MY.GAMES conducted a global study in December 2020, focusing on the issue of mental health among players.

In June, MY.GAMES announced a new commission plan for developers via the MY.GAMES Store platform by offering a revenue split of 90/10, where 90% of the revenue goes to the developer and 10% to the platform. In January 2021, the MY.GAMES Store launched PC versions of the mobile games War Robots, World Above, Left to Survive and Guild of Heroes to expand the platforms and attract new audiences. For mobile game developers across the EMEA region, MY.GAMES teamed up with Google to launch the business accelerator programme Game Drive, which aims to support talented studios in scaling their products.

Despite the pandemic, we continued to actively develop our services and games in a remote environment. For the first time, we launched a game developed entirely remotely: Rush Royale. As of 31 March, 2021, the game showed strong growth and has now reached 4.8mn installs.

In Q4, we launched open beta testing of MY.GAMES Cloud, taking another step in developing the MY.GAMES ecosystem and allowing users to play the most graphically demanding PC games on any laptop or PC via our cloud streaming service. MY.GAMES Cloud reached 100k MAU in three months of beta testing without active marketing promotion, exceeding internal forecasts 10 times over, with more than 150 games currently available for users in Russia from Techland, Gaijin, Nacon, Funcom, Paradox Int, CCP Games, MY.GAMES and other games companies. We will continue to analyse the market, technological solutions, user feedback and expectations of the service, along with further investments in server infrastructure, in order to prepare for the phased launch of the cloud throughout Russia.

Major online game launches in FY2020 - 1Q 2021

Game	Ownership (in-house / licensed)	Platform	Launch date
Warface GO	In-house	Mobile	Jan 2020
Warface on Nintendo Switch	In-house	Console	Feb 2020
World Above	In-house	Mobile	Mar 2020
Zero City	In-house	Mobile	Mar 2020
Dino Squad	In-house	Mobile	Apr 2020
Warface Breakout	In-house	Console	May 2020
Grand Hotel Mania	In-house	Mobile	Jul 2020
Storyngton Hall	In-house	Mobile	Sep 2020
Rush Royale	In-house	Mobile	Dec 2020
Skyforge on Nintendo Switch	In-house	Console	Feb 2021

PC and console games

One of our most popular franchises, Warface, now available across platforms, has reached 109 mn players worldwide across all platforms as of December. It was also launched in several new markets in 2020: the Middle East, Turkey, and Brazil. All content updates were made available to players in these regions. Warface was launched on Nintendo Switch in February and remains one of the top three franchises for MY.GAMES, despite being in its ninth year. In 2021, MY.GAMES will continue to invest in the franchise, with a presence across PlayStation, Xbox and Nintendo.

Conqueror's Blade also expanded into the Turkish market while reaching a user base of 2.8mn by December. Similar growth was also observed for our free-to-play MMO Skyforge (PC, Allods Team), which reached 12mn registered users. Skyforge became the second game after Warface to expand to Nintendo Switch (February 2021). All titles are set to continue their growth across international markets in 2021.

Mobile games

Mobile games remained one of the top drivers for the growth of the MY.GAMES business in 2020, with 73% of the overall MY.GAMES revenue share and six new mobile games launched. Our top five revenue-generating mobile games at the end of Q4 2020 were: War Robots, Hustle Castle, Grand Hotel Mania, Left to Survive, and Zero City.

War Robots Remastered, a major update of the game developed by Pixonic, was launched in October and featured during the Apple Event. The title reached a new milestone of 184mn downloads as of December 2020. War Robots remains the leading revenue generator for MY.GAMES, reaching a peak of RUB 986mn revenue in May. The in-game crossover with the Serious Sam franchise, launched in December, quickly became the franchise's third most successful in-game event. Pixonic's annual revenue increased almost fivefold in 2020, compared to its annual revenue back in 2016 when MY.GAMES first acquired the studio.

Hustle Castle reached 69mn in overall downloads, including 13.2mn growth in 2020 and generating a lifetime revenue of RUB 18.6bn. American Dad! Apocalypse Soon and Zero City achieved 7.8mn and 16mn downloads respectively as of December.

Deus Craft's time-management game Grand Hotel Mania has reached 9.5mn installs since its launch in July, hitting a revenue peak of RUB 424mn in November and climbing into the top three revenue-generating products for MY.GAMES. In August the game was ranked second among mobile games in terms of revenue in the time-management category on iOS and Android globally and nominated by Google Play for the Users' Choice award in several countries at once: the U.S., Canada, the UK, Germany, France, and India.

Left to Survive, developed by the Whalekit studio in 2018, reached 30mn downloads in December, reaching a lifetime revenue in excess of RUB 4bn. Another title from Whalekit, Warface: Global Operations, reached 15mn downloads.

The Swag Masha studio's Love Sick: Interactive Stories surpassed 25mn downloads in December.

Following its launch in August 2020, the mobile title Storyngton Hall (by BIT.GAMES) reached 2mn installs in December, generating an average monthly revenue of over RUB 40mn in Q4.

Our vision for 2021

Our overall strategic goal remains to be increasingly more global and to break into the top 25 game publishers worldwide. We have managed to build a rapidly growing business with our own ecosystem of products and services in its core thanks to constant experiments in the strategic development of our own IP, effective franchise management, marketing, and regular successful M&A deals. Our passion is to develop and offer games designed for the widest possible audience, and today our portfolio includes games in the most popular genres in the world, especially in the mobile segment. We strive to consistently expand our catalogue for all platforms, maintain diversity, and add products designed for a wide variety of user groups.

internal solution of the year

Myteam

Gulnaz Valieva, Alexander Smirnov, Boris Nikiforov,
Alexander Polivanov, Natalia Kallistova

2020
Mail.ru Group
People Awards

internal solution of the year

How we transferred 7,000 employees to remote work and didn't break anything

Igor Ermakov, Anna Latkina-Turkova, Dmitry Smyslov, Natalia Troitskaya, Ochir Mandzhikov

2020
Mail.ru Group People Awards

New Initiatives

Online Education

Online Education (EdTech), represented by the consolidated Skillbox and GeekBrains businesses, was the largest contributor to the New Initiatives segment in 2020, with related revenues amounted RUB 2.6bn in Q4, growing 3.1x YoY. For 2020, EdTech generated RUB 6.1bn in revenues, exceeding the set RUB 5bn target, while also being profitable.

Despite the expected post-Covid normalisation, we anticipate further strong growth from EdTech in 2021, with RUB 8-9bn in expected revenue from the currently consolidated assets.

Given its scale and profitability, as of the 2021 financial year we will introduce Online Education into a separate reporting segment.

GeekBrains

A total of 120,000 students signed up for free online courses on the GeekBrains learning platform from March to June 2020, during the lockdown resulting from the Covid-19 pandemic.

In 2020, the total number of students enrolled in all paid programmes reached 52,000, and the number of registered portal users reached 6mn.

In 2020, GeekBrains launched 146 new programmes, focused on programming, design, marketing, management, analytics and creative professions, as well as a Digital MBA and coding courses for children. The most popular programmes include the Python Development, Testing, Web Development, Data Science and Product Management programmes.

In 2020, over 170,000 students registered for 1,450 webinars held during the year.

Skillbox

As of December, Skillbox boasts more than 560 educational products and offers online courses in design, marketing, coding, management, gaming and multimedia. In 2020 the number of new products reached 319, which was 35% more than planned for that year, with 21 departments created as of the end of 2020. The top three subject areas sales-wise in 2020 were programming (30.5%), design (28%) and marketing (16.4%).

Skillbox collaborates with more than 90 industry partners (including Sber, Perekrestok, Sibur Holding, Mail.ru Group, Tinkoff, and MTS) in designing online courses, preparing graduation projects and providing employment assistance to students.

As of February 2021, the total number of students is 143,000 compared to 45,000 in February 2020. A total of 88% of Skillbox students seeking employment assistance have succeeded in getting jobs. The number of registered users interested in any Skillbox products is more than 49,800 MAU, which represents a 320% increase YoY (15,600 MAU in February 2020). As of December 2020, the total number of website visitors was 4.7mn. In February 2021, 650,000 classes were taken and 141,000 homework assignments were submitted: 3.4 and 3.3 times more than in February 2020, respectively. In 2020, the Skillbox team held ~1,700 online lectures with more than 1mn participants.

Skillbox ranked No. 1 in the RBC EdTech Company ranking as of Q2 2020. According to Interfax Academy research, Skillbox is the leader in the vocationally-focused adult education market. According to the Employer Rating compiled annually by the largest Russian online recruiting platform hh.ru, Skillbox is No. 9 on the list of the most attractive employers in the "IT and the Internet" category.

Youla

Youla, our mobile-focused location-based classifieds business, strengthened its position during 2020. With MAU standing at 33m[1] and rising at double digit rate YoY, it is the second largest classifieds site in Russia, with significant room for expansion in terms of both audience and monetisation. Just four years after its launch, Youla has entered the list of the world's largest mobile-first classifieds in terms of Android DAU[2]. A focus on monetisation and product development resulted in Youla growing revenue by 43% YoY in Q4 (to 1,015mn), with annual revenue reaching RUB 3bn, at the top of set guidance with EBITDA loss as a proportion of revenue below 2019 level (RUB 2.2bn or 73% of revenue in 2020 versus 95% in 2019).

Youla continued to grow even during the peak of the pandemic, as Youla's largest exposure is in the Generals and Services verticals, which tend to be more resilient during periods of macroeconomic weakness. Youla introduced a support package for SMBs during the pandemic and supported users with its product features: video calls between users; contactless delivery in Moscow and the Moscow Region that was free for both sellers and buyers; interactive virtual 3D home tours; special feeds for remote jobs and remote interviews at Worki.

Deeper integration into the Mail.ru Group ecosystem through collaboration with VK and raising trust and safety on the platform were the main focuses for the team during the year. In December 2020, Youla launched VK Classifieds, allowing VK sellers' communities to be integrated with Youla and simultaneously show offers on both Youla and VK platforms. This led to a 20% increase in MAU and 24,000 VK communities that have already enabled the "Classifieds" option in the settings. Keeping user needs in mind, Youla added profile verification via VK authorisation, with the intention of increasing trust between users. Youla became one of the first of the Group's services to integrate VK Connect, the Group's unified ID system, which allows for fast and seamless login into Youla for existing VK users.

Youla also introduced multiple launches to develop the Services vertical. Users can now place a service request and choose from among the service providers that respond on Youla, as well as in the Services mini app in VK, which shares a user and request base with Youla.

Youla continued to enhance its B2B platform and launched a virtual storefront for shops and pro-sellers, a trading platform with filters by type, price, category and other instruments. This, together with further enhancement of distribution channels, led to a 3x YoY growth in B2B sales.

[1] All platforms, internal data

[2] AIM Group Marketplaces Report, Vol. 20 No. 11, May 2019

Worki continued to develop in synergy with Youla and the Group and was integrated into the MRG ecosystem via multiple launches, such as cross-posting of vacancies with Youla, subscription for Worki vacancies through the Mail.ru Email service, VK Connect, VK Pay for individuals, VK and OK Mini Apps. In Q3, Worki collaborated with VK to launch the VK Jobs service. This led to a 1.7x DAU increase, with the number of new CVs increasing by 3.2x YoY in Q4. The Jobs vertical now contributes 18% of Youla's revenues.

The goal for the team in 2021 is to focus on general classifieds as well as services and the job board, deeper integration into the Mail.ru Group ecosystem, and further expand the B2B platform with more value-added features.

In 2021, we are targeting RUB 3.6-3.9bn in revenue from Youla, with a focus on progressing towards break-even point, which we anticipate reaching in 2022.

Following the removal of Online Education from the New Initiatives reporting segment, starting from Q1 2021 Youla is expected to be the largest contributor to the given reporting segment.

Voice assistant & Smart speaker

In April 2020, Mail.ru Group launched sales of the Capsula smart speaker. It was made available through all major offline and online distribution channels, the sales channels of Russia's biggest telco Rostelecom and our own Capsula.mail.ru online store, with a same-day delivery option in 23 major cities. Capsula is positioned as a high-quality voice-controlled sound system with access to VK Music, a substantial package of entertainment content for children, hands-free calls to VK Messenger contacts, voice games, radio streaming, weather, news and more.

Capsula's capabilities and user experience improved significantly over the course of the year, with response time halved, voice recognition accuracy doubled, and multiple new skills were added. Capsula's Smart Home platform was integrated with 25 of our tech partners, including the most popular, the Xiaomi Smart Mi platform. Capsula has been integrated with Wink, an IPTV and an OTT platform from Rostelecom. The product has gained popularity among the operator's subscribers for voice navigation and content discovery and Rostelecom has become a significant distribution channel for Capsula.

Capsula users demonstrate a six-month retention rate of 80% and a median usage frequency of more than three sessions daily.

In November 2020, in partnership with Prestigio, a large electronics distributor, we launched the Prestigio SmartVoice speaker with Marusia in the lower price segment of RUB 4,000.

Marusia has become available in Mail.ru email apps for Android and iOS, and since December 2020 Marusia has provided voice access to a user's mailbox, allowing browsing, searching and reading of email messages. We have also created a web version of Marusia, which is currently available to a share of users on the Mail.ru main page and in web mail interfaces. Marusia is now a part of our Atom web browser for Windows and Android. It is also an integral part of the new Mail.ru Super App, which brings users voice control and a wide range of skills, as well as making VK Mini Apps available to a broader audience.

Additionally, more than 40 new skills were developed internally, improvements were made to the majority of the top skills, and the Skill Development Platform was opened for external developers. Available as part of the VK Developers portal, it allows the creation and integration of third-party skills. In December the third-party skills audience grew tenfold.

Marusia has also made progress in answering general questions via the integration of the go.mail.ru search engine. By processing search snippets and web documents from search results, it aims to find the shortest meaningful answer to a user's question.

Payment processing

Mail.ru Group's payment processing facilitates all of its projects and develops payment infrastructure for online payments within our products.

Money Mail.ru has implemented the Fast Payments System (FPS), a service from the Russian national payment system that allows individuals to transfer money between their accounts or to other individuals online 24/7 using a mobile phone number, irrespective of the payer's and the payee's banks.

Money Mail.ru has supported the launch of the VK Pay service with the issue of virtual, tokenised and plastic Visa cards, instalment-based payments and a loyalty programme.

Recommendation platforms

The number of people who used both of our recommendation platforms (Pulse and Relap) reached 62mn per month (+47% YoY) in Q4 and the combined revenue exceeded RUB 200mn for the quarter.

Pulse

At the beginning of 2020, we launched video recommendations in the content feed, and by the end of Q1 2020 this resulted in:

- 1mn views of longer than 30 sec on average
- 8 min of unmuted video play per user daily

We actively developed this aspect of our business during the year and launched UGC video recommendations in the content feed in Q4 2020.

We also developed a useful tool for publisher traffic and revenue analysis in the personal account in Q1, which has made Pulse an even more attractive platform for publishing content.

Engaging and optimising additional ad sources has seen ad efficiency rise by 33% compared to Q2 2019.

Pulse paid significant attention to the development of its full-text articles in Q2, and introduced the ability to comment on those articles as the first step to UGC content in Pulse. This has provided user engagement growth.

The number of full-text articles increased by 12 times, with 300% RPM[1] growth in full-text articles since the beginning of the year.

In Q3 2020, Pulse launched a beta platform for content creation and monetisation. Within six months of launch, the number of active authors increased from 30 to 150.

One of the biggest releases of Q3 was the Ad section of the personal account. With the help of this new functionality, users can easily start and set up advertising campaigns for promo posts. Billing for these articles is provided through integration with myTarget, also released in Q3.

In October 2020, Pulse was integrated with VK, which allowed publishers to post their content in the format of long reads in the Pulse content feed and publishers' groups on VK in one click. The unique advantage of such articles posted on VK via Pulse lies in the opportunity to monetise the content under the RevShare pricing model.

In 2020 we completed two integrations with Xiaomi, which gave us 900k DAU in Q4 and saw our audience grow by 2.5 times by the end of Q1 2021.

The growth in active users and their distribution resulted in a 75% increase in the number of recommendations showed in Q4.

Pulse also launched weekly personal mailing, the audience for which totalled about 100k users by the end of 2020.

[1] Revenue per thousand impressions

The ML team has been working on improvements for the recommendation algorithms and new content models, including the introduction of the Item2Item model, which has resulted in +15% clicks per unique user.

Pulse DAU rose to 6mn and MAU to a total of 63mn by the end of 2020.

Relap

Relap.io is a recommendation project that helps publishers to monetise content, retain and increase their audience, and helps advertisers to reach their target audience. Relap generates more than 50bn of content recommendations and a comparable amount of ads.

In order to meet publisher needs we have developed a new layout for our widget, a horizontal carousel slider supporting infinite scrolling. This widget is actively used by premium-level publishers and has resulted in 3.08bn of viewable ad impressions. Moreover, we added tests and quizzes which provide publishers with an easy-to-use interface in order to create interactive elements that can then be installed on the website.

We have also done comprehensive work to optimise our relations with the providers of network ads by getting rid of discrepancies and optimising bid floors manually to increase bids and win rates for our DSP (Demand side platforms) partners.

At the same time, we transferred most of the traffic to a new version of Relap, which works faster, produces less load on the browser side and provides the latest ad formats created within our project.

In order to optimise the recommendation algorithms not only by CTR but also by so-called "long clicks", we have started to gather user session statistics for the publishers who use Relap and plan to show these metrics in user accounts. This will make it clear how well Relap is doing in enhancing the attractiveness of the website for the audience.

B2B technologies and solutions

We provide our partners and clients with an integrated approach to digital transformation and the capability to reach their business goals. We are committed to diversifying our revenue streams in order to remain more flexible and sustainable during the challenging economic situations.

Under a collaborative approach, our teams focus on developing end-to-end technologies in a wide range of areas including digital advertising, marketing services, analytics, a cloud platform, business process analytics, IoT, big data solutions, machine learning, logistics, social commerce and corporate communication/HR, as well as business automation tools, EdTech capabilities and much more.

In 2020, Mail.ru Group became a digital transformation strategic partner to Russia's national and regional governments, state & private corporations and other public institutions.

PREDICT (Predictive analytics solutions)

Mail.ru Group continues to work on its big data business and offers its clients predictive analytics products and services tailored to a vast array of business cases.

The PREDICT product portfolio is made up of solutions for risk management, segmentation, profiling, and personalisation of different marketing campaigns. In 2020, the portfolio was expanded to include geo analytics services, a CJM (customer journey map), tourist flow analysis, evaluation of signal quality, and thorough market research and peer analysis for telecom operators.

Our clients include large financial institutions and insurance companies, telecom operators, retailers and e-commerce projects, FMCG companies, manufacturers, public companies, and advertising agencies.

In 2020, PREDICT completed the first crucial stage of its partnership development with IDGC of Centre (a subsidiary of the largest energy company in the Russian Federation, PAO Rosseti) by working out a software solution, helping to combat commercial energy losses twice as efficiently.

Mail.ru Digital Technologies: B2B Cloud&Software

Covid-19 caused significant upheaval to the global digital transformation and spurred a surge in cloud solutions on the Russian market. The revenue of Mail.ru Digital Technologies more than doubled in 2020, to RUB 2.3bn. Indicators related to all software products grew as well. In 2020, major names such as Gazprom, VTB, X5 Retail Group, Lukoil, Rosatom, Magnit, Eurochim, and Rostelecom joined the roster of our clients. At the same time, over 30% of business transactions involved products and services for small and mid-range business.

Mail.ru Cloud Solutions

The accelerated growth of large-scale business digitalisation spurred increased demand for cloud solutions. With nearly RUB 1bn worth of sales, the Mail.ru Cloud Solutions platform secured over 40% of the overall sales volume of Mail.ru Digital Technologies. The growth of our subscriber base and the increase in the number of platform services (PaaS) ensured this positive dynamic. Sales related to the latter category skyrocketed by 3.4 times. As of early 2021, the MCS portfolio had over 30 of its own solutions. Over 16,000 clients use our services on a monthly basis, with 3,000 of them spending more than RUB 100k monthly. In 2020, the e-commerce market showed a demand that far exceeded the market offering. Large-scale retailers, such as X5 Retail Group, Magnit and Auchan, as well as Danone, Philip Morris and Burger King, joined the list of our clients.

In 2020, the MCS team announced important product updates and launched seven new services: CDN, AntiDDoS, 1C workstation, SSO, UZ-2 infrastructure, DBaaS Postgres Pro, and Arenadata DB.

MCS also launched a solution that automates Hybrid Cloud deployments based on Amazon Web Services technology, which allowed us to automatically deploy federated Kubernetes clusters simultaneously using AWS and MCS capacities.

Tarantool

In 2020, the Tarantool in-memory computing platform received a significant functional boost. In addition to the development of Tarantool's open-source code, Tarantool Data Grid's commercial version entered the market in 2020. The solution is in high demand from companies that focus on omni-channel interaction with customers and big data: banks, telecommunications operators, retailers, and e-commerce businesses. During the year, the platform was introduced by Gazprombank, X5 Retail Group, Magnit, Yota, and Megafon, and a large-scale programme began at VTB and a number of other companies.

Business software

Revenue from sales on the Digital Insider corporate socialisation platform increased by 70% YoY. The platform's capabilities have been significantly expanded: in addition to serving as a corporate social network, the solution allows teams to share expertise, manage the user experience, and organise employee self-service within corporations. The platform also offers talent management features.

The number of companies using solutions based on the Tax Monitoring platform grew fivefold in 2020. The platform already enables digital interaction with the Federal Tax Service in Rostelecom, Gazprom, and Eurochem. Projects with Rosseti, FGC UES, and Tele2 have been launched and a service for transactional integration with the Federal Tax Service systems is in development: this will allow companies to interact with the tax service without specialised telecom operators.

In 2020, we introduced Digital Assistant for Business, a solution for smart process automation. Mail.ru Group employees were the first to gain access to corporate systems via Digital Assistant for Business. With the help of Digital Assistant for Business, NLMK Group was able to reorganise its interaction with suppliers. The project has been nominated for the AI Russia Awards for Outstanding Business Benefit. Yota has also begun a project for introducing Digital Assistant for Business.

Key organisational changes within the B2B stream in the past year

In 2020 we launched a new business division for the promotion of digital solutions for businesses, managed by our Vice President, Elina Isagulova.

Ilya Letunov, who also runs the cloud platform Mail.ru Cloud Solutions, became the head of Tarantool. Alexey Koryakin, Head of Virtualisation at Parallels, became the CTO of Tarantool.


expert
of the year
Tarantool & Mail.ru Cloud Solutions
Vladimir Perepelitsa
2020
Mail.ru Group
People Awards

expert of the year

Listing on the Moscow Exchange

Tatiana Volochkovich

2020
Mail.ru Group People Awards

Key partnerships

O2O JV (equal ownership by Mail.ru Group and Sber)

O2O JV showed impressive growth in 2020 despite the lockdown pressures, particularly in the mobility business. Following the consolidations of Samokat and Local Kitchen in 2020, the O2O JV perimeter includes: Delivery Club, Citymobil, Youdrive, Samokat, Local Kitchen, and Foodplex (r_keeper brand), with 2020 GMV on a pro-forma basis exceeding RUB 118bn (+2.3x YoY) and a GMV run rate of more than RUB 170bn as of December.

Delivery Club

Delivery Club is the leading online food delivery service in Russia in terms of audience[1], mobile app downloads[2], market share, number of partners and orders. In 2020, Delivery Club broke the record for the number of orders three times. In April, Delivery Club completed 4.7mn orders and in May it had set a new record of 5.8mn orders. Despite the fact that this record was set against the backdrop of the lockdown, the service continued to deliver more than 5.5mn orders monthly even after the removal of anti-Covid measures. In December, Delivery Club completed more than 6mn orders and set a new record once again. The service outperformed set guidance for 2020, having grown revenues 2.3x YoY to RUB 10bn, with the delivery of 60mn orders (2.2x YoY).

Delivery Club is now present in 299 localities and is connected to over 40,000 partners, compared to 150 localities and 13,700 partners at the beginning of 2020. Delivery Club completed its transformation into a company with its own delivery service in 2019, but in 2020 increased the role of own delivery. In Q4 2020, 59% of orders came from 1P versus 53% as of Q4 2019. Own delivery was available across 150 cities. The 1P expansion continues to have a strong positive impact on retention, frequency, and average delivery time. Although 1P will continue to increase in the short term, we are seeking a balanced operational model over the longer term to ensure maximum profitability.

Q2 2020 was a busy period for Delivery Club, with a self-isolation regime being introduced across Russia. As part of anti-Covid measures, the service cancelled cash payments, introduced contactless delivery and coronavirus tests for couriers. By the end of April and May, Delivery Club had managed to double the amount that customers gave to couriers in tips. The service also launched a support programme for local restaurants, which were able to connect to the service with 0% commission. Delivery Club invested a total of over RUB 300mn in the implementation of anti-Covid measures. During the coronavirus period, Citymobil taxi drivers started delivering orders for Delivery Club.

In 2020, Delivery Club fundamentally improved its grocery delivery vertical. The development of the vertical began in December 2019 when Delivery Club began working with the Verny retail chain. As of March 2021, Delivery Club worked with more than 15 of Russia's largest FMCG chains. Users of Delivery Club can place an order from over 3,000 stores in more than 100 Russian cities. In 2020, Delivery Club developed software for order pickers – in some stores employees of Delivery Club's logistics contractors are responsible for collecting orders. Delivery Club also launched three new adjacent business verticals: delivery of OTC (over-the-counter) medicines, cosmetics and pet supplies.

Delivery Club also began to develop its in-app services vertical: takeaway orders and table reservations. This direction will make the service a universal tool for the restaurant business. Delivery Club also teamed up with r_keeper (also part of the O2O JV) to create a seamless solution that allows restaurants to receive all orders from Delivery Club (delivery and takeaway orders, table reservations) via the r_keeper interface. At the end of Q4 2020 the share of non-restaurant delivery orders was 9% of revenue.

In 2020, Delivery Club significantly improved its unit economics by implementing a new marketing strategy, making technological improvements and increasing the efficiency of its logistics. Metrics such as the frequency of service use and the size of the active customer base showed significant positive growth. Delivery Club uses AI technologies to predict demand and the number of couriers, and to determine logistics zones and other operational processes. In 2020, over 150 developers, specialists in AI and data science were recruited by the company.

Delivery Club is targeting solid double-digit growth in 2021 and a further improvement in unit economics, with the marketplace as well as non-QSR own delivery orders already contribution positive.

1 Source: Mediascope, Russia, cities 0+, age 12+, December 2020.

2 Source: App Annie, December 2020.

Samokat

Samokat is Russia's first e-grocery express service. Samokat's business model is based on express delivery within 15 to 30 minutes, with the help of rapid collection and packaging of orders in "dark stores", warehouses located all over the city. In 2020, the pandemic accelerated changes in consumer behaviour. Food delivery became an extremely high-demand service in Russia after the nationwide lockdown was imposed in March. A total of 400 dark stores were opened in Moscow, St. Petersburg, Kazan and Nizhny Novgorod. In December, Samokat delivered 3.1mn orders, over 10 times the number of orders in January 2020. Samokat's online express retail service grew gross revenues 19x YoY (to RUB 4.3bn), with 8.5mn in orders (+12.3x YoY) in Q4 and up to 100,000 in daily orders in December 2020. For 2020, Samokat delivered 18mn in orders (+15x YoY) and generated RUB 9bn in revenue (+23x YoY).

During 2020, Samokat was actively engaged in the extension of high-quality private label SKUs which contributed >11% of GMV in 2020. Samokat`s trade matrix contained over 300 products at year-end.

At the end of 2020, Samokat contracted about 10,000 couriers, dark store workers and office staff. Despite the high competition, the courier churn rate was low during the year due to an effective internal programme for couriers. In 2020, Samokat released its own mobile app for couriers combining all the most important information.

Additionally, Samokat focused on developing mobile apps for customers to improve UX with the help of new approaches in UX/UI design. During the year, Samokat worked on customer sales services and tested assortment management, pricing management and other additional services.

Samokat is testing a larger dark store format with a significantly higher SKU base as well as dark store kitchen and other value-added service options. Samokat plans to make further market share gains on the local e-grocery market in 2021, with annualised revenue at RUB 20bn as of December.

Local Kitchen

Local Kitchen, an operator of "dark kitchens" specialising in express meal delivery, was established in 2018 and joined the O2O ecosystem in September 2020. In Q4 2020 the company serviced 1.9mn in orders (2.7x YoY) and generated RUB 0.9bn in revenues (2.9x YoY) from its 45 kitchens across Moscow as of December (vs. 29 in January). For 2020, the service generated 5.2mn in orders (3.4x YoY) and RUB 2.6bn in revenues (3.8x YoY).

Local Kitchen has transformed its management structure to facilitate active scaling and manageability. The new management system is based on KPI and a dashboard system built on operational indicators collected by the data science team in real time.

In 2020, Local Kitchen faced new operational challenges driven by dramatic growth: 19 kitchens were built in 2020. The operating cycle is divided into three large blocks: production of semi-finished products in the food reactor, preparation of food at retail outlets ("dark kitchens") and delivery using Local Kitchen's own courier service.

In Q3 2020, the company completed the transformation of its food factory (the initial part in the business process chain), increasing its production capacity to 20 tons of semi-finished products per day. This optimisation has allowed an increase in the number of kitchens served by the factory without building a second production facility.

One of Local Kitchen's selling points is its weekly menu rotation, which is planned by a robotic data science system, relying on the sales plan, customer preferences and dish seasonality.

Growth in the number of kitchens also means growth in the number of personnel, who must maintain the level of service our customers are used to. To provide a standard level of customer service across all kitchens, the company began to develop its own educational programmes for cooks and sous-chefs. In February 2021, Local Kitchen launched a training course for employees in a fully operational kitchen.

Another operational challenge in retail was the increase in wastage of raw ingredients and food. To reduce wastage, management has introduced a control system using special reports in the Local Kitchen IT system.

In 2020, the delivery industry experienced difficulties in maintaining its workforce, in particular couriers who are non-residents in the Russian Federation, due to border closures caused by the pandemic. In response, Local Kitchen broadened its delivery partner network, increased the park of e-bikes available for delivery partners and rebuilt the onboarding process for couriers. Thanks to this, the company was able to double the number of couriers on the line in December compared to November, which is a great achievement given that December seasonally is the most difficult month in terms of delivery network load.

The increase in demand has led to kitchens being overloaded. In order to provide customers with high-quality service, the company has launched a smart robot high-loader. It estimates the demand for meals at any given moment and blocks new orders for any kitchens that are overloaded.

With optimised operations, our platform aims to broaden its presence in Moscow as well as expand geographically in 2021.

Citymobil

In 2020, Citymobil, despite the Covid-related challenges, retained its position as the fastest growing aggregator in the regions where it operates, increasing trips threefold to 185mn and doubling GMV to RUB 46bn. In this way, the company became the second largest player in the market, with up to 30% market share in some regions. Citymobil operates in more than 24 regions and is available to more than 40% of the Russian population.

In 2020 Citymobil made its first steps into multimodality. In Q2 it launched a platform for B2C and C2C deliveries. This business segment has shown high double-digit growth on a quarterly basis, reaching up to 20,000 orders daily. Its partners include, among others, Delivery Club, Sbermarket, Samokat, Vkusvill, and Azbuka Vkusa. In August, Citymobil became the first taxi aggregator in the Russian market to integrate electric scooters into its app. In the 2020 season 14,000 scooters were available to users in 16 regions, including Moscow, St. Petersburg, Kazan, Voronezh, Rostov-on-Don, Krasnodar and Sochi.
In April, Citymobil introduced its own leasing programme, City Fleet, which has demonstrated 12x growth as of December. It has already provided several thousand vehicles for Citymobil's fleet partners. Sberleasing has become one of the largest partners under the City Fleet programme. Since December, Citymobil drivers have also been able to fuel up at a discount directly via their apps. The feature has not only improved the driver experience, but is also a source of additional revenue. The platform now features new dispatch and surge algorithms, resulting in improved driver utilisation rate, acceptance rate and ETA (estimated time of arrival).

Citymobil continued to thrive on ecosystem synergies in 2020. VK Taxi is now a major taxi brand, thanks to rebranding, launch of branded supply, and exponential growth supported by two nationwide promotion campaigns. The number of trips on peak days in Q4 was 9x greater than in Q2. In total, more than 2mn clients have used VK Taxi. Ongoing integration with the 2GIS mapping service has already driven improvements in rider and driver navigation systems. VK Combo and SberPrime subscriptions brought in new loyal clients at lower acquisition costs. Finally, a range of cross-promos were held with companies in the ecosystem, including Delivery Club, Okko, Boom, VK, and OK.

In 2021, Citymobil will continue to invest in market share growth in cities where it is active. The key focus is to improve efficiency by leveraging economies of scale, increasing the share of high-margin segments (e.g. B2B) and through continuous product and algorithm improvements. The delivery platform and new multimodal integrations are also among the key areas of focus.

YouDrive

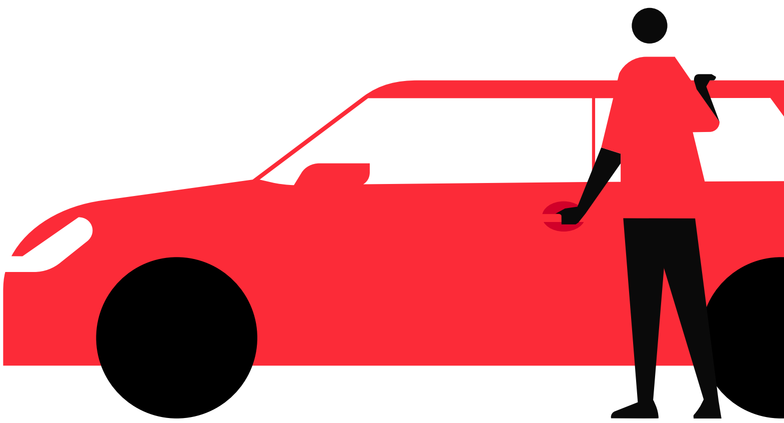
In 2020, YouDrive increased its active fleet by 72% YoY, with the focus on St. Petersburg, where YouDrive is one of the top two players in terms of fleet size and number of trips. Covid-19 restrictions had a major impact on the entire industry, literally forcing YouDrive to stop operations from April to July. After the market recovery in H2, YouDrive increased trips by 30% YoY.

YouDrive has also released new package tariffs that allow users to rent cars with unlimited mileage for periods from two hours up to seven days. This initiative was a real hit, making up to 30% GMV in particular regions. New tariff arrivals also include a monthly subscription, which is valid for any car in service and can be applied in any region.

As a measure for the development of motor tourism in Russia, YouDrive launched a unique option for users called "Radius", which gives users the opportunity to rent a car for long trips (up to 2,000 km in any direction). Platform has also extended its customer grading system, which allows users to pay for rides with bonus points and provides a 9% discount and free night parking, among other benefits.

In 2021 YouDrive will continue to develop its platform for users. The key goals are to create synergies with ecosystems and to gain market share in regions where it is active.

As part of its multimodal vision, Citymobil launched full consolidation with YouDrive, with technological and operational integrations planned for 2021.



AliExpress Russia (AER) JV
(15% stake held by Mail.ru Group)

AliExpress Russia JV was founded in October 2019 by Alibaba Group, Mail.ru Group, MegaFon and RDIF. With 130mn registered customer accounts, 72.5mn annual registered unique users and more than 26mn annual unique buyers, AER is among the leading e-commerce platforms in Russia and the C.I.S. As of end of its financial year (ended in March 2021), the number of SPUs had reached 139.2mn for cross-border and 7mn for the domestic marketplace, while the number of international/local sellers stood at ~225,000 (+50% YoY) and ~45,000 (+350% YoY) respectively.

AER dominates in cross-border trade and is developing its local marketplace offering, providing its buyers access to a vast assortment of SPUs – 146.2mn in total – while connecting sellers to the Russia's biggest online customer base. Throughout 2020 and after the JV launch, AER increased its local SPU and seller base by multiple times and reached 45,000 local sellers by March 2021. Local sellers are now present across most of the categories, including new categories such as FMCG and groceries. Local GMV share is expected to increase from around 25% of total GMV of the total business in March 2021 to 50% in 2021-2022. During 2020 many local and international brands launched their stores on AliExpress: Lego, Borjomi, SberDevices, Auchan, Splat, Puma, Pandora, Tom Tailor and many others.

Alibaba's 11.11 Global Shopping Festival (on 11 November) became a national event in Russia, with more and more e-commerce platforms participating in the biggest sale of the year. This year AER reported RUB 19.3bn in GMV from 11.11, setting a daily sales record.

AliExpress Russia also launched the AliExpress Plus service in 2020, with delivery guaranteed within 14 days from China and 1-5 days from Russia. The share of AliExpress Plus GMV has increased to 38% of total AER GMV. To optimise delivery time, AER launched several initiatives with its anchor logistics partner Cainiao: it introduced new cargo flights from China to several Russian cities, expanded its pick-up network to 20,000 pick-up/drop-off points, and set up a programme for local sellers with a flat take rate and free delivery.

AER is actively investing in its service with projects such as a click & collect service, payment with Google Pay, and the option to pay instalments with VK Pay. AER has also launched new instruments for sellers, including many new promotion tools such as category sales and category stores.

AER's newly launched Est'! ("Eat!" in Russian) e-grocery channel is increasing its audience: it now offers clients "instant" delivery in Moscow, St. Petersburg, Kazan, Nizhny Novgorod and Rostov-on-Don.

The four top priority areas for AER in 2021 are: a) improving UX for both customers (mobile apps and the web version) and sellers (business accounts) with the help of in-house tech expertise; b) further scaling of the local marketplace with a focus on increasing the selection of goods; c) developing social commerce; d) improving delivery time and service.

AER is increasingly becoming part of the Mail.ru Group's ecosystem. In partnership with VK and OK, AER has launched a number of social commerce product innovations that have increased AER's 2020 social e-commerce users to 8mn, also bringing 1mn new buyers to AER. Among these products are wish lists, social games, and instalment payments in the VK mini app.

AliExpress has an ambition to be one of the two largest e-commerce players in Russia, with c20% market share in the long run. The local vertical is set to be the main growth driver, and is expected to nearly triple YoY during FY2022.

1 App Annie

2 AKIT

Uchi.ru
(25% stake held by Mail.ru Group)

In December 2020, Mail.ru Group acquired a 25% stake in Uchi Group. Uchi Group is focused on the K-12 e-learning segment, which accounts for ~25% of the domestic online education market in Russia.

The main product is Uchi.ru, a subscription-based online education platform across the K-12 education market segment in Russia, where school students study subjects in an interactive form. The Uchi.ru platform contains more than 50,000 interactive tasks prepared by professional curriculum developers. The system adapts the educational trajectory to the individual characteristics of each student, so they can learn at their own pace.

During the period of self-isolation to combat Covid-19, Uchi.ru ranked in the top two most visited educational resources in the world. In 2020, more than half of Russia's school students (10mn users) and over 400,000 teachers have used Uchi.ru. The number of new student registrations and paying users grew by 133% and 116% respectively in 2020, compared to 2019.

Four new interactive courses for primary and middle school students were launched last year. New gamification models, called Marathons, increased student ARPU by 70-90%. In addition, Uchi.ru organised 25 Olympiad competitions with more than 4.5mn participants. Uchi.ru also launched new services for teachers so they could assign homework to students and give online lessons in virtual classrooms, which were in high demand during the lockdown.

The company is also developing the Uchi.Doma business. Uchi.Doma is a promising new product launched in 2018. It offers 1-on-1 tutoring for years 1-8, with a current focus on the English language, but with potential expansion to other subjects and broader K-12 grade segments (years 5-11). The number of students surged by 319% YoY, with a 568% growth in active paying students and revenues growing 8x YoY.

release of the year

Capsula

Boris Kaganovich, Igor Derzhavin, Ivan Vozvakhov, Pavel Korolev, Alexey Krivenkov

2020

Mail.ru Group People Awards

release of the year

Listing on the Moscow Exchange

Ksenia Egorova, Sergei Luchin, Tatiana Volochkovich,
Ekaterina Yatsenko, Yulia Sergeeva

2020
Mail.ru Group
People Awards

release of the year

Tarantool 2.6

Alexander Lyapunov, Nikita Pettik, Kirill Yukhin, Aleksandr Tikhonov, Mergen Imeev

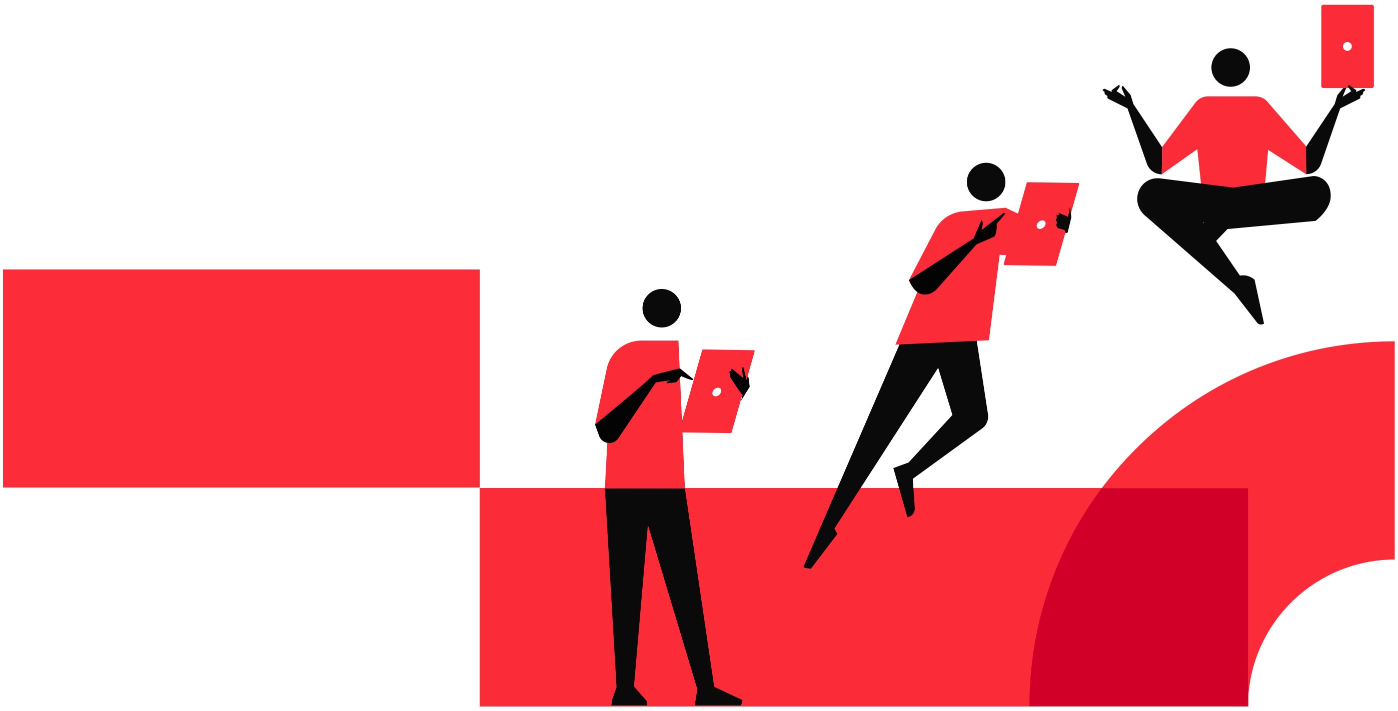
2020
Mail.ru Group
People Awards

release of the year

VK Connect

Anton Sergeev, Olga Frolova, Mikhail Koshkin, Vasiliy Yatsevich, Artur Stolyar, German Berezhko

2020
Mail.ru Group People Awards



Other activities

Advertising technologies (including SMB)

Despite the adverse backdrop within the advertising market, our advertising revenue continued to grow throughout 2020, up by 10.2% in Q4 (vs. 5.3% in Q3) and delivered 5.3% growth for the year. We have outperformed the broader digital advertising market consistently for the prior five years and 2020 was no exception.

Driving the performance efficiency of our advertising technologies in order to provide clients with the highest ROI and ad campaign metrics for reaching their business goals was one of our top priorities during 2020. Among the main improvements of our ad platforms are tools for forecasting audience reach and identifying a portrait of the advertisers' audience segment in myTarget, as well as boosting the performance of digital audio with a clickable ad format, as well as a first-to-market technology to assess real-time DOOH influence on app installs. In addition, we launched our own verification platform aimed at providing advertisers with an opportunity to gain third-party analysis of key viewability metrics across our ad placements, both in mobile and desktop resources.

VK's advertising platform added new oCPM payment models, including optimisation through lower-funnel conversions to external sites and subscriptions to business pages, both using an automatic bid manager. Both VK and OK added contextual targeting, which gives businesses an ability to follow users' interests based on their activity across the Group's ecosystem, including search queries on classifieds.

VK's e-commerce platform made setting up sales on the network even more convenient, with built-in delivery services and dynamic product ads, which advertise goods given their expected performance and use remarketing to stimulate purchase completion. The new ad format was dedicated to the promotion of VK Mini Apps, with a free 30% bid boost from VK to help businesses while raising awareness of the platform.

We also expanded our advertising inventory: Delivery Club was the first foodtech service to enter the ad market with O2O inventory, the purchase of online streaming rights for La Liga and Series A matches from Telesport, which expanded our licensed video in-stream ad inventory, and the launch of a direct deals interface that helps advertisers and publishers to agree on ad placements without any additional document flow. The sharp increase in our VK Clips audience has resulted in high demand from marketers for various types of integrations into the platform. We therefore developed a range of ad formats, including customised projects and support of targeted ads with enabled call-to-action options, similar to Stories ads.

Improving our partnerships with Russian retailers and e-commerce platforms has been one of our top priorities. As part of a collaborative approach we are developing O2O performance marketing solutions that help our clients to drive sales and get end-to-end analytics, both online and offline. Announced partnerships with the Magnit and Detsky Mir retail chains in 2020 gave advertisers an opportunity to target the audiences of retailers' loyalty programmes as well as receive Sales Lift and ROI reports for O2O channels. We also signed an exclusive agreement with the X5 Retail Group for targeted indoor advertising and provided brands with technology to help them promote products and services and reach their target audience in 300+ Perekrestok stores across 30+ cities in Russia.

We are seeing a dramatic YoY growth in advertisers' demand for customised innovative solutions that give them strategic advantages over their competitors. This year we expanded the number of products and services provided by our Innovative Solutions Department. The team continues to focus on developing end-to-end innovation projects for brands across all the Group's and partners' services with the help of our technological expertise and available resources in order to help clients in meeting their real business needs.

SMB

Supporting local businesses throughout the pandemic was our key priority during 2020. We invested RUB 1bn in supporting SMBs with our key solutions, including doubling ad budgets across the VK and OK social networks. Moreover, we launched a mutual project with VEB.RF for the Far East and Arctic regions. In collaboration with the Far East Development Fund we invested RUB 230mn to support local businesses and help them grow. In October we invested an extra RUB 200mn in order to help SMBs to develop their businesses with bonuses for promotion on the VK Business platform.

In order to help SMBs not only with resources but also with high-end solutions, we have developed a set of easy to use and efficient tools for SMBs.These include several products on the VK Business platform, such as Sites Constructor, which is used to build websites in a few clicks based on a business page's data, with 300,000 sites created since launch in November. VK has also launched a Recommend button to help both businesses and content creators, with 400,000 SMBs receiving at least one recommendation a month after the launch of the feature.

OK has also launched a united Business account that helps entrepreneurs to manage their business through one common interface.

The development team in terms of advertising technologies is led by Egor Abramets, who in 2020 was promoted to the Group's Vice-President position to focus on AdTech.

IT infrastructure

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.

Our computer servers and networking equipment are located in our own data centres as well as in rented ones. Mail.ru Group also has a number of relationships with third-party IT providers, which provide it with a range of telecommunication services, including internet access and internet (traffic) transit.

In 2020, the peak network traffic increased to 7.2 terabits per second and the total amount of outgoing data reached 16,000 petabytes.

In Moscow and St. Petersburg, Mail.ru Group has 59,000 servers in nine data centres. In 2020, we increased our computing resources without increasing the total number of servers. Many applications were moved from bare metal to a virtual environment. So we have significantly improved the efficiency of our computing resources.

Hardware optimisations included the introduction of a universal platform based on the latest CPU generations. This helped us increase computing density by 40%-60% YoY per host and made resource planning much better. Mass transition from SATA SSD to NVMe made this process smoother and our storage faster. More than 20% of installed servers got fast 25/50/100G network access. As a result, capital expenditures for the same CPU resource were reduced by almost 42% YoY (without affecting operating expenses).

We also carried out some engineering research. Our first installation with direct chip cooling for 200 high TDP CPUs has been operational in our production for more than eight months. We hope this advanced technology will help us effectively adopt the latest CPU and GPU generations with TDP of more than 300W. We are planning to scale this system by 400% in 2021. Later it may help us to create our own high-density rack solution.

In 2020, Mail.ru Group continued using three international data centres: two in Amsterdam and one in San Jose, California. These are aimed at serving European and North American users and currently host about 1,400 servers.

The 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.

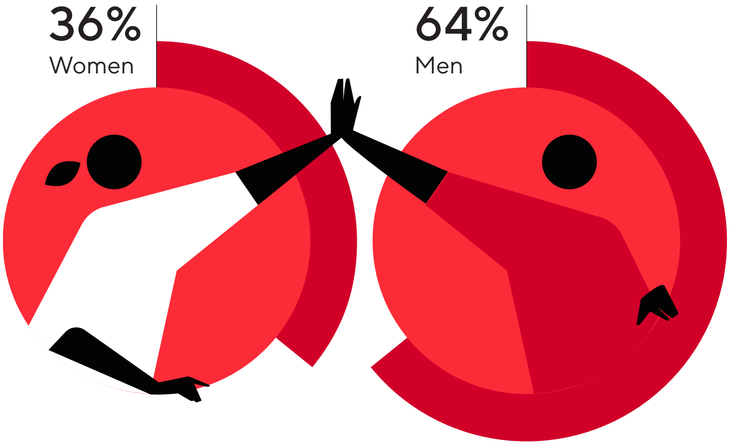
We have significantly expanded our broadband capacity to Europe and Russia. This expansion has allowed us to reduce the risks of technical and economic dependence on large internet providers. The current network infrastructure has sufficient resources to support business growth for at least the next 12 months.

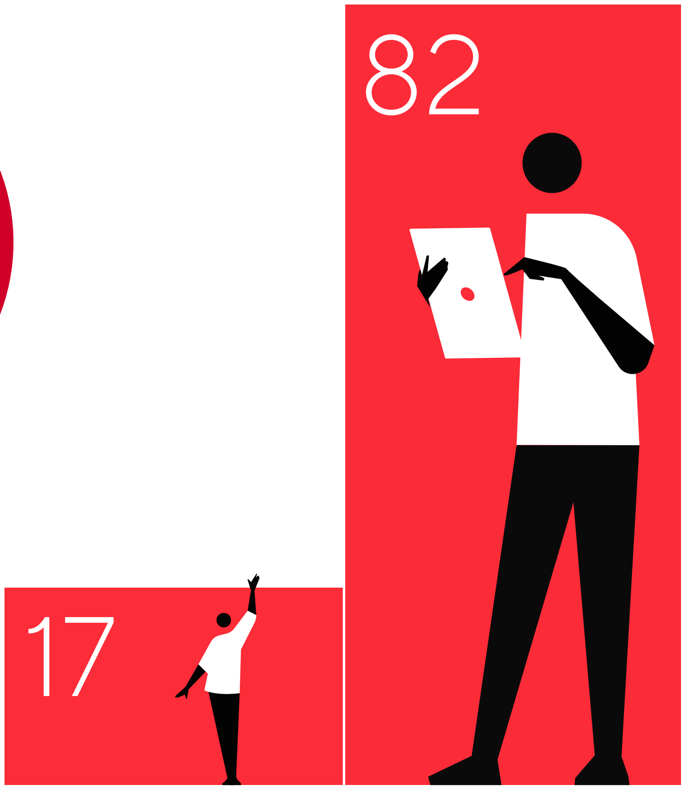
A staff of full-time engineers administers the network infrastructure. They handle the day-to-day functioning of its system as well as hardware operations and maintenance. Mail.ru Group's automation, dispatch and monitoring systems are being continuously improved in all infrastructure divisions. The team is committed to increasing the level of system autonomy while reducing the human role in the decision-making process.

The team pays close attention to the protection of user data. The Information Security department monitors the entire infrastructure and prevents, detects and responds to security threats.

To achieve the most efficient use of technical and material resources, a team of engineers monitors the changes in load profiles and optimises the infrastructure while ensuring that the company's products and services benefit from a high level of availability.

High priority is placed on providing users with a consistently high-quality service and support from the technical support staff.





Youngest employee

Oldest employee

Employees

As of the end of 2020 the Group had 8,842 full-time employees. We highly value our employees and believe that our culture encourages individuality, creativity and a systematic approach to providing excellent service to our users.

The great diversity of our internal projects allows us to grow and constantly develop our potential. Working at Mail.ru Group offers many challenges and a fast pace. Our teams create products that are used by millions of people. A significant proportion of our employees possess a strong product and technical background that allows them to contribute to our projects by generating new ideas and enhancing existing products.

Our structure by gender and position as of 31 December, 2020 is presented in the chart above.
Youngest employee: 17
Oldest employee: 82
Women: 36%
Men: 64%

In 2020 the outbreak of the Covid-19 pandemic prompted us to move all HR processes online, which we did within one week. Since March 2020 onwards we have hired a total of around 3,300 people remotely. The whole hiring process, including providing work equipment, is done remotely, without new employees having to come to the office.

The onboarding process for new employees, including our welcome sessions, was also moved online. In addition, we relaunched the mentoring programme: every new employee is assigned a "buddy", who offers advice and guidance regarding everything related to work and corporate culture.

Our online learning platform offered 107 training sessions for all employees and 102 training sessions for managers. A total of 3,985 employees attended the sessions online.

In March 2020, we started offering 14 days of fully paid sick leave. In December 2020, we launched a Covid-19 hotline, offering advice from doctors as well as medical help, including hospitalisations in Covid centres.

At the end of 2020 we launched WORK, a new learning and development platform where all lectures can be found in one place. Our employees can effectively manage their personal and professional development by building and tracking their own learning path based on skills they want to develop or improve.

During the remote work period, we ran six pulse surveys to collect information on the mental health and wellbeing of our employees and get their feedback on the effectiveness of business processes and workflow management. We conducted employee engagement and loyalty surveys across nine business units, with 1,545 employees participating.

Since regular feedback means a lot to our employees, we improved and adapted our feedback and assessment platform to an online format. A total of 3,090 employees in 38 teams have received feedback via the updated platform.

In addition to regular sessions with psychologists in the office, we launched a psychological counselling programme to support our employees during the first six months after switching to remote work.

To support the wellbeing of our employees, we held 500 online family events and 700 online workouts in the period from March-December 2020. Over 5,000 employees attended 54 online teambuilding events and 11 major online company events, including a lecture by the Russian film critic Anton Dolin, themed quizzes and the Mail.ru Group People Awards.

In 2020, we continued to work with professional communities and held 14 meetups for IT developers and tech enthusiasts for 2,000 participants.

Education

Mail.ru Group is developing an educational ecosystem by expanding its range of educational services for children and students, as well as adults looking to gain new skills and improve the ones they already have. The company has its own educational projects and invests in related services that seek to improve the education landscape in Russia. By the end of 2020, our education ecosystem included controlling stakes in GeekBrains and Skillbox, as well as stakes in Algoritmika, Tetrika, SkillFactory and Uchi Group. In 2020 Mail.ru Group acquired a 25% stake in Uchi Group, an educational platform bringing together 8mn students and 350,000 teachers.

More than 3,500 students attended our programming courses as part of our educational projects at the Bauman Moscow State Technical University, Moscow State University, the Higher School of Economics, the Moscow Institute of Physics and Technology, the MEPhI National Research Nuclear University, the Peter the Great St. Petersburg Polytechnic University, the Immanuel Kant Baltic Federal University (IKBFU) and the Voronezh and Penza state universities. In 2020 we teamed up with IKBFU to introduce the Gaming Sphere education programme. The programme will help students to master new skills relevant to the video game industry. Mail.ru Group also partnered with the National University of Science and Technology in Moscow and the SkillFactory educational platform to launch the first Russian-language online Master's programme in Data Science.

Over the last three years we have been developing a community of Mail.ru Group ambassadors. In 2020, 50 students and university employees from 30 universities and 12 regions acted as technology evangelists, promoting our brand and products.

The success of our university projects in 2020 meant that we ranked second among the most attractive employers for students, according to FutureToday.

As for schools, our team provides career advice and guidance and helps children learn the most in-demand tech skills. In 2020 the IT Knowledge Day, our career guidance campaign, brought together 5,500 schools and more than 260,000 pupils from Russia, Ukraine, Belarus, Moldova, Uzbekistan, Kazakhstan and other countries, and more than 2.5mn online viewers.

We continued to participate in the Digital Lesson educational project, which enables students to learn from the top tech companies and improve their skills and competencies in the digital economy. Over 2mn pupils from 85 regions took part in the Digital Lesson on neural network technologies that we prepared and hosted in partnership with Algoritmika, an online programming school for children. A total of 5,000 pupils from 70 regions took part in the Technocup programming competition in 2020.

We continue to make quality educational content open and accessible. We release online courses on the Coursera and Stepik platforms, and offer lectures on the Technostream YouTube channel, which has over 164,000 subscribers.

We also help tech professionals boost their skills. In 2020, we continued with MADE Data Academy, our educational programme for experienced professionals. Over 100 graduates and 200 students joined the Academy in 2020 and started studying Data Science, Machine Learning Engineering and Data Engineering.

In 2020, we merged all of our code competitions into the All Cups international platform. The platform was created to conduct practice-oriented events for IT professionals such as developers, designers and managers. The project brings together more than 300,000 experts from 130 countries and allows them to search for talented professionals around the world. In addition, All Cups has tested the B2B model and has already held various events for public and private organisations.

Mail.ru Group also introduced a set of measures to help schools and universities switch to distance learning during the pandemic. For distance learning, users can use free features available on the VK and OK social networks, such as communities, chats, live broadcasts, applications, etc. During the lockdown, GeekBrains, Skillbox, Tetrika, Algoritmika and SkillFactory offered free access to their online courses for students and pupils. Special hotlines were launched to answer questions from faculty and university staff.

Mail.ru Group and Rostelecom launched Sferum, a learning platform for schoolchildren, teachers and parents enabling them to communicate and study online. Sferum is being tested in 15 regions, from Kaliningrad to Sakhalin. The platform is based on VK technologies. It offers group and one-on-one video calls, chats, messaging, communities, and allows educational content to be stored and shared.

Charity and social projects

In 2020, Mail.ru Group continued to develop its social strategy by providing technologies to help deal with social problems? as well as publishing the Group's inaugural Responsibility report.

Dobro Mail.ru raised over RUB 150mn for over 200 NGOs, including the Kod Dobra corporate charity foundation, which raised around RUB 50mn thanks to a collaboration with a diverse range of brands such as Raiffeisenbank, Lamoda, Skyeng, Oriflame, AliExpress, GeekBrains, OK, and VK. New social marketing technologies helped our clients to make their ad projects socially relevant.

Today Dobro Mail.ru comprises 196 verified charity organisations from 48 Russian regions and allows users to participate in social projects as volunteers or with one-off or regular donations. Donations made in 2020 increased by 31% YoY.

In 2020 Dobro Mail.ru continued to help NGOs to boost their professional level and held the DOBRO 2020 educational conference for NGOs in partnership with MegaFon and Metalloinvest. More than 2,500 unique visitors participated in the event, with an average viewing time of 2.5 hours.

Citymobil and Dobro Mail.ru continued to develop a joint social project called Miles of Kindness. Over 1.5mn km were donated to NGOs under the programme. During the pandemic, Citymobil provided free rides to medical professionals, blood donors and volunteers in cities such as Moscow, St. Petersburg, Kazan, Rostov-on-Don, Krasnodar and Omsk, and the list is still expanding. More than 50,000 promo codes were granted to charities and medical professionals.

When the Covid-19 lockdown was first imposed in Russia, Citymobil started providing free disinfecting supplies to over 100,000 drivers in Moscow and other cities. The company also launched a financial support programme for drivers who had Covid-19.

Since 1 January, Citymobil has arranged free online medical consultations for partner drivers who have ARVI symptoms in all cities where Citymobil operates.

Several green initiatives were launched in 2020, including the modification of more than 1,000 gasoline cars, switching them to natural gas-based fuel. Now cars are available in Moscow, St. Petersburg, Rostov-on-Don, Samara, Novosibirsk, Nizhny Novgorod, Yekaterinburg and Voronezh.

The Group's employees in Moscow donated 2.5 tons of their clothes for reusing and recycling: 2% of the clothes were sold in charity shops, while 45% were donated to people in need in the Russian regions.

More than 50 NGOs use our technologies. For example, the search-and-rescue volunteer organisation Liza Alert uses our cloud services to store data and pictures taken by drones. The Arifmetika Dobra charity foundation applies our cloud technologies to develop an online educational platform for orphans.

Dobro Mail.ru works with DonationAlerts, Russia's biggest streaming add-on service, to actively support charity streaming in Russia. In partnership with Streamfest, we carried out a #Thankstodoctors campaign: over USD 41,000 of donations received during streams were given to charity funds to support doctors. Other regular charity activities with streamers help to raise awareness of the importance of social responsibility and cooperation.

The Day Against Cyberbullying, established by Mail.ru Group on 11 November, 2019, took place for the second time in 2020. This time we raised awareness among those who have witnessed bullying in the past but did not attempt to stop it. We created an online immersive theatrical performance, where the spectators could decide the destiny of people under pressure of bullying, both offline and online. More than 40 brands took part in the performance, and dozens of bloggers and influencers supported it, with a media reach of more than 60mn views.

Worki teamed up with the Perspective non-profit organisation and Best Friends fund to launch the "Everyone Can Work" project, featuring information on hiring people with disabilities and creating inclusive workplaces.

VK continues to develop its charitable efforts and strengthen its support for charitable organisations as part of the Charity in VK project. VK provides full support to non-profit organisations by offering them free use of its advertising capabilities, developing special tools and holding professional events.

In 2020, as part of the Charity in VK project, the VK team launched an educational bot in partnership with UNESCO. The aim of this highly anticipated and long-term project is to help raise awareness among VK's audience about relationships, cyberbullying, and online security. The project was positively received by mass media and was covered by over 80 publications.

The "Fortune Wheel" project, devoted to VK's birthday, raised a record amount of donations. Through a combination of charitable, entertaining and branding mechanics it raised RUB 16mn for the Gift of Life foundation. VK processed 140,000 payments through VK Pay and launched an option to set up recurring donations.

In H2 2020, VK organised a competition for NGOs with a prize fund of RUB 5mn available to spend on promotion using VK instruments. As a result, 119 charity organisations received money, professional support and guidance for targeting options.

At the end of March, Mail.ru Group announced RUB 1bn in support measures for small- and medium-sized businesses, doubling the marketing expenses of companies in VK and OK, assisting with the digitalisation of business processes and hiring through Worki.

OK pays a great deal of attention to charity and social projects: it uses all the available technology and media channels to inform its users and attract their attention to pressing social issues and topics. In 2020, the social network also launched many projects designed to help people in difficult situations. For example, OK partnered with the telemedicine service Doctis to allow all users to get a free online consultation with a doctor even in the most remote corners of Russia. And the inclusiveness of digital jobs allows users to master a new profession suitable for remote work.

In addition, OK constantly supports and initiates various social projects in accordance with Mail.ru Group's social strategy. In the summer of 2020, the social network supported the "Books Upside Down" video project for children with Down syndrome, who read excerpts from their favourite books and discussed them with famous people. In early October 2020, the social network launched an educational project called "Time to Think About Art", which draws public attention to people with autism spectrum disorders (ASD) through drawing. During the pandemic, OK and Dobro Mail.ru organised a large-scale online charity concert with the participation of popular artists in support of the Charity Foundation for elderly people. The funds raised were used to purchase laptops, which elderly people could use to keep in touch with loved ones or volunteers via video calls during lockdown.

feature of the year

DOOH (Digital out of Home team)

Dmitry Beketov, Vladimir Prokhoda, Pavel Martynov, Natalia Zotkina, Alexander Egorov, Maria Filina

2020
Mail.ru Group
People Awards

feature of the year

Amazon Web Services & Mail.ru Cloud Solutions: hybrid cloud launch

Alexander Saltanov, Dmitry Lazarenko, Mikhail Kebich, Nikolay Butenko

2020

Mail.ru Group People Awards

feature of the year

Automatic Speech Recognition

Ivan Samsonov, Dmitry Yutkin, Andrey Sokolov, Alexander Tobol

2020
Mail.ru Group
People Awards

REVENUE & YOY GROWTH
RUB MN

107,427
2020

21%

financial review

88,660
2019

financial review

This review reflects the highlights of our financial performance for 2020. Full details can be found in the annual financial statements presented on pages 129–189 of this annual report.

Overview of consolidated results

We are pleased to have demonstrated solid progress throughout 2020 in all key areas, with total revenues growing by 21.2%. Despite an adverse backdrop within the advertising market, our advertising revenue continued to grow throughout 2020, driven by growing user engagement, improved advertising technologies and sales execution. Customer budgets continued shifting online and towards mobile and social networks in particular. Our games business kept on producing very strong performance, with the international share increasing to 77% of our games segment revenue in Q4. Online education continued its rapid expansion. As in previous periods, new mobile IVAS products and music subscriptions showed solid growth, along with the number of active paid and trial subscriptions on our platforms.

Structure

Our segment reporting was prepared on a pro forma basis in 2020, i.e. segment financial information is presented for each period on the basis of an ownership interest as of the date hereof and consolidation of each of our subsidiaries, including for periods prior to the acquisition of control of the entities in question. The financial information of subsidiaries disposed of and operations classified as assets held for sale prior to the date hereof is excluded from the segment presentation, starting from the beginning of the earliest period presented.

Accordingly, segment reporting for the year ended 31 December, 2020 and the respective comparative segment financial information has been retrospectively adjusted, as applicable, to include the financial information of new acquisitions which took place during the period and up to the date of these annual consolidated financial statements and during the 2019 financial year, and to exclude information related to disposed assets during the reporting period and 2019 financial year.

The Group has identified its operating segments in order to reflect its strategy, the way the business is managed and units' interconnection within its ecosystem. The Group has identified the following reportable segments on this basis:

- Communications and Social
- Games
- New Initiatives

For more details on operating segment presentations please refer to “Basis of preparation” below in the “Operating segment performance” section.

Acquisitions and disposals in 2020

In March 2020 the Group acquired control over the mobile games developer Belngame Limited ("InGame") by increasing its share to 100% (75% in addition to a 25% stake as of 31 December, 2019). The primary purpose of the acquisition of InGame was to enhance the Group's position in the mobile games market.

In October 2019, Mail formed the AliExpress Russia Joint Venture (the "AliExpress Russia JV") with Alibaba Group, MegaFon and the Russian Direct Investment Fund. Mail invested its Pandao e-commerce assets and a cash consideration of USD 182mn in exchange for a 15.01% shareholding in the AliExpress Russia JV (holding 18% of the voting rights). All parties entered into a joint venture agreement stating that all decisions relating to specific relevant activities undertaken by the AliExpress Russia JV must be decided by unanimous consent.

In October 2020, pursuant to the terms of the AliExpress Russia JV, Mail made a follow-on payment to the AliExpress Russia JV by way of a USD 82mn cash contribution. This contribution, along with an original contribution of USD 100mn made in October 2019, was made in exchange for Mail's 15.01% stake in the AliExpress Russia JV.

In October 2020 the Group acquired control over the mobile games developer DCGAMEPUB LIMITED ("Deus Craft") by increasing its share to 51.16% (51.06% in addition to a 0.1% stake as of 30 September, 2020). The primary purpose of the acquisition of Deus Craft is to enhance the Group's position in the mobile games market.

In December 2020 the Group acquired 25% in the e-learning platform Uchi.ru.

The total cash consideration for the acquisition of InGame, Deus Craft and Uchi.ru was RUB 5.4bn.

In November 2020, Mail completed the sale of its 100% shareholding in MAPS.ME, a mobile maps and navigation service based on OpenStreetMap data, to Daegu Limited for RUB 1.557bn, pursuant to a share purchase agreement signed by Mail with Daegu Limited. Mail had acquired MAPS.ME in 2014 for RUB 542mn. MAPS.ME's app has surpassed 140 million installs and has 10 million monthly active users.

Due to the ongoing lockdowns and restrictions resulting from the Covid-19 outbreak, as well as the related uncertainty of its consequences, the Group had to postpone its plans for the creation of a partnership around ESforce. Following this decision, the Group ceased to classify ESforce as assets held for sale and liabilities directly associated with assets held for sale as of 31 December, 2020.

See also Notes 6 and 25 to our consolidated financial statements for further details on acquisitions and disposals.

Goodwill

We account for business combinations by applying the acquisition method. As a result, we record goodwill as the fair value of the consideration transferred, including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. The significant goodwill recorded in connection with our acquisitions may lead to charges in future periods if goodwill is impaired.

Total goodwill amounted to RUB 135,670mn as of 31 December, 2020, a decrease of RUB 5,615mn from 31 December, 2019. The goodwill is allocated to groups of cash-generating units (CGUs): "Email, Portal and IM", "Search", "Online Games", "Social Networks", "VKontakte", "Pixonic", "UMA", "Skillbox" and others – in accordance with the operating segment structure of our business and IFRS requirements. Please see Notes 8 and 12 to our consolidated financial statements for further details.

Operating segments performance

Basis of preparation

In reviewing our operational performance and allocating resources, our Chief Operating Decision Maker (CODM) reviews selected items from each segment's income statement, assuming 100% ownership in all of our key operating subsidiaries, based on management reporting.

Management reporting is different from IFRS, because it does not include certain IFRS adjustments that are not analysed by the CODM in assessing the business's core operating performance. Such adjustments affect major areas like revenue recognition, share-based payment transactions, the disposal and impairment of investments, business combinations, fair value adjustments, amortisation and impairment thereof, net foreign exchange gains and losses, and share in the financial results of associates, as well as irregular non-recurring items that occur from time to time and are evaluated for adjustment as and when they occur. The tax effect of these adjustments is also excluded from management reporting.

The financial information of the key subsidiaries acquired during the reporting period or after the reporting period but prior to the date hereof is included in the segment disclosure, starting from the beginning of the earliest comparative period included herein. This pro-forma reporting approach will cease to exist starting from Q1 2021, with recognition of acquisitions and disposals in line with the IFRS approach.

The financial information of subsidiaries disposed of and assets classified as held for sale prior to the date hereof is excluded from the segment presentation, starting from the beginning of the earliest period presented.

Accordingly, segment reporting for the year ended 31 December, 2019 and the respective comparative segment financial information has been retrospectively restated, as applicable, to include the financial information of InGame, Deus Craft and to exclude MAPS.ME, all starting from 1 January, 2019.

The Group has identified its operating segments in order to reflect its strategy, the way the business is managed and units' interconnection within its ecosystem. The Group has identified the following reportable segments on this basis:

- Communications and Social
- Games
- New Initiatives

The Communications and Social segment includes email, instant messaging and the portal (main page and media projects). It earns substantially all revenues from display and context advertising. This segment also aggregates the Group's social network Vkontakte (VK) and two other social networks (OK and My World) and earns revenues from (i) commission from application developers based on revenue from the respective applications, (ii) user payments for virtual gifts, stickers and music subscriptions and (iii) online advertising, including display and context advertising. It also includes search and music services (UMA). These businesses have a similar nature and economic characteristics, as they are all represented by social networks and online communications, have a common type of customer for their products and services and share a similar regulatory environment.

The Games segment contains online gaming services, including MMO, social and mobile games, games streaming and platform solutions operated by the Group under the MY.GAMES brand and within the MY.GAMES ecosystem. It earns substantially all revenues from (i) sales of virtual in-game items to users (f2p) or sales of digital copies of the games (b2p), (ii) royalties for games and gaming solutions licensed to third-party online game operators (iii) in-game advertising and (iv) revenues from streaming services and gaming platform services.

The New Initiatives reportable segment represents separate operating segments aggregated into one reportable segment. This is done out of convenience since these are businesses with a similar profile: newly acquired or newly launched and dynamically developing. This segment primarily consists of the Youla classifieds, which earns substantially all revenues from advertising and listing fees, online education, B2B software & cloud, along with other services, which are considered insignificant by the CODM for the purposes of performance review and resource allocation. Online Education as the largest component of the New Initiatives reporting segment in 2020 will become a separate reporting segment starting from Q1 2021.

We measure the performance of our 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, amortisation and impairment of intangible assets), including our corporate expenses allocated to the respective segment.

EBITDA is not a measure of financial performance under IFRS. Our calculation of EBITDA may be different from the calculations of similarly labelled measures used by other companies and should therefore not be used to compare one company against another or as a substitute for analysis of our operating results as reported under IFRS.

EBITDA is not a direct measure of our 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 our financial commitments. EBITDA may not be indicative of our historical operating results, nor is it meant to be predictive of our potential future results. We believe that EBITDA provides useful information to the users of consolidated financial statements because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditure, acquisitions and other investments and our ability to incur and service debt.

Principal revenue drivers

Organic growth in our revenue, including online advertising and IVAS, is primarily driven by the audience of our assets. Advertising revenues also depend on the pricing of our advertisements and availability and sell-through rates of our advertising inventory, while IVAS revenue is also driven by paying user engagement and average revenue per paying user ("ARPPU").

Analysis of 2020 results compared with 2019

The discussion that follows is based on the analysis of segment and supporting management financial information according to the Group's actual structure as of the date of this Annual Report. As discussed under "Basis of Preparation" above, this information differs in certain significant respects from the information presented in accordance with IFRS.

Group aggregate segment financial information*

RUB millions	2020	% of revenue	2019	% of revenue	YoY, %
Group aggregate segment revenue					
Online advertising	39,148	36%	37,168	42%	5%
MMO games	36,790	34%	28,436	32%	29%
Community IVAS	18,338	17%	16,371	18%	12%
Other revenue**	13,152	12%	6,685	8%	97%
Total Group aggregate segment revenue	**107,427**	**100%**	**88,660**	**100%**	**21%**
Group aggregate operating expenses					
Personnel expenses	25,178	23%	19,448	22%	29%
Agent/partner fees	29,292	27%	22,036	25%	33%
Marketing expenses	20,750	19%	13,057	15%	59%
Server hosting expenses	777	1%	703	1%	11%
Professional services	961	1%	762	1%	26%
Other operating (income)/expenses, excluding amortisation and depreciation	3,494	3%	3,554	4%	-2%
Total Group aggregate operating expenses	**80,453**	**75%**	**59,561**	**67%**	**35%**
Group aggregate segment EBITDA	**26,973**	**25%**	**29,099**	**33%**	**-7%**
margin, %	25.1%		32.8%		
Depreciation and amortisation ***	11,842	11%	10,278	12%	15%
Other non-operating expense/(income), net	(2,432)	2%	(872)	1%	-179%
Profit before tax	**12,699**	**12%**	**17,948**	**20%**	**-29%**
Income tax expense	2,685	2%	3,193	4%	-16%
Group aggregate net profit	**10,014**	**9%**	**14,755**	**17%**	**-32%**
margin, %	9.3%		16.6%		

(*) The numbers in this table and further in the document may not exactly foot or cross-foot due to rounding.

(**) Including other IVAS revenues.

(***) Including the impairment of Skyforge by RUB 630mn in Q2 2019.

The income statement items for each segment for the year ended 31 December, 2020, as presented to the CODM, are presented below:

RUB millions	Communications and Social	Games	New Initiatives	Eliminations	Group
Revenue					
External revenue	52,513	40,660	14,254	-	107,427
Intersegment revenue	172	102	41	(315)	-
Total revenue	**52,685**	**40,762**	**14,295**	**(315)**	**107,427**
Total operating expenses	28,120	34,481	18,167	(315)	80,453
EBITDA	**24,565**	**6,281**	**(3,872)**	**-**	**26,974**
Net profit					**10,014**

The income statement items for each segment for the year ended 31 December, 2019, as presented to the CODM, are presented below:

2019	Communications and Social	Games	New Initiatives	Eliminations	Group
Revenue					
External revenue	50,251	31,144	7,265	-	88,660
Intersegment revenue	55	118	47	(220)	-
Total revenue	**50,306**	**31,262**	**7,312**	**(220)**	**88,660**
Total operating expenses	23,141	26,355	10,285	(220)	59,561
EBITDA	**27,165**	**4,907**	**(2,973)**	**-**	**29,099**
Net profit					**14,755**

Online advertising

Online advertising includes two major kinds of advertising technology: Display and Context. Display advertising revenue is generated from promo posts on social networks, and video, banner and similar advertisements on our assets. Advertisements are sold based on either the time that they last, or on the number of ad views. Our standard rates depend on a number of factors, including the asset on which the advertisement appears, the size and the length of the contract, the season, and the advertisement's format, size and position.

Context advertising revenue is earned with our myTarget technology, as well as through partnerships with third parties.

myTarget (formerly known as Target Mail.ru), is our proprietary self-service programmatic advertising technology, which sells advertisements through an online auction both on desktop and mobile using various pricing models. The technology is integrated into almost all advertising formats, so the advertiser can choose whether to purchase impressions via display ads based on fixed CPM or use an online auction in the myTarget programmatic system. The technology features several improvements: new cross-device ad formats, the integration of offline user experience and new targeting opportunities.

We generated revenue of RUB 39,148mn from online advertising in 2020 (2019: RUB 37,168mn). Despite the adverse backdrop in the advertising market, our advertising revenue continued to grow by 5% for the full year, ahead of the Russian online advertising market. The growth in our advertising revenues was driven by the ongoing shift of budgets online and to social within digital, as we boost engagement, improve our advertising technologies and grow ROIs for our clients, an increasing number of which are SMEs. In line with this trend, promo posts across our social networks and our native in-feed video formats were our fastest-growing advertising revenues in 2020. The growth of our advertising revenue was additionally supported by ongoing advertising technology development and the launch of innovative ad products.

IVAS

We generate a significant portion of our revenue from IVAS. This includes MMO games and Community IVAS.

MMO games

About a third of our total revenue is generated by MMO games, including mobile, PC console and cross-platform titles. Players have the opportunity to buy in-game enhancements for these free-to-play games; revenue is recognised net of any commissions from SMS operators, but gross of other revenue collection costs, including commissions paid to mobile app stores and other distribution platforms. In 2020, we generated revenues of RUB 36,790mn from MMO games (2019: RUB 28,436mn). The 29% increase in MMO revenues is primarily due to the strong growth of War Robots, Grand Hotel Mania, Love Sick, Zero City and American Dad. We have also launched or acquired a number of new successful projects, such as Grand Hotel Mania and World Above.

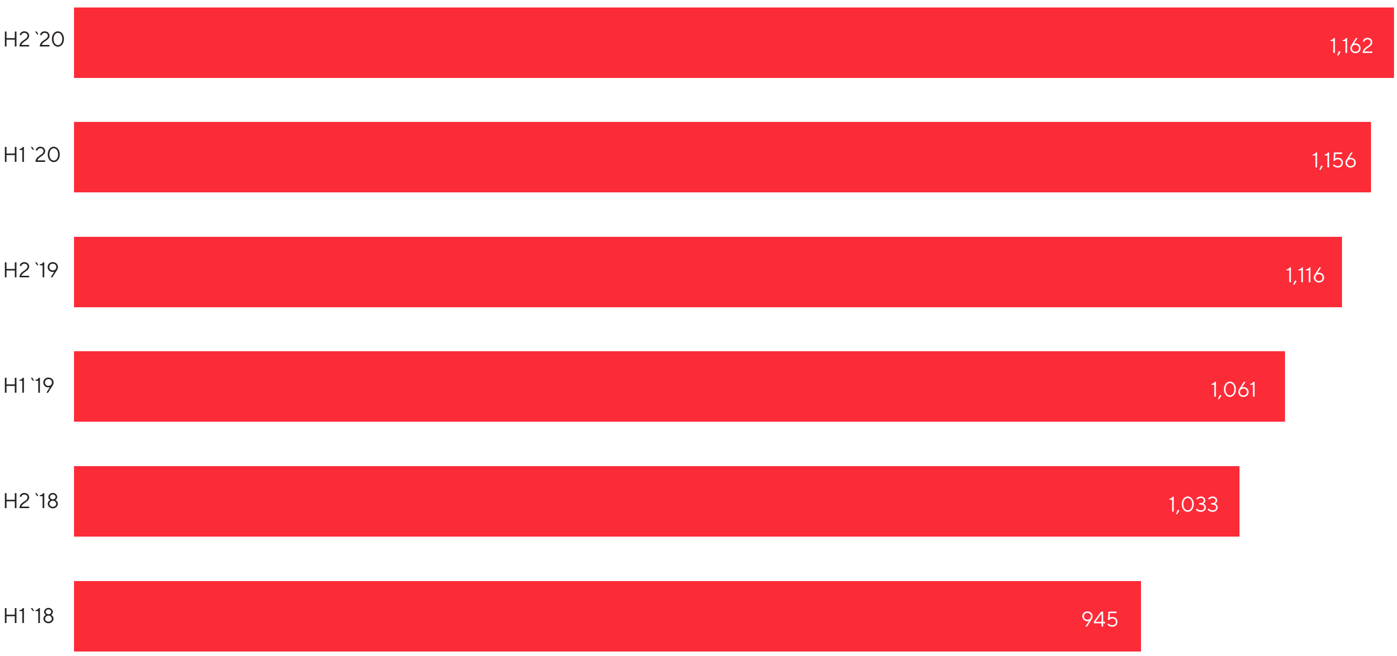
Community IVAS

Community IVAS revenue is driven by payments for features and virtual items sold primarily on our social networks. These features and items include virtual gifts, stickers, premium music access and other paid features. Community IVAS revenue is also driven by revenues shared with application developers through our Application Programming Interface ("API"). A significant portion of these payments are paid via online payment systems.

The fees for such services are collected from customers using various payment channels, including bank cards, online payment systems and mobile operators, as well as from the application developers.

Aggregate segment Community IVAS revenue increased by 12% to RUB 18,338mn (2019: RUB 16,371mn), mostly driven by growth in music subscribers, the development of stickers as a product, and the growing popularity of these features among users.

MMO games, average monthly paying users, K



Source: Company data
Footnote: The numbers combine the paying users of individual MMO and mobile games and may include overlap.

Other revenue

Other revenue mostly consists of revenue from online education and B2B services.

In 2020 other revenue increased by 97% to RUB 13,152mn (2019: RUB 6,685mn), primarily due to the strong growth of online education services, represented by Skillbox and GeekBrains.

Costs and margins

Our principal cost items include personnel expenses, agent/partner fees, marketing expenses, server hosting expenses, professional services and other operating expenses, excluding depreciation, amortisation and impairment.

Personnel expenses increased by 29% to RUB 25,178mn (2019: RUB 19,448mn), mainly driven by an increase in headcount, principally within our VK, online education and B2B business units.

Agent/partner fees increased by 33% to RUB 29,292mn (2019: RUB 22,036mn). The increase in agent/partner fees was primarily driven by growth in revenue collection costs, advertising commissions and payments for outsource.

Revenue collection costs represent fees to payment systems for processing payments for our games and Community IVAS. These costs also include the share of our mobile product revenue that we pay to mobile app stores (mainly Google Play and Apple's App Store), as well as the share of our console gaming revenue paid to the respective console platforms (Sony's PlayStation and Microsoft's Xbox). The increase in revenue collection costs was mainly due to increased revenue from games, mostly mobile and console titles.

Advertising commissions represent arrangements where we share our advertising revenue with different external advertising agencies. The increase in commission is mainly due to the growth in related revenue in 2020.

Payments for outsourcing represent the costs of attracting freelance specialists for the development of content and mobile applications, and tutors for online education projects. The increase in outsourcing costs is mainly due to the growth in related revenue in 2020.

Marketing expenses increased by 59% to RUB 20,750mn (2019: RUB 13,057mn), as we significantly stepped up marketing efforts to support the fast growth, partially accelerated by the effects of Covid-19 and related lockdowns, in our mobile games and online education, and to actively promote VK's new products and initiatives, such as the VK Super App, VK Clips and others.

In total, our aggregate segment operating expenses (excluding depreciation, amortisation and impairment) increased by 35% to RUB 80,453mn (2019: RUB 59,561mn). As a result, our aggregate segment EBITDA decreased by 7% to RUB 26,973mn (2019: RUB 29,099mn) and the EBITDA margin decreased to 25.1% in 2020 (2019: 32.8%).

Depreciation, amortisation and impairment, other non-operating income, income tax and net income

Depreciation, amortisation and impairment increased by 15% to RUB 11,842mn (2019: RUB 10,278mn), primarily as a result of growth in servers and network equipment, driven by the development of new businesses. It is also due to the rental of additional office space, driven by growth in headcount, and the acquisition of new music licenses.

Other non-operating expenses increased to RUB 2,432mn (2019: RUB 872mn) due to interest expenses accrued on interest-bearing loans received in 2019 and accrued coupon on convertible bonds placed in October 2020.

Profit before income tax decreased by 29% to RUB 12,699mn (2019: RUB 17,948mn), as a result of the 21% increase of revenues combined with a 35% increase in expenses. While profit before tax decreased by 29%, income tax expense decreased by 16% to RUB 2,685mn (2019: RUB 3,193mn). This was primarily driven by certain tax risk accruals resulting from the finalisation of a field tax audit of one of the Group's subsidiaries, partially offset by the application of an income tax relief by another subsidiary.

As a result, Group aggregate net profit decreased by 32% to RUB 10,014mn (2019: RUB 14,755mn).

Consolidated results of operations in accordance with IFRS

The following tables summarise the principal line items from our consolidated income statements under IFRS:

RUB millions	2020	2019
Total revenue	**100,542**	**96,231**
Net gain/(loss) on venture capital investments	46	(139)
Total operating expenses	**(81,263)**	**(68,036)**
EBITDA	**19,325**	**28,056**
(Loss)/profit before income tax expense	**(19,393)**	**22,279**
Income tax expense	(1,833)	(3,428)
Net (loss)/profit	(21,226)	18,851
Attributable to:		
Equity holders of the parent	(20,921)	18,686
Non-controlling interests	(305)	165

Our consolidated revenue increased by 4.5% to RUB 100,542mn (2019: RUB 96,231mn) in 2020, mostly due to organic growth partially offset by adjustment in 2019 related to changes in estimates in MMO deferred revenue calculation. For more details, see note 4.2.9 in our consolidated financial statements for the year ended 31 December, 2020. The primary drivers of the organic revenue growth are described under "Operating segments performance" above.

EBITDA under IFRS decreased to RUB 19,325mn (2019: RUB 28,056mn), while the EBITDA margin decreased to 19.2% (2019: 29.2%) as a result of revenues growing at a slower pace than operating expenses (excluding depreciation, amortisation and impairment).

Operating expenses grew by 19.4% to RUB 81,263mn, or 80.8% of revenue (2019: RUB 68,036mn, or 70.7% of revenue).

The growth in operating expenses was primarily driven by a RUB 5,516mn increase in personnel expenses, mainly due to headcount growth, and by a RUB 3,971mn increase in agent/partner fees due to growth in revenue collection costs and advertising commissions. The key drivers and components of the growth in agent/partner fees were mostly organic and are discussed in detail under "Operating segments performance" above.

Our loss before income tax expense under IFRS was RUB 19,393mn (income in 2019: RUB 22,279mn), primarily due to an increased share in losses from equity accounted associates and joint ventures, a one-time gain recognised in 2019 as the result of the formation of the joint ventures and the decrease in EBITDA as discussed above.

Our net loss under IFRS was RUB 21,226mn (income in 2019: RUB 18,851mn), a combination of loss before tax and income tax expense.

The income tax expense under IFRS decreased to RUB 1,833mn (2019: RUB 3,428mn), mostly due to a decrease in taxable loss before income tax and other drivers, as described under "Operating segments performance" above.

The majority of our taxable profits in 2020 and 2019, as well as income tax expenses, were generated in Russia. Pre-tax gains and losses in other jurisdictions mostly relate to share-based payment expenses, fair value revaluation, foreign exchange gains and losses, and other similar items, which are generally non-taxable (non-deductible) in those jurisdictions. These items affect pre-tax profit, but do not have an influence on income tax expense, which has an effect on the blended tax rate.

A detailed reconciliation of our aggregate segment financial information to IFRS is presented in the tables below.

Reconciliation of aggregate segment financial information to IFRS

	2020	2019
Group aggregate segment revenue, as presented to the CODM	**107,427**	**88,660**
Adjustments to reconcile revenue as presented to the CODM to consolidated revenue under IFRS:		
Effect of difference in dates of acquisition, loss of control in subsidiaries	(1,045)	1,024
Differences in timing of revenue recognition	(5,854)	6,520
Barter revenue	10	9
Dividend revenue from venture capital investments	4	18
Consolidated revenue under IFRS	**100,542**	**96,231**

	2020	2019
Group aggregate segment EBITDA, as presented to the CODM	**26,974**	**29,099**
Adjustments to reconcile EBITDA as presented to the CODM to consolidated (loss)/profit before income tax expenses under IFRS:		
Effect of difference in dates of acquisition, loss of control in subsidiaries	(53)	(7,468)
Differences in timing of revenue recognition	(5,854)	8,265
Net gain/(loss) on venture capital investments	46	(139)
Share-based payment transactions	(1,770)	(1,742)
Other	(18)	41
EBITDA	**19,325**	**28,056**
Depreciation and amortisation	(15,138)	(12,771)
Impairment of intangible assets	(285)	(832)
Share of loss of equity accounted associates and joint ventures	(19,892)	(1,691)
Finance income	336	585
Finance expenses	(2,969)	(1,459)
Other non-operating loss	(490)	(148)
Gain on joint ventures formation	-	15,855
Net gain/(loss) on derivative financial assets and liabilities at fair value through profit or loss	5,235	(758)
Goodwill impairment	(7,050)	(4,380)
Gain on remeasurement of previously held interest in equity accounted associates	46	324
(Impairment)/reversal of impairment of equity accounted associates	(260)	60
Net (loss)/gain on disposal of intangible assets	(124)	418
Net gain on disposal of subsidiary	1,437	-
Net foreign exchange gain/(loss)	436	(980)
Consolidated (loss)/profit before income tax expense under IFRS	**(19,393)**	**22,279**

	2020	2019
Group aggregate net profit, as presented to the CODM	**10,014**	**14,755**
Adjustments to reconcile net profit as presented to the CODM to consolidated net (loss)/profit under IFRS:		
Share-based payment transactions	(1,770)	(1,742)
Differences in timing of revenue recognition	(5,854)	8,265
Effect of difference in dates of acquisition, loss of control in subsidiaries and assets held for sale	(54)	(6,085)
Amortisation of fair value adjustments to intangible assets	(3,298)	(3,192)
Gain on joint ventures formation	–	15,855
Loss on fair value remeasurement of assets held for sale	(285)	(173)
Net gain/(loss) on financial instruments at fair value through profit or loss	5,281	(897)
Net loss on financial liabilities at amortised cost	(220)	–
Goodwill impairment	(7,050)	(4,380)
Gain on remeasurement of previously held interest in equity accounted associate	46	324
Net (loss)/gain on disposal of intangible assets	(124)	418
Net gain on disposal of subsidiary	1,437	–
Net foreign exchange gain/(loss)	436	(980)
Share of loss of equity accounted associates and joint ventures	(19,892)	(1,691)
(Impairment)/reversal of impairment of equity accounted associates	(260)	60
Other non-operating loss	(477)	(148)
Other	–	9
Tax effect of the adjustments	844	(1,547)
Consolidated net (loss)/profit under IFRS	**(21,226)**	**18,851**

Semi-annual analysis

RUB millions	2020				2019			
	H1 2020	% of revenue	H2 2020	% of revenue	H1 2019	% of revenue	H2 2019	% of revenue
Group aggregate segment revenue								
Online advertising	16,728	35%	22,420	38%	16,423	41%	20,745	43%
MMO games	17,372	36%	19,419	33%	13,290	33%	15,146	31%
Community IVAS	9,196	19%	9,141	15%	8,099	20%	8,272	17%
Other revenue*	4,704	10%	8,444	14%	2,268	6%	4,416	9%
Total Group aggregate segment revenue	**48,000**		**59,425**		**40,080**		**48,579**	
Group aggregate segment EBITDA	**13,035**	**27%**	**13,938**	**23%**	**12,478**	**31%**	**16,621**	**34%**
Group aggregate net profit	5,488	11%	4,526	8%	5,591	14%	9,165	19%

The table above represents our segment semi-annual results, with the percentage of revenue for the four consecutive half-years ended 31 December, 2020.

The majority of our revenues are affected by seasonality and as a result, revenues and operating profits are generally higher in the second half of the year than in the first six months:

- Advertising revenues are generally higher in the second half of each year since significant amounts of advertising budgets are typically spent in the last quarters of the year, and there was also a positive effect in the second half of 2020 following the easing of lockdown restrictions in Russia.
- MMO games revenues are generally higher during the second half of the year due to the end of the vacation period, because users tend to play our MMO games more when not on holiday. There was a significant Covid-19 effect in Q2 2020: April was the strongest month for MMO Games (>60% growth for MMO Games revenues YoY), given that it coincided with the peak of the lockdown in Russia, combined with a temporary weakness of the Russian ruble.
- Community IVAS revenues are generally higher ahead of, during and immediately after holiday and festive periods.
- Other revenue driven by online education projects (GeekBrains, Skillbox) had a positive effect from Covid-related lockdowns in Q2 2020.

* Other revenue includes other IVAS

In addition to seasonal fluctuations, our semi-annual H2 2020 results were driven by strong growth in revenue from targeted advertising, mobile games and online education.

Most of the revenue growth in H2 2020 was concentrated in online advertising (8.6% vs. H2 2019), MMO games (28% vs. H2 2019) and other revenue (91.3% vs. H2 2019).

The growth in online advertising was primarily driven by myTarget on mobile and desktop applications. Moreover, VK increased the proportion of higher-margin advertising products. The growth in MMO games was mostly driven by the growth of War Robots, Love Sick, and new projects such as Grand Hotel Mania, among others.

The growth in online education was mostly driven by an increase in the number of students of GeekBrains and Skillbox.

Aggregate segment EBITDA decreased by 16.1% in H2 2020 vs. H2 2019 in line with revenue and expense growth. Personnel expenses increased by 33% in H2 2020 due to an increase in headcount, principally within B2B Cloud&Software, VK and Online Education. In line with the strong growth in revenue from mobile games, myTarget and music subscriptions, agent/partner fees increased by 36% in H2 2020, including respective growth in revenue collection costs, advertising commissions paid to external advertising agencies, and commission to music copyright holders.

Financial position

Liquidity and capital resources

As of 31 December, 2020, the Group had RUB 39,297m in cash and outstanding debt and convertible bonds with a total value of RUB 48,721mn.

The cash-generating capacity of our business remains strong. In 2020, net cash provided by operating activities before interest and income tax increased by 49% to RUB 27,513mn (2019: RUB 18,438mn). Net cash provided by operating activities before interest and income tax grew following an increase in IFRS EBITDA (excluding the effect of share-based payment expense, gain on joint venture formation, loss on fair value re-measurement of assets held for sale, and change in MMO revenue deferral estimate, which represent the most significant non-cash IFRS adjustments to EBITDA).

The ratio of net cash provided by operating activities to consolidated revenues increased to 22.9% in 2020 (2019: 13.4%), mainly as a result of a significant increase in the non-cash revenue deferral in 2020 (due to a change in estimate in 2019, see note 4.2.9 in the financial statement for the year ended 31 December, 2020).

Capital expenditure to acquire property and equipment and intangible assets increased by 33% to RUB 11,118mn, driven by a 44% increase in fixed asset expenditure, mostly consisting of investment in servers and infrastructure for our social networks and joint ventures, and otherwise in line with the organic growth of the business.

Net cash used in investing activities in 2020 included aggregate cash contributions of RUB 17,318mn in associates and joint ventures: the AliExpress Russia Joint Venture, O2O, Uchi.ru and others.

In October we completed the placement of USD 400mn in 5-year convertible bonds with an annual coupon of 1,625% and a 42.5% conversion premium (vs. the USD 28 per GDR placement price).

In September the Group announced the placing of 7,142,858 newly issued Global Depository Receipts at a placement price of USD 28.00 per GDR, corresponding to a capital increase of USD 200mn.

The proceeds were raised in order to:

- fund development and organic growth across existing verticals;
- maintain the flexibility to pursue strategic M&A opportunities in high growth verticals, with particular focus on those stimulated by the pandemic;
- finance investments into the O2O and AliExpress Russia JVs;
- finance loans to the Group's subsidiaries, to be used for the purposes described above.

We will continue to manage treasury operations using the most efficient products available, including bank lines and corporate debt, and for this purpose we have obtained a local credit rating (AA+ (RU)) to be able to further increase the tools at our disposal for optimising the cost of debt as we move ahead.

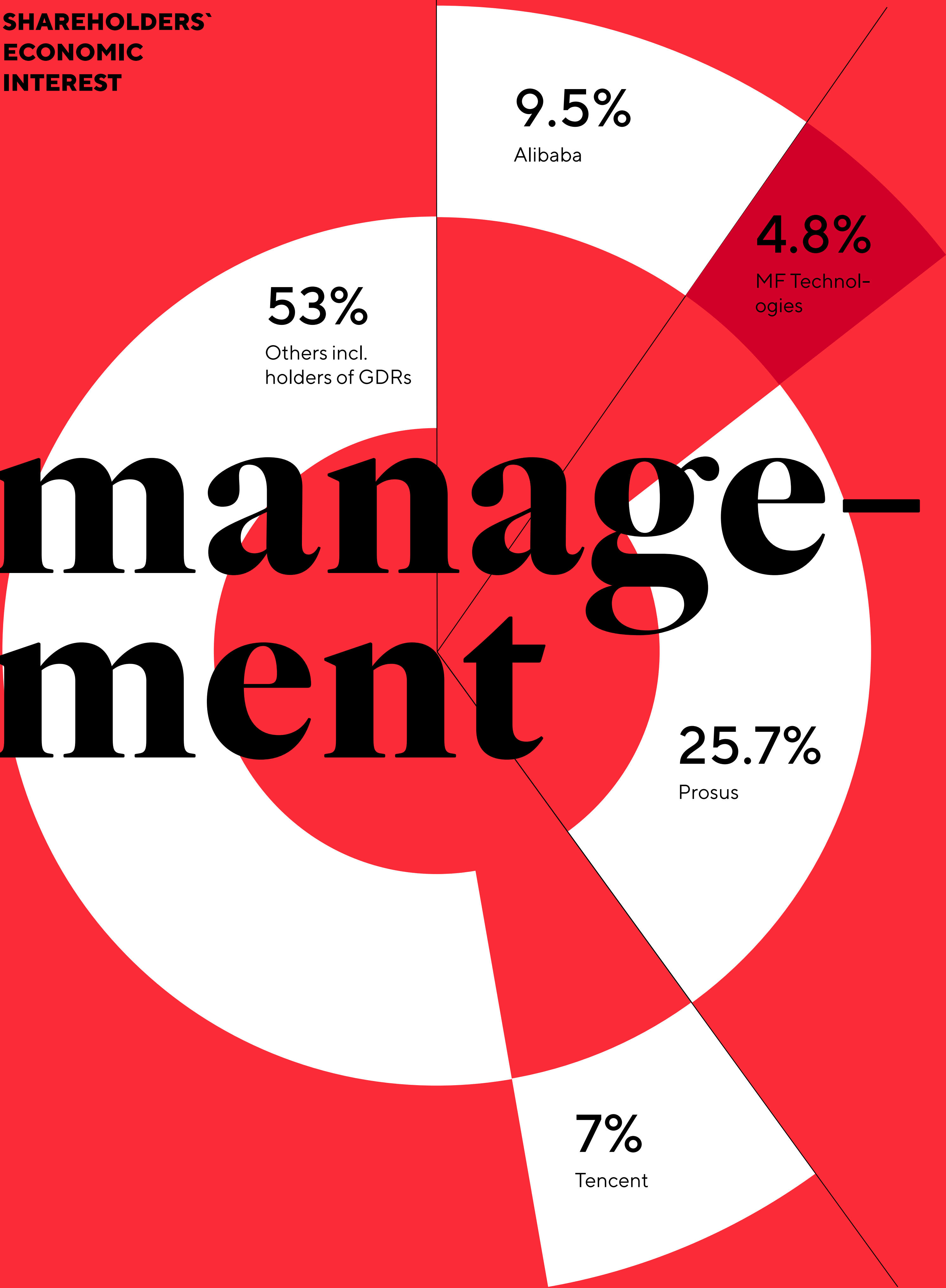
Terms for PSU Plan

September 2020 saw the approval of the issuance of 12,150,000 new ordinary shares to Mail.ru Employee Benefit Trustees Limited for the purposes of making awards under the incentive plans for employees, directors, officers and consultants of the Company and its subsidiaries.

Furthermore, in March 2021 the Board approved a Performance Stock Unit Plan (the "PSU Plan") for grants that vest by reference to financial KPIs, with such PSUs, if vested and exercised, resulting in the holders of the PSUs acquiring Mail.ru Global Depository Receipts tradable on the London and Moscow stock exchanges.

management

SHAREHOLDERS` ECONOMIC INTEREST



management

Board of Directors

Dmitry Grishin, 42
Co-Founder and Chairman of the Board
Dmitry Grishin was appointed Chairman of the Board in March 2012. He co-founded Mail in 2005 and served as Chief Executive Officer (Russia) from November 2010 to October 2016. 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 he founded Grishin Robotics, a global investment company dedicated to supporting personal robotics around the world.

Charles St. Leger Searle, 57
Director
Charles Searle is currently Chief Executive Officer of Internet Listed Assets at Naspers. He serves on the boards of a number of companies associated with the Naspers Group, including Tencent Holdings Ltd. He joined the Naspers Group in Hong Kong in 1998 to assist with the group's expansion into Asia, prior to which he held positions at Cable & Wireless plc and at Deloitte & Touche in London and Sydney. Charles is a graduate of the University of Cape Town and a member of the Institute of Chartered Accountants in Australia and New Zealand. He has more than 25 years of international corporate development experience in the telecommunications and internet industries.

Dmitry Sergeev, 45
Director
Dmitry Sergeev was appointed to the Board in October 2018. Dmitry is Co-CEO of AliExpress Russia JV. From 2014 to 2019 he served as Deputy CEO of Mail. Before joining Mail.ru Group he held upper management positions in a number of TV and media companies. He is a graduate of the School of International Law at the Moscow State Institute of International Relations.

Vladimir Gabrielyan, 38
Director
Vladimir Gabrielyan began his career in IT as a system administrator at Russia Telecom. He later launched his own project, Web-Hosting.ru. Vladimir joined Mail.ru Group in 2001 as a system administrator. He then moved on to head the development and technical support of one of the company's largest assets, the Mail.ru email service. Vladimir Gabrielyan was Mail.ru Group's Vice President and CTO from 2005 to 2019. For 13 years he has run a number of major projects and departments, leading all major technological initiatives. Vladimir Gabrielyan has been the First Deputy Chief Executive Officer of Mail.ru Group since 2019. Vladimir is an established expert in machine learning and big data.

Jaco van der Merwe, 46
Director
Jaco van der Merwe is currently the Head of Treasury at the Naspers/ Prosus Group. He joined Naspers as Group Financial Manager of its electronic media assets in 2006. He has served on a number of boards of Prosus Group companies and as a member of the audit committees of Abril Media (Latin America's leading magazine publisher) and NMS Insurance Services (a short-term insurance company in South Africa). Prior to joining Prosus Group he was an audit partner at KPMG in South Africa. He graduated with a Bachelor of Commerce degree from the University of Johannesburg, South Africa, where he also received a Bachelor's degree (Hons) in Accounting. He is a registered member of the South African Institute of Chartered Accountants.

Mark Remon Sorour, 59
Director
Mark Sorour was appointed to the Board in August 2010. A qualified chartered accountant, in 1994 he left investment banking to join the Naspers Group, where he went on to become its Chief Investment Officer from 2002 until his retirement in 2018. During this time he led and held worldwide responsibility for the Naspers Group's M&A and played a significant role in capital market fundraising activities. Mark's 25 years of experience in the internet, technology and video entertainment businesses include business development and dealmaking in Africa, the Middle East, Thailand, India, China, Europe, the U.S., Latin America and South-East Asia. He currently serves as a non-executive director on the Naspers' and newly listed Prosus Boards.

Lev Khasis, 54
Director
Lev Khasis is a member of the Executive Board, and First Deputy Chairman of the Executive Board of Sberbank. He supervises and coordinates the work of the International Operations Unit, the Technologies Unit, the Services Unit, and several other spheres of the bank's activity. From 1993 to 1995 Lev served as Managing Director of the Samara branch of AvtoVazBank and Vice President of AvtoVazBank. From 1994 to 1999 he was Arbitration Manager and President of Aviakor OJSC. From 1997 to 1998 Lev was Vice President of Alfa Bank. From 1999 to 2002 he was a member of the Board of Directors, and from 2002 to 2006 he was Chairman of the Board of Directors at Perekrestok Trading House CJSC. From 2006 to 2011 Lev was Chief Executive Officer of X5 Retail Group N.V., and from 2011 to 2013 he served as Senior Vice President of Walmart Stores Inc.

Uliana Antonova, 47
Director
In April 2019 Uliana Antonova was appointed CEO of MF Technologies, JSC, to which she brought vast experience in legal matters gained in a range of business sectors across different jurisdictions. In February 2020 Uliana was awarded the Certificate in Company Direction of IoD, UK. A graduate of the Faculty of Law at Moscow State University, Uliana previously served as Vice President for Legal and Leasing Affairs for the KARO cinema network (2014-2019) and Head of Legal at Rambler & Co (2009-2014); she has also worked for the Amtel-Vredestein Group (2007-2009) and was a board member and Head of Legal for the Tinkoff Group (2004-2007).

Jan Buné, 68
Independent Director
Jan Buné was appointed as Independent Director and Member of the Board in October 2013. In October 2014 he became Chairman of the Audit Committee. He has over 40 years of experience in public accounting in both the technology, media & telecommunications sector (TMT) and the financial services sector (FS). He was active as senior audit partner at Deloitte Netherlands until May 2013. Since 2013 he has served in a number of senior non-executive roles. He also served as a Commissioner of the Media Supervisory Authority in the Netherlands from 2013 until early 2021. In addition to his role at Mail.ru he is serving as Chairman of the Audit Committee of the Supervisory Board of Citco Bank Netherlands. He is also Independent Chairman of the Risk Advisory Committee of Prosus PayU Online Payment and Credit Services. Over the years he has gained extensive board-level experience in handling governance, risk and compliance topics.

Sang Hun Kim, 57
Independent Director
Sang Hun Kim was appointed to the Board in February 2011. He was CEO of South Korea's largest internet company, NAVER Corp, from April 2009 until March 2017, when he stepped down as CEO to become a senior advisor to the company. He has served as an independent director of LG Corp. (the holding company of one of South Korea's largest business conglomerates) and a non-executive director on the board of Woowa Brothers Company (South Korea's largest food delivery service operator, which was acquired by Delivery Hero in 2021) since 2018 and 2017, respectively. An active investor in and a mentor to a number of start-ups in Korea, he has served as President of the Korean Internet Companies Association for six years and has contributed to the development of the internet industry in Korea. Sang Hun graduated from Seoul National University and received an LL.M. degree from Harvard Law School. He is a member of both the Korean Bar Association and the New York Bar Association. Before joining NAVER Corp he served as a judge in the Seoul District Court and was General Counsel at LG Corp.

Senior management

Boris Dobrodeev, 37
Chief Executive Officer (Russia)
Boris Dobrodeev was appointed to the Board of Directors in February 2016 and became Chief Executive Officer (Russia) in October 2016. From 2014 to 2016 he held positions as Mail.ru Group's Director for Strategy & Development and VKontakte's CEO, and from 2013 to 2014 he was Deputy CEO of VKontakte. Boris graduated from Moscow State University in 2007 with a degree in History, and holds a Master of International Business Degree, which he obtained from Moscow State University Business School in 2009. He worked for Metalloinvest as an analyst from 2006 to 2009, and occupied the position of Business Development Director at the online video company Zoomby.ru from 2009-2011. From 2011 to 2012 Boris worked as an investment analyst for DST Advisors and from 2012 to 2014 as head of the Internet Asset Management Department at USM Advisors.

Matthew Hammond, 46
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 also became Chief Financial Officer. He graduated from the UK's Bristol University in 1996 with a degree in Economics and History. From 1997 to 2008, he was a technology analyst at Credit Suisse and was ranked No. 1 in the Extell and Institutional Investor Survey eight times. From 2008-2010 Matthew was Group Strategist at Metalloinvest Holdings, where he dealt with non-core investments. He is a non-executive director of Strike Resources.

Vladimir Gabrielyan, 38
First Deputy Chief Executive Officer (Russia)
Vladimir Gabrielyan began his career in IT as a system administrator at Russia Telecom. He later launched his own project, Web-Hosting.ru. Vladimir joined Mail.ru Group in 2001 as a system administrator. He then moved on to head the development and technical support of one of the company's largest assets, the Mail.ru email service. Vladimir Gabrielyan was Mail.ru Group's Vice President and CTO from 2005 to 2019. For 13 years he has run a number of major projects and departments, leading all major technological initiatives. Vladimir Gabrielyan has been the First Deputy Chief Executive Officer of Mail.ru Group since 2019. Vladimir is an established expert in machine learning and big data.

Vladimir Nikolsky, 48
Chief Operating Officer (Russia)
Vladimir Nikolsky joined Mail.ru Group as Vice President of the Online Games business in 2009 and became Chief Operating Officer (Russia) in 2013. He was previously CEO of the online games holding Astrum Online Entertainment (from 2007 to 2009), which subsequently became a part of Mail.ru Group, and co-founder and CEO of the online games company IT Territory (from 2004 to 2007). Vladimir graduated from the Ivanovo State Power Engineering University.

leader of the year

Youla

Egor Danilov

2020
Mail.ru Group
People Awards

leader of the year

MY.GAMES Venture Capital

Ilya Karpinskiy

2020
Mail.ru Group
People Awards

leader of the year

VK

Marianna Krasnova

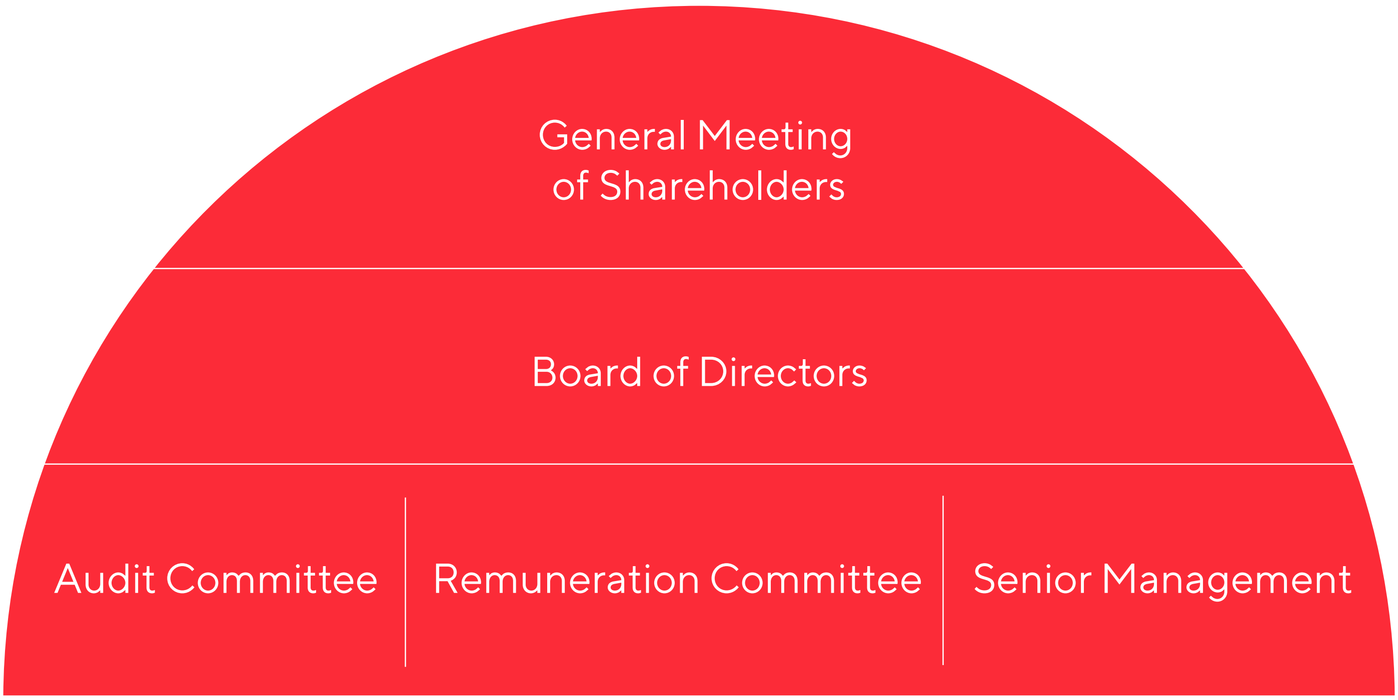
2020
Mail.ru Group
People Awards

corporate governance

Mail.ru Group Limited is incorporated in the British Virgin Islands, with its principal office in Limassol, the Republic of Cyprus.

Governance structure

In accordance with the Memorandum and Articles of Association of the Company and applicable BVI law, our ultimate decision-making body is the shareholders' meeting. Any action that can be taken by the members at a meeting may also be taken by a Resolution of Members. This is followed by the Board of Directors; they are responsible for the general management of the Group, including coordinating strategy and general supervision. We also have an Audit Committee and a Remuneration Committee. Senior managers are involved in the day-to-day running of the Group.



Share capital structure

The Company's authorised and issued share capital as of the date hereof:

Class of share	Authorised shares	Issued shares
Class A (USD 0.000005 par value each)	10,000,000,000	11,500,100
Ordinary (USD 0.000005 par value each)	10,000,000,000	227,874,940

Both classes of shares are in registered form. In respect of the 227,874,940 Ordinary Shares, Global Depositary Receipts ("GDRs") (which represent interests in such Ordinary Shares) have been issued by Citibank NA and are traded on the London Stock Exchange and Moscow Stock Exchange.

As of the date hereof, there are the following types of options over the Company'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 USD 27.70, which was then reduced by USD 3.80 on 17 August, 2012 and further reduced by USD 4.30 on 20 March, 2013 (due to dividend payments), resulting in the current exercise price of USD 19.60. As of the date hereof, 728,255 of these options remain allocated, all of which are vested. Out of 6,423,842 options, 5,581,680 options have been exercised;
- 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 USD 25.60, which was then reduced by USD 3.80 on 17 August, 2012 and further reduced by USD 4.30 on 20 March, 2013 (due to dividend payments), resulting in the current exercise price of USD 17.50. As of the date hereof, 546,617 of these options remain allocated, 374,117 of which are vested. The options generally have a four-year vesting schedule. Out of 4,282,561 options, 3,601,758 options have been exercised.

In March, 2015 the Shareholders of the Company approved the issue of up to 10,977,971 Ordinary Shares, all of which were issued to the Mail.ru Employee Benefit Trust to establish an incentive plan for employees, directors, officers and consultants of the Group, to be known as the 2015 Restricted Stock Unit Plan. On 23 November, 2017 the Remuneration Committee of the Board of Directors of the Company approved New Terms for the 2015 Restricted Stock Unit Plan (the "2017 RSU Plan"), setting out that RSU vesting shall generally be conditional on the meeting of certain performance KPIs. In December 2018, an additional extension to the 2017 RSU Plan for 2,000,000 RSUs and the acquisition of the required amount of GDRs on the market were approved. There was no further extension of the Plan in 2020. As of the date hereof, 3,034,897 RSUs remain allocated, 456,750 of which are vested. A total of 9,957,896 RSUs have been exercised. The RSUs generally have a four-year vesting schedule.

September 2020 saw the approval of the issuance of 12,150,000 new ordinary shares to Mail.ru Employee Benefit Trustees Limited for the purposes of making awards under the incentive plans for employees, directors, officers and consultants of the Company and its subsidiaries. Furthermore, in March 2021 the Board approved a Performance Stock Unit Plan (the "PSU Plan") for grants that vest by reference to Revenue KPIs ("Revenue PSUs"). Such PSUs, if vested and exercised, will result in the holders of the PSUs acquiring Mail.ru Global Depository Receipts tradable on the London and Moscow stock exchanges.

During the 2020 financial year, the Company itself did not acquire any of its own shares.

At the beginning of 2019 the Group announced that in order to meet its ongoing commitments the Mail.ru Employee Benefit Trust would acquire up to 1.8m GDRs on the market over the next 18 months. During 2019 the Company acquired 572,437 GDRs at an average price of USD 23.85 per GDR for the total amount of USD 13,651,922.76. During 2020 the Company did not acquire any GDRs.

Annual General Meeting (AGM) of shareholders

The shareholders' meeting is the Company's supreme governing body. AGMs are convened by the Board of Directors or by a written request from shareholders who hold, in aggregate, 30% or more of the outstanding votes in the Company.

The share capital of the Company is divided into two classes of shares: Class A Shares and Ordinary Shares. Class A Shares each carry 25 votes at shareholders' meetings, while Ordinary Shares carry one vote per share.

The agenda for the shareholders' meetings is determined by the Board of Directors. However, a shareholder or shareholders who hold, in aggregate, 7.5% or more of the outstanding voting shares of the Company may add items to the agenda in compliance with the following requirements:

i) no later than a week before the meeting;

ii) at the meeting itself, with the consent of shareholders who hold, in aggregate, more than 50% of the outstanding voting shares of the Company.

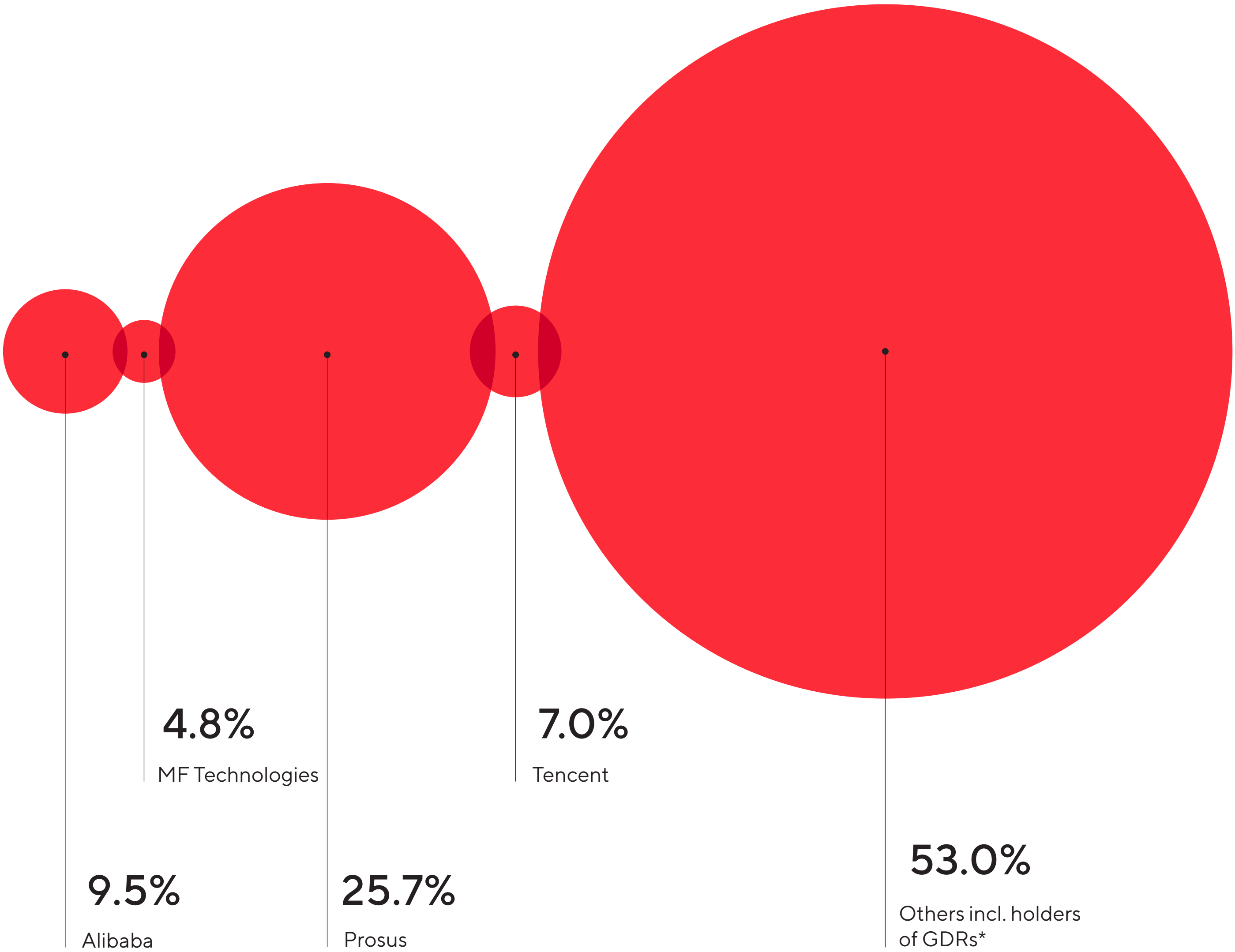
Transfer and conversion of shares

Ordinary Shares are freely transferable. Class A Shares are freely transferable, save that a transfer of Class A Shares that would result in a proposed acquirer (other than a person who was already a member on 27 August, 2010) and persons acting in concert with the acquirer holding 75% or more of the voting rights of the Company is subject to meeting the mandatory offer requirements set out in the Articles.

At the request of any member holding any Class A Shares, the Class A Shares which are the subject of the request are automatically converted into Ordinary Shares. This is on the basis that each Class A Share automatically converts into one Ordinary Share and ranks pari passu in all respects with the existing Ordinary Shares in issue.

Shareholders' economic interest, %

as of the date hereof



Voting rights

Each Class A Share has the right to 25 votes at a meeting of the shareholders of the Company or on any resolution made by the shareholders of the Company.

Each Ordinary Share has the right to 1 vote at a meeting of the shareholders of the Company or on any resolution made by the shareholders of the Company.

Board of Directors

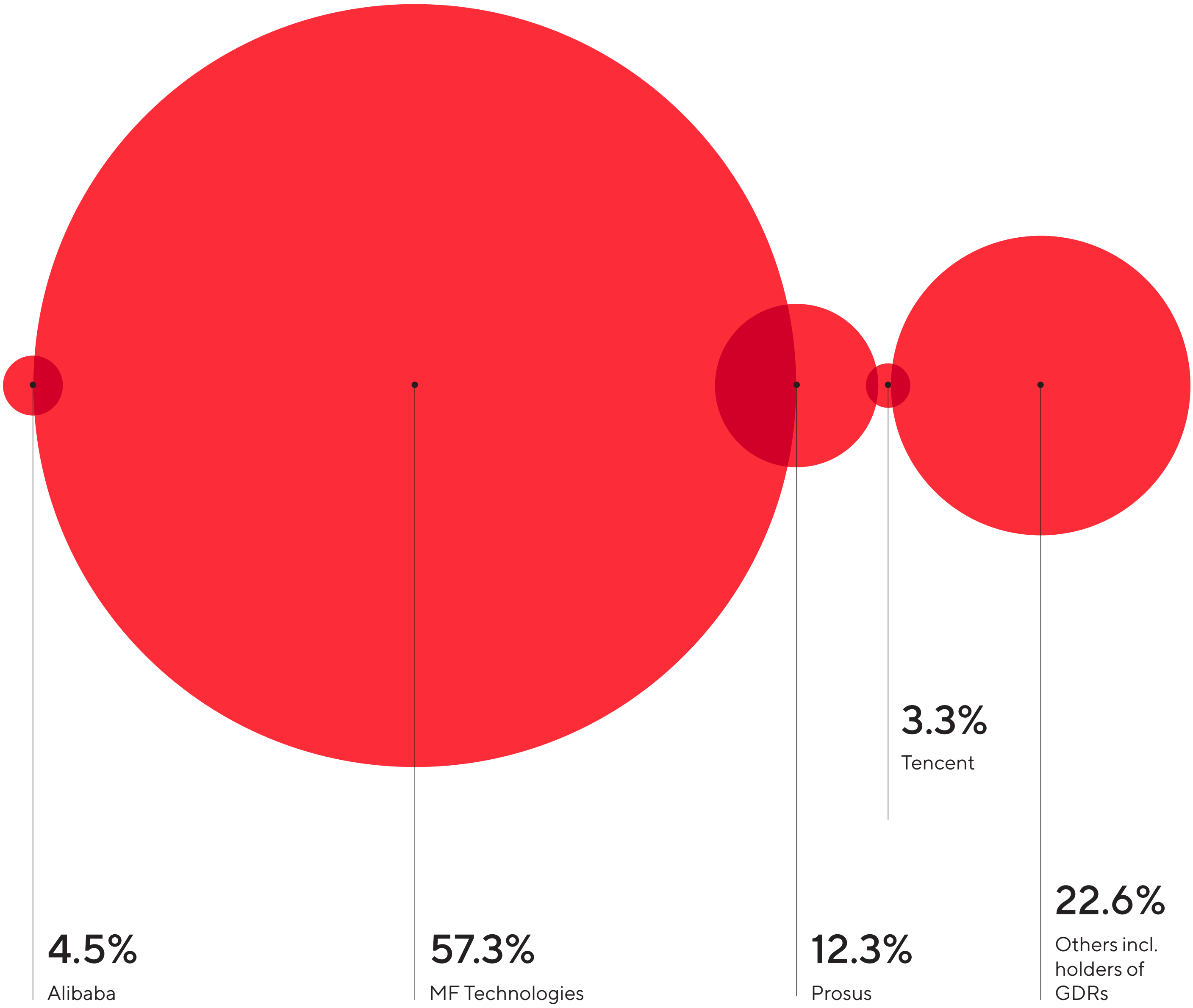
The Board of Directors is responsible for the general management of the Group. This includes the co-ordination of strategy and general supervision.

The Memorandum and Articles of Association specify that there shall be 10 Directors – eight of whom shall be nominated and elected by shareholders (the "Elected Directors") and two of whom shall be independent directors (the "Independent Directors").

* incl. 1% economic interest held by Dmitry Grishin

Shareholders' voting interest, %

as of the date hereof



The Elected Directors are appointed by a vote of the members, with each proposed candidate being put to the members for a vote, with voting on each candidate being treated as a separate vote and with each member being entitled to vote on each proposed candidate (to the effect that the eight candidates who attract the highest number of votes shall be elected as the eight Elected Directors) for a period from the date of their appointment until the second AGM after that date. On expiry of their term, Elected Directors must resign, but are eligible for re-election.

Any shareholder, or group of shareholders, who holds, in aggregate, no less than 5% of (a) the total number of votes attached to the issued shares; or (b) the total number of the issued shares, is entitled to nominate candidates for election by the shareholders as Elected Directors to the Board of Directors. Such nomination must be made not less than 21 days before any AGM at which any Elected Director is due to resign.

The two Independent Directors are nominated by the Board of Directors and appointed by a resolution of the Board of Directors. Independent Directors serve for the period fixed in their terms of appointment, as specified by the Board.

The Board of Directors elects one of its members to act as the Chairman of the Board.

Powers of the Board of Directors

The Board of Directors is granted the authority to manage the business affairs of the Group. They have the authority to make decisions relating to, among other things, the following:

- The right to issue shares and other securities (except as otherwise required by the Company's Memorandum and Articles of Association);
- The approval of the annual budget and annual financial statements of the Company;
- The declaration of any dividend;
- The convening of any shareholders' meeting;
- The appointment of the Group's auditors;
- The appointment of any committee of the Board of Directors, including the Company's Audit Committee and Remuneration Committee (see below);
- The exercise of all rights of the Company in relation to ICQ LLC;
- The approval of any proposal under which the Company or any of its subsidiaries delegates any substantial management authority to any other entity;
- The approval of transactions which are not Substantial Transactions (as defined in the Memorandum and Articles of Association);
- The appointment and removal of any Officer of the Company, or any Officers or Directors of any direct subsidiary of the Company (including, but not limited to, the Managing Director (being the chief executive officer of the Group), Chief Financial Officer or Chief Operating Officer) and the determination of the scope of authority of such Officers of the Group;
- The Board of Directors, or any committees thereof, meet when and how the Directors determine to be necessary or desirable. Meetings are held in the Company's principal office or wherever the 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. 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.

Name	Position	Date of appointment	Expiry of term
Dmitry Grishin	Chairman	31 May, 2019	2021 AGM
Lev Khasis	Elected Director	23 Dec, 2019	2021 AGM
Uliana Antonova	Elected Director	31 May, 2019	2021 AGM
Dmitry Sergeev	Elected Director	31 May, 2019	2021 AGM
Charles Searle	Elected Director	31 May, 2019	2021 AGM
Mark Remon Sorour	Elected Director	31 May, 2019	2021 AGM
Vladimir Gabrielyan	Elected Director	31 May, 2019	2021 AGM
Jaco Van Der Merwe	Elected Director	31 May, 2019	2021 AGM
Jan Buné	Independent Director	31 May, 2019	2021 AGM
Sang Hun Kim	Independent Director	31 May, 2019	2021 AGM

Senior management

The senior management is involved in the day-to-day management of the Group.

Name	Position	Appointment
Matthew Hammond	Managing Director	April 2011
	Chief Financial Officer	June 2013
Boris Dobrodeev	Chief Executive Officer, Russia	October 2016
Vladimir Gabrielyan	First Deputy Chief Executive Officer, Russia	November 2019
Vladimir Nikolsky	Chief Operating Officer, Russia	June 2013

Committees of the Board of Directors

Mail.ru Group Limited has an Audit Committee and a Remuneration Committee.

Audit Committee

The Audit Committee is appointed by the Company's Board of Directors and meets on a regular basis, but no less than four times a year.

The purpose of the Audit Committee is to assist the Company's Board of Directors in fulfilling its responsibilities in respect of:

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

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

- reviewing annual financial statements and interim financial results;
- regular internal reports to management prepared by the internal audit department, and management's response;
- consideration of external auditors' reports – including the receipt and review of reports, which furnish, in a timely fashion, information related to various accounting matters – and matters relating to internal controls if applicable, emphasising reported unadjusted audit differences and disagreements between the external auditors and management;
- annually reviewing and reporting on the quality and effectiveness of the audit process; assessing 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 the Group's 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;
- 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.

Members of the Committee

- Jan Buné, Chairman
- Sang Hun Kim
- Jaco Van Der Merwe

Remuneration Committee

The Remuneration Committee is responsible for approving the terms of appointment and remuneration of the Group's senior managers as well as for the approval of options or RSUs to be granted under incentive plans.

The Remuneration Committee meets on an as-and-when-appropriate basis.

Members of the Committee

- Dmitry Grishin, Chairman
- Charles Searle
- Sang Hun Kim
- Lev Khasis

mentor of the year

Delivery Club

Elena Zalesova

2020

Mail.ru Group People Awards

mentor of the year

Video

Alexander Dzyuba

2020
Mail.ru Group
People Awards

Internal control system in relation to the financial reporting process

Internal control is exercised by the Group's Board of Directors, executive bodies, officers and operational management. Their aim is to secure the achievement of goals set by the Company in the following areas:

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

The following functions are performed by the Internal Audit Department:

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

Risk management system

Mail.ru Group is subject to certain risks that affect our ability to operate, serve our clients, and protect our assets. Controlling these risks through a formal programme is necessary for the well-being of Mail.ru Group. The Group is committed to identifying and managing risk, in line with international best corporate governance practice.

Effective and adequate risk management and internal control systems are crucial to the achievement of business strategies. To ensure the effectiveness and efficiency of both these systems the Group has adopted the "three lines of defence" model, which comprises day-to-day operations and management, risk management function and independent assurance. These lines are aimed at providing reasonable but not absolute insurance against material losses or failures to achieve strategic objectives.

The existing risk management system operates as follows:

- the Board of Directors has a responsibility to ensure that it has dealt with the governance of risk comprehensively;
- the Board is also responsible for overseeing the risk appetite, i.e. the level of risk the Group is willing and is ready to take;
- the CEO is accountable to the Board for the enterprise-wide management of risk;

- management is responsible for assessing and managing the risks in accordance with approved plans and policies;
- the Risk Management Committee assists the management in carrying out its responsibility for the governance of risk, reviews and approves risk management policy, risk mapping and registers, risk assessments and mitigation activities; ensuring that an appropriate enterprise-wide risk management system and process is in place with adequate and effective risk management processes that include strategy, ethics, operations, reporting, compliance, IT and sustainability;
- the Audit Committee assists the Board in its responsibility for overseeing the risks, including financial reporting risks and internal financial controls, as well as fraud and IT risks as they relate to financial reporting; the overall adequacy and effectiveness of risk management;
- internal audit provides assurance on the adequacy and effectiveness of the risk management process across the Group. The Risk Management Committee comprises the principal operating managers of the Group (the heads of principal business units) appointed by the CEO or his Deputy.

The Risk Management Committee is chaired by the Deputy CEO. Members of the committee, taken as a whole, must comprise individuals with risk management skills and experience.

Corporate governance code

Mail.ru Group Limited, as a BVI incorporated limited company with a listing of Global Depositary Receipts on the Official List maintained by the UK Listing Authority, which are admitted to trading on the London Stock Exchange, is not subject to any corporate governance code, nor has it voluntarily decided to apply any corporate governance code.

However, the Company does apply corporate governance standards, including: the appointment of two Independent Directors to its Board of Directors; the appointment of Remuneration and Audit committees; and the periodic re-election of Directors. This goes beyond the requirements of national law.

The Board of Directors has adopted various policies and charters relating to the Company's governing bodies. These include the Board Charter, Code of Ethics and Business Conduct, Directors' Right to Access Information/Documents Policy, Legal Compliance Policy, Charter of the Audit Committee of the Board of directors, Internal Audit Charter, Remuneration Committee of the Board of Directors Charter, Risk Committee Charter, Risk Management Policy, Policy on Access to Inside Information and the Trading Policy for Directors, Senior Managers and Employees. These are all followed by the Group in all material respects.

Policies and other details of the Company's corporate governance practices can be found at http://corp.mail.ru/en/investors/management/.

team of the year

MY.GAMES Venture Capital

Ilya Karpinskiy, Alexey Skrebtsov, Alena Barmatova, Nadezhda Lvova, Alexander Bazhan

2020
Mail.ru Group People Awards

team of the year

HR team

Anastasiia Pechatnikova, Valeriya Mityaeva, Olga Sidorova, Dmitry Smyslov, Karina Pushkina, Natalia Terentyeva

2020
Mail.ru Group People Awards

team of the year

Digitalisation team 2020:
Mail.ru Cloud Solutions

Leonid Anikin, Ilya Letunov, Vadim Kozhin, Mikhail Hlebunov

2020
Mail.ru Group
People Awards

risk management

Liquidity and financial resources

The Group monitors the risk of a shortage of funds by using a liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of operating cash flows and bank loans and overdrafts. The Group's other financial liabilities are mostly represented by trade and other payables with a maturity of less than one year, as well as current and non-current lease liabilities and convertible bonds redeemable on 1st October, 2025, unless previously converted, repurchased or redeemed.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The financial assets which potentially subject the Company and its subsidiaries and associates to credit risk consist principally of cash and cash equivalents, short-term time deposits, short-term receivables and convertible loans. The total of these account balances represents the Group's maximum exposure to credit risk.

The Group places its cash and cash equivalents with highly rated financial institutions which are considered at the time of deposit to have minimal risk of default. The Group does not require collateral or other security to support the financial instruments subject to credit risk. Accounts receivable from the two largest customers collectively represented 12% of the Group's total trade receivables as of 31 December, 2020 and 12% as of 31 December, 2019.

No customer accounted for more than 10% of revenue in 2020 or 2019. The Group provides credit payment terms to its customers in accordance with market practices and based on thorough review of the customer's profile and creditworthiness. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss beyond the allowance already recorded.

Capital management policy

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise shareholder value. The Group manages its capital structure and makes adjustments in light of changes in economic conditions.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The market risks the Group is exposed to comprise two types of risk: currency risk (Note 24.6) and equity risk. The Group's financial instruments affected by market risk include payables, cash and cash equivalents, short-term time deposits, financial investments in associates and derivative financial instruments. The Group's equity risk arises from uncertainties about the future values of investments in unlisted securities.

Risks relating to the Company's financial condition

The Company's failure to comply with the restrictive covenants in the Loan Agreements or in the terms and conditions of the Bonds may cause the acceleration of our outstanding debt, which could have a material adverse effect on our business, financial condition, operational results and prospects.

In 2019 and 2020, we raised several loans with a total value of RUB 22,846mn from Sberbank and Raiffeisenbank, maturing in 2023 and 2024 respectively, to fund M&A activity (the "Loan Agreements"). The Loan Agreements contain various restrictive covenants, including an obligation to maintain certain financial ratios that we as a borrower are required to fulfil.

In 2020 we issued USD 400mn in Senior Unsecured Convertible Bonds due in 2025 (the "Bonds"). The terms and conditions of the Bonds contain various restrictive covenants, including obligations to maintain and pay any other forms of financial indebtedness we may have, that we as issuer of the Bonds are required to fulfil.

As noted, our loan agreements and the terms and conditions of our Bonds contain customary market standard restrictive covenants and other obligations. Failure to comply with our financial and other covenants contained in any of our loan agreements or the terms and conditions of the Bonds, including compliance with financial ratios and other covenants, or failing to obtain prior consent from lenders and/or the holders of the Bonds or the trustee of the Bonds for certain actions, or failing to obtain extensions or waivers in respect of any breaches of our loan agreements, the terms and conditions, the Bonds, amendments to our loan agreements, or the terms and conditions of the Bonds, would constitute an event of default under the relevant loan agreement or the terms and conditions of the Bonds. This could result in the acceleration of repayment of principal and interest under the relevant loan agreement or under the terms and conditions of the Bonds, reduced opportunities for future borrowing, debt service or Bonds 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, operational results and prospects.

Business risks

Technological changes and development

The internet industry is characterised by constant and rapid changes in technology, consumer preferences, the nature of services offered and business models. A failure to innovate, to provide popular products and services or to react quickly to changes in the market could affect the popularity of the Group's sites and, in turn, could affect advertising revenue. 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.

Quality products for expansion to new markets

The Group aims to continue its expansion to foreign markets in Europe and the U.S. by offering innovative and competitive products to audiences. Should we fail to ensure a sufficient supply of high-quality game titles, mail services and social network features for our users, we may face a decline in respective audiences and, subsequently, revenues.

Mobile distribution

As we distribute our mobile products primarily via two app stores, we are dependent on the interoperability of our products with two major operating systems that we do not own or otherwise control: iOS and Android. If Google Play or Apple's App Store alter their search mechanisms or otherwise give preferential treatment to competing apps, we may face a decrease in ratings for our products and, subsequently, changes in mobile market shares.

Mobile technology development

The use of mobile devices to access internet services is growing every year. Mobile device monetisation may not catch up with desktop monetisation rates. Manufacturers may introduce their own standards and technical requirements for their devices, which may adversely affect the performance and usability of our services and products on these devices. If we fail to successfully develop or use new mobile technologies or adapt in a cost-effective and timely manner to changing industry standards or user preferences, whether due to legal, financial or technical reasons, our financial results could be adversely affected. An inability to develop products and services which are compatible with new mobile devices could result in a failure to capture a significant share of an increasingly important market.

Ad-blocking technologies

We earn a significant portion of our revenues from displaying advertisements on our websites. Some users install ad-blocking technologies provided by third-party developers on their browsers. Should this practice become more popular and effective, we may face a decrease in our advertising revenues

Advertising market

Advertisers' spending depends on the overall economic situation in Russia and could be negatively affected by a recession or other economic factors. Advertisers may also re-distribute their budgets to other channels, such as TV, should the latter offer favourable terms or additional inventory. Such a decrease in online advertising expenditure due to any of these factors may negatively affect our revenue.

Underlying markets

If penetration rates for the internet, spending on advertising and IVAS in Russia do not increase, our ability to increase revenue could be significantly and adversely affected.

Competition

The development by domestic and large international internet companies of products which compete with the services provided by the Group could decrease the Group's user base and make it less attractive to advertisers.

Increased competition could result in a reduction in the number of users who buy the Group's Community IVAS – including games. This, in turn, would result in lower revenue and net income. Similarly, the Group may be required to spend additional resources to promote or improve its services in order to compete effectively, which could require additional capital or adversely affect the Group's profitability.

Unsuccessful game titles

User expectations regarding the quality, performance and gameplay of MMOs are high, though even the most successful titles remain in high demand only for a limited period of time, unless refreshed or otherwise enhanced with additional content. In order to remain competitive and attractive to our users we must constantly develop new products or enhance existing ones. There is a risk that the major new MMO titles may fail to gain traction with users, which would lead to the underperformance of the online games business and lower-than-expected revenues.

Mobile games could also be unsuccessful as they may fail to achieve the required profitability targets due to the high cost of marketing and revenue share payable to mobile platforms.

Investments and acquisitions

Investments in and acquisitions of other entities are an important part of our overall strategy. We have invested in a number of diverse businesses over the last few years. We expect to continue to consider various businesses, technologies, services and products as potential investment targets for our development strategy and use of capital. We may face difficulties in integrating these diverse corporate cultures, technologies, business models, employees, internal controls, financial reporting, and other policies and procedures into our existing business processes in an effective and efficient manner. We may also encounter difficulties with those investments in relation to their underperformance relative to our initial expectations or acquisition price, or we may incur unexpected expenses pertaining to these integrations.

Joint ventures

To pursue our strategic development goals we have entered into several joint venture agreements with third parties in the online-to-offline (O2O) segment. These transactions could have a significant impact on our financial position and results.

We do not exercise sole control over such entities, as shareholders' agreements provide certain contractual and management rights to our partners.

Failure to successfully develop such new businesses and to operate them in a sustainable and efficient manner or a failure to reap the anticipated benefits of our investments could cause us to face unanticipated liabilities and harm our overall financial results.

Personnel

As competition in Russia's internet industry increases, our business and operations could be adversely affected by difficulties in hiring, motivating and retaining highly skilled people. Our performance and future success depend on the talents and efforts of a large number of highly skilled individuals within the Group. We will need to continue to identify, hire, develop, motivate and retain highly skilled personnel for all areas of our organisation, including those with programming skills in rare languages. Competition in the internet industry, and in particular in Russia, for suitably qualified employees is high. As this competition in Russia 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, there may be a significant and adverse effect upon our business and operational results.

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

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.

This could have a significant adverse effect on our business, operational results and financial condition.

Infrastructure and capacity

If the infrastructure in Russia is not able to support increased demand, the Group's services could be interrupted or its systems damaged. A reduction in the availability of third-party providers of network and server capacity could limit the Group's ability to offer certain services or to expand. Recent coronavirus or other similar outbreaks or adverse public health developments may result in our operations, and those of our customers and suppliers, facing delays or disruptions, such as difficulty obtaining equipment and its components, and/or the temporary suspension of operations. Network or power failures could result in the loss of data and in a reduction in the number of users, which could have a significant effect on the Group's business, operational results and financial condition.

Cyber security

Hackers and groups of hackers may create malicious software (malware) to pursue their own criminal interests. These cyber criminals create Trojan programs and computer viruses, including adware and ransomware, which are becoming more and more sophisticated and numerous, aimed at stealing sensitive information or otherwise harming users and their data. Although we believe we have processes and systems in place to protect the data we possess, no measures can ensure absolute security and prevention of data loss, as our industry is especially prone to cyber threats.

Should hackers target the Group's customer databases or online gamers' personal data, and we fail to appropriately and rapidly defend our servers, we may face serious reputational losses and significant financial effects.

Intellectual property rights

The Group 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 its services.

If the Group is found liable for infringement, it may be required to pay significant damages, and if it is unable to license or develop non-infringing technology in good time, it may be unable to continue offering the affected services without risk of liability.

Similarly, third parties may obtain and use the Group's intellectual property without authorisation. 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 the Group to protect its intellectual property. This could have a significant effect on its business, operational results and financial condition. The Group and its associates have been subject to such proceedings in the past. Although none of them was individually significant, similar potential claims may potentially subject the Group to significant losses in the future, which currently cannot be reliably estimated

Political, economic and social risks

Political instability in Russia

Mail is registered in the BVI, with the Company's principal office in the Republic of Cyprus, whereas the operating business of the Company's subsidiaries is located mostly in Russia. Russia's economic, political and social conditions, as well as government policies, could affect Mail's business, financial condition and the results of Mail's operations. A substantial portion of Mail's businesses, assets and operations are located in Russia. Accordingly, our financial condition, operational results and business prospects are, to a significant degree, subject to economic, political and legal developments in the Russian Federation. At present the Russian economy differs from the economies of most developed countries in many respects, including, among other things, the level of economic development and economic instability, government scrutiny, the economic growth rate, inflation levels and the instability of the banking system. Any future downturns in the Russian economy may impair our ability to achieve positive financial results and our overall business prospects. Future political stability in the Russian Federation is not guaranteed and any instability could have a negative impact on the overall economic situation, including capital flight and a slowdown of investment and business activity. Additionally, the Russian parliament and/or government officials may apply politically motivated or ambiguous legislative acts, which could have a material adverse effect on the value of investments relating to the Russian Federation and securities in particular, as well as on our business, our ability to obtain financing in the international markets and our financial position or prospects.

Increased international sanctions, or changes to the nature of these sanctions, may have an adverse effect on our business and financial condition.

Following several international political conflicts, the United States, the European Union and certain other countries have imposed economic sanctions on certain Russian government and political officials as well as specific private Russian individuals. In addition, sectoral sanctions have been introduced in certain industries on transactions undertaken by the aforementioned Russian parties. These sanctions prohibit most business activities in Crimea for United States and European Union companies and individuals, and were extended indefinitely in 2019. Our entities have been subject to Ukrainian sanctions since 2017. Pursuant to a Ukrainian Decree of May 2017, all operations and bank accounts for LLC Mail.ru Group, LLC Vkontakte and LLP Mail.ru Ukraine were blocked in Ukraine, with Ukrainian authorities banning local users from accessing any of Mail's services and/or websites.

In light of the above, many European Union and United States companies may adopt a more cautious and restrictive internal compliance approach when dealing with Russian entities. This, in turn, may restrict their business activities with Mail, even if Mail is not itself on the specific European Union and United States sanctions lists. As well as this reticence on the part of certain companies to do business with Mail, further expansion of these sanctions lists or any further international political conflicts may lead to an adverse effect on Mail's financial results.

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

Russia's regulatory authorities have a high degree of discretionary influence over governmental actions. This can include the denial or withdrawal of licenses, tax audits, criminal prosecutions and civil actions. There have been cases of federal and local government entities using common defects in matters surrounding share issuances and registration as grounds for court claims and other demands to invalidate such issuances and registrations or to void transactions. 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. Mail has some opportunity to verify the legal capacity of the requester and its competence, and only if requests are legal is there an obligation to grant access to user's personal data. In addition, as an internet company with access to a substantial portion of Russia's population, we can be subject to elevated government focus and investigation.

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, operational results and financial condition. Russian authorities have challenged some Russian companies and prosecuted their executive officers and shareholders on tax evasion and related charges.

Economic and military conflicts

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

Mail is registered in the BVI with the Company's principal office in the Republic of Cyprus, whereas the operating business of the Company's subsidiaries is mostly conducted in Russia. As an emerging market, Russia is generally more vulnerable to economic instability, market downturns and economic slowdowns elsewhere in the world than more developed countries. Such risks, whether actual or perceived, may negatively affect investors' intentions and willingness to invest money in the Russian economy. In 2018-2019 the continued economic sanctions imposed on certain Russian companies, sectors and government officials by the U.S., EU and certain other countries over the conflict in Ukraine also added significant uncertainty to the investment climate and overall economic situation. This may create difficulties for the Russian economy to properly develop, obtain sufficient liquidity, avoid volatility, and for foreign investors to pursue with confidence, and expect returns on, investments.

The Russian Federation's continued or increased involvement in any future political and/or military conflicts has the potential to negatively affect our business as well as the value of investments in GDRs. By way of example, the ongoing events in Ukraine have had an adverse effect on the Ukrainian economy and may also lead to negative effects on the Russian economy, which may hamper Mail. Similarly, events in Ukraine have led to Mail's existing assets in the country being placed under sanctions until 2023. Under the terms of these sanctions, internet service providers in Ukraine are not allowed to provide access services to the Group's services including Mail.ru (www.mail.ru) and the Group's social networks VKontakte (www.vk.com) and Odnoklassniki (www.ok.ru).

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

The functional currency of the Company and majority of its subsidiaries and associates is the Russian ruble. The Group has, however, monetary assets and liabilities that are denominated in other currencies, and changes in exchange rates can result in gains or losses. By way of example, in FY2020, the Group recorded a gain of RUB 436mn against a loss of RUB 980mn in FY2019, due to fluctuations in currency exchange rates.

Inflation

The Russian economy has been characterised by high rates of inflation. Our costs (in particular salaries) are sensitive to rises in general price levels 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 GDRs.

Global financial or economic crises or even financial turmoil in any large emerging market country tend to adversely affect prices in the 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 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 GDRs.

Covid-19 pandemic

First identified in December 2019, the coronavirus outbreak has affected countries, industries, businesses, families and individuals. The pandemic has resulted in restrictions, limitations, lockdowns and other preventive measures by authorities aiming at containing and mitigating the consequences of the decease. On March 28, 2020 the Russian government introduced internal travel restrictions, a nationwide mandatory remote work requirement and the closure of most commercial activities. These measures caused a weakening or downturn in business activities, resulting in a decrease in advertising activities for affected industries; at the same time we experienced an increase in demand for our online services, including online games and social networks, as well as for food delivery services The restrictions imposed have been gradually lifted since June 2020. In addition to these effects on our advertising revenues and online services, this pandemic has other potential influence on our operations and activities:

- Our operations and efficiency may be adversely affected if our key employees and managers fall ill;
- Continuing remote work may negatively affect the productivity of our employees;
- Our user bases and user engagement may become volatile as a result of the imposition of stay-at-home restrictions and their subsequent lifting;
- Our expenses may increase as we engage in various activities and donations to combat the consequences of Covid-19;
- Our operating and financial performance may be adversely affected, since we may be unable to run our business activities as usual for an indefinite period of time.
- The global adverse impact in the form of disruption to financial markets and recession may materially affect our liquidity and the value of our shares. Given the unpredictable nature of future events, which will define the extent of the impact of Covid-19, our business may be materially affected if we are not able to respond to the situation promptly.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the circumstances of a global pandemic, however, the consequences of this pandemic are currently hard to predict.

Legislative and legal risks

Regulation

Weaknesses relating to the evolving Russian legal system and Russian laws create an uncertain environment for investment and business activity in Russia and could thus have an adverse effect on our business. The legal framework in the Russian Federation is still evolving, and Mail may be required to comply with additional regulatory requirements in the future. Amendments to existing laws and/or the addition of new laws may require Mail to spend additional funds and resources, which may, in turn, limit Mail's ability to provide its usual services. 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 the internet industry is uncertain, for example there is not a detailed legislative framework in place regarding behavioural targeting or big data processing. Due to the specific nature of internet-related activities, the application of general legislation results in different interpretations by the courts and regulatory agencies and gives rise to legal uncertainty. Potential amendments to current legislation that address specific aspects of internet-related activities and increase the regulatory load 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, operational results and financial condition.

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 that we provide.

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, operational results and financial condition, including the blocking of our assets.

New amendments have also been made to the Federal Law "On Information, Information Technologies and the Protection of Information", including:

- amendments clarifying the procedure for restricting access to the information disseminated in breach of copyright or related rights provisions. In accordance with the applicable law, internet (mobile) applications in breach of copyright and related rights provisions can be blocked following a court order. The procedure for blocking such applications is similar to the restriction process on site access. The law came into force on 1 October, 2020;
- amendments regulating social networks. The new law introduces the concept of a “social network” and defines the obligations of social network users as follows: it is prohibited to use a social network for illegal purposes, in particular, for committing criminal offences, disclosing state secrets, disseminating information calling for mass riots, pornographic materials, obscene language, publishing defamatory material that affects the reputation of a business, information on suicide, gambling, extremism and terrorism, and other information prohibited for distribution on the territory of the Russian Federation;
    - → Were we to fail to accurately comply with the obligations above, it could create liability in the form of a fine of up to RUB 8mn (depending on the information published on the social network).
    - → The social network is obliged to provide an e-mail address and a form for user requests, and has to respond to user requests within 30 days. In addition, social networks have to publish a report on the implementation of measures to remove prohibited information.
    - → This law came into force on 1 February, 2021.

A new draft law has been submitted to the Russian parliament that limits foreign participation in domestic audiovisual services (AVS) to 20% - similar to the regulation on mass media which was introduced in 2017.

Amendments to the Federal Law on "Personal Data Protection" have also been adopted, regulating the use of personal data that is available to the public.

- These new rules introduce the new concept of “personal data permitted by the subject for dissemination” and determine the conditions for its use. In particular, such personal data can be used by third parties only on the basis of the consent of the subject of the personal data. The law came into force on 1 March, 2021.

A new draft to the Advertising Law has been adopted by the State Duma in the first hearings regulating the placement of social advertisements on the internet. The new rules establish certain requirements for social advertising. The advertiser or the advertising system is obliged to provide a placement for social advertisements on the internet at a cost not less than that established by law. In the case of posting social advertising through a specialized operator, such advertising must be placed free of charge. For the purpose of making forecasts each advertiser or the advertising system has a duty to send the specialised operator reports on the forms, volumes and methods of advertising distribution. Failure to comply with these requirements may result in restrictive measures. The specialised operator is selected by the Russian government

Legal proceedings

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which has had, individually or in aggregate, a significant adverse impact on the Group. Management believes that the resolution of all current and potential legal matters will not have a significant impact on the Group's financial position or operational results.

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently.

Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the Russian tax authorities. Current practice within the Russian Federation suggests that the tax authorities are taking a more assertive position in their interpretation of legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

The Group's management believes that its interpretation of the relevant legislation is appropriate and is in accordance with current industry practice and that the Group's tax, currency and customs positions will be sustained. However, the interpretations of the relevant authorities could differ and the effect of additional taxes, fines and penalties on these consolidated financial statements, if the authorities were successful in enforcing their different interpretations, could be significant.

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. Initiatives incorporated into Russian law and effective from 2015 include the concept of beneficial ownership, regulations relating to the tax residency of legal entities and the introduction of "controlled foreign companies" rules. The Russian tax authorities now pay more careful attention to any structure that contains a foreign element. They now have more instruments allowing them to identify risks, collect relevant tax information and impose taxes than ever before, including international information exchange under double tax treaty provisions and/or automatic international exchange (in effect from 2018 for Russia). In addition, in 2017 Russia enacted Article 54.1 of the Tax Code, on the basis of which the Russian tax authorities could disallow both VAT and tax deductions on profits for payments made to bad faith suppliers.

No assurance can currently be given as to how the above legislative changes will be interpreted by the Russian tax authorities and the potential impact this could have upon the Group. The Group 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 significant adverse effect on the Group's business, financial condition and operational results.

Russia is negotiating and interpreting its double tax treaties with various jurisdictions. By way of example, amendments were made to the Cyprus-Russia Double Tax Treaty in 2020. The clarifications subsequently issued by the Russian Ministry of Finance originally disallowed the 5% tax rate on dividends to public companies if the company in question listed depositary receipts on stock exchanges rather than shares. Later on, in February 2021, the Russian Ministry of Finance changed its position. In particular, it clarified that depository receipts qualified as shares if they were listed on either Russian or Cyprus stock exchanges only. This could thus result in a 15% withholding tax on dividends from the Russian subsidiaries to Cyprus. The Ministry of Finance held negotiations with the Ministry of Finance of the Kingdom of the Netherlands to amend the Agreement on the Avoidance of Double Taxation between the countries in terms of increasing the withholding tax to 15% in respect of dividends and interest. Since the negotiations were not successful, the Ministry of Finance prepared a bill to denounce the agreement. The Russian government approved the denunciation of this Agreement in April. Such changes could adversely affect the Group's business.

In 2021 a new law regarding the taxation of IT companies entered into force in Russia. The law proposes VAT exemption and a decrease in the profit tax rate and social contributions for Russian IT companies if certain criteria are met. In particular, VAT exemption will only apply to licensing software and databases included in the register of domestic software. Previously the exemption applied to all software and databases and was used by the Group. The Group cannot guarantee that it will be eligible to apply this new VAT exemption in the future and expects negative effects from the new VAT exemption rules. In addition, it is not clear if the Group could benefit from the reduction in the profit tax rate and social contributions, as certain requirements of the law are still to be clarified.

Modifications to the Group's legal structure carried out 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 modifications to it could have a significant adverse effect on the Group's business, operational results, financial condition or prospects.

Tax audits

Our Russian legal entities are subject to tax audits by the respective authorities, who may audit periods of up to three years preceding the year in which a tax audit is initiated. Such audits may result in additional tax liabilities, fines and penalties, should the respective authorities disagree with our approach to taxation issues. Management believes that its tax positions are sustainable and are in accordance with all applicable legislation.

Self-employed persons

Some of our Russian counterparties in food and grocery delivery services are registered as self-employed persons and, therefore, we are not obliged to withhold personal income tax and unified social tax while reimbursing them for the services they provide to us. According to current tax regulations these self-employed persons are individually responsible for paying income and social taxes to the respective tax authorities under special simplified rules for tax on professional income. We do not consider these counterparties to be part of our personnel and believe that we hold no responsibility to pay related taxes and contributions for them.

However, as the concept of a self-employed person is relatively new in Russia and remains untested by the tax authorities, with no relevant court practice for such cases, there is a risk that the Russian tax authorities would try to reclassify such counterparties as our employees, claiming the related taxes under labour law rules. Such reclassification may adversely affect our financial results.

Payment regulations

We accept payments for our services through our internal service and through third-party services, who both provide payment processing by debit and credit cards. We are subject to a number of industry and legislative requirements, including PCI DSS and Russian statutory requirements for enhanced authentication.

We might face negative effects on our expenses should the interchange fee from third parties increase in future, or even experience disruption in services if any third party is unwilling or is not available to provide the payment service. Failure to comply with any legislative acts might lead to an increase in the cost of litigations and legal fees, negative media coverage and an outflow of users.


intern
of the year
OK
Daria Suhova
2020
Mail.ru Group
People Awards

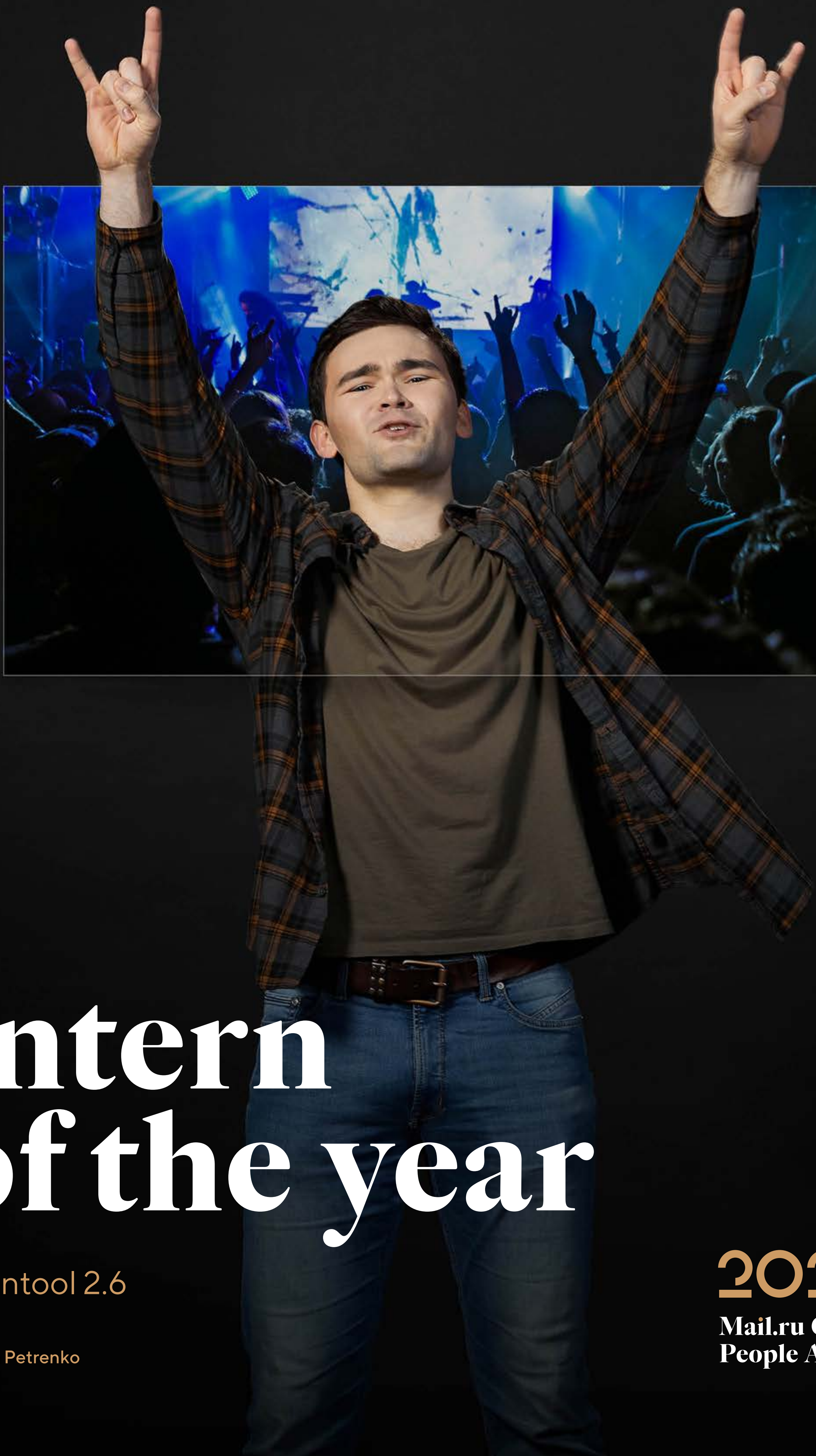
intern of the year

VK

Denis Sviridov

2020

Mail.ru Group People Awards



intern of the year

Tarantool 2.6

Sergey Petrenko

2020
Mail.ru Group People Awards

board and management remuneration

The Remuneration Committee is responsible for approving the remuneration of the Directors and senior managers of the Group. It is also charged with reviewing and approving general policy relating to the Group's strategic compensation and the approval of grants under incentive schemes. Further information on the Remuneration Committee can be found in the Corporate Governance section on page 101.

Interests of members of our board of directors and persons discharging managerial responsibilities

Certain members of our Board of Directors have beneficial ownership interests in our Global Depositary Receipts. The table below includes information on their ownership. It also highlights options and RSUs over Ordinary Shares of the Company held, directly or indirectly, by each Director as of the date hereof.

The aggregate beneficial interest in the Company (excluding options granted over Ordinary Shares) held by Senior management as of the publication date is about 0.078%.

Incentive scheme

In November 2010, the Board of Directors of the Company adopted an equity-based long-term incentive scheme. Under the scheme, the Board, or its Remuneration Committee, is authorised to grant options to acquire Ordinary Shares to a broad base of employees, consultants and Directors. This can be direct or through an employee benefit trust or vehicles controlled by such persons.

The 2010 Option Plan comprised options over an aggregate of 10,706,403 Ordinary Shares. On the IPO date, the Company assigned options for 6,423,842 Ordinary Shares to the Mail.ru Employee Benefit Trust with an exercise price equal to the IPO price of USD 27.70, which was reduced by USD 3.80 on 17 August, 2012 and then by USD 4.30 on 20 March, 2013, resulting in an exercise price of USD 19.60. As of the date hereof, 728,255 of these options remain allocated, all of which are vested. Except for the options allocated for the benefit of the Directors, the options have generally a four-year vesting schedule. Options allocated for the benefit of the Directors have a two-year vesting schedule and are fully vested.

Subsequently, in December 2011 the Company assigned options for 4,282,561 Ordinary Shares to the Mail.ru Employee Benefit Trust with an exercise price equal to the then-current market price of USD 25.60, which was reduced by USD 3.80 on 17 August, 2012 and then by USD 4.30 on 20 March, 2013, resulting in the exercise price of USD 17.50. As of the date hereof, 546,617 of these options remain allocated, 374,117 of which are vested. The options have generally a four-year vesting schedule.

In March 2015, the Company's shareholders approved the issue of up to 10,977,971 Ordinary Shares to the Mail.ru Employee Benefit Trust to establish an incentive plan for employees, directors, offices and consultants of the Group, to be known as the 2015 Restricted Stock Unit Plan. As of the date hereof, 3,034,897 RSUs remain allocated, 456,750 of which are vested. The RSUs generally have a four-year vesting schedule. On 23 November, 2017 the Remuneration Committee of the Board of Directors of the Company approved New Terms for the 2015 Restricted Stock Unit Plan (the "2017 RSU Plan"), setting out that RSU vesting shall generally be conditional on the meeting of certain performance KPIs. In December 2018, an additional extension of the 2017 RSU Plan for 2,000,000 RSUs and the acquisition of the required quantity of GDRs on the market were approved. There was no further extension of the Plan in 2019 and in 2020.

At the beginning of 2019, the Group announced that in order to meet its ongoing commitments, the Mail.ru Employee Benefit Trust would acquire up to 1.8m GDRs on the market over the next 18 months. In 2020 no GDRs were acquired.

A new KPI and bonus payment structure was approved by the Remuneration Committee in February 2020. In the 2020 financial year, the Group adopted a new KPI system with a number of weighted KPI parameters based around financial performance, key engagement metrics and the wider Group strategy. The aim is to align the operating performance of all the key employees with the 2020-2023 strategy of the Group as well as minority interests through a focus on meeting set financial targets, while growing the Group's audience reach and broadening synergies within the Group as part of its ongoing ecosystem development.

September 2020 saw the approval of the issuance of 12,150,000 new ordinary shares to Mail.ru Employee Benefit Trustees Limited for the purposes of making awards under the incentive plans for employees, directors, officers and consultants of the Company and its subsidiaries. Furthermore, in March 2021 the Board approved a Performance Stock Unit Plan (the "PSU Plan") for grants that vest by reference to financial KPIs, with such PSUs, if vested and exercised, resulting in the holders of the PSUs acquiring Mail.ru Global Depository Receipts tradable on the London and Moscow stock exchanges.

Compensation

Directors of the Company

The total cash remuneration of the members of the Board of Directors (each a "Director" and collectively, "Directors") of the Company amounted to RUB 122mn for the year ended 31 December, 2020. In 2020 no RSU or options over the shares of the Company were granted to Directors. During the year ended 31 December, 2020, Directors did not forfeit any RSUs or options and did not exercise any options or RSUs. The corresponding share-based payment expense was RUB 36mn for the year ended 31 December, 2020.

Key Management of the Group

The total cash remuneration of the key management of the Group (excluding Directors) amounted to RUB 1,204mn for the year ended 31 December, 2020. In addition to the cash remuneration for the year ended 31 December, 2020, key executive employees of the Group were granted 145,000 RSUs out of the 2017 RSU Plan. During the year ended 31 December, 2020, key management of the Group (excluding Directors) did not forfeit any options and exercised 552,750 RSUs and options over the shares of the Company. The corresponding share-based payment expense amounted to RUB 675mn for the year ended 31 December, 2020.

	Class A shares	Ordinary shares/GDRs (direct and indirect)	Total % of the Company's issued share capital represented by outstanding shares	Outstanding options and RSUs over Ordinary Shares **
Dmitry Grishin	–	2,300,792	1.0096%	–
Lev Khasis	–	–	–	–
Uliana Antonova	–	–	–	–
Dmitry Sergeev	–	–	–	–
Sang Hun Kim	–	10,000	0.0043%	–
Charles Searle*	–	–	–	–
Jaco Van Der Merwe	–	–	–	–
Mark Remon Sorour*	–	–	–	–
Vladimir Gabrielyan	–	–	–	–
Jan Buné	–	6,600	0.0028%	–

* 107,064 options granted to the Directors nominated by Prosus were assigned to the shareholder that nominated these Directors.

** Granted to Directors in their capacity as Directors

responsibility statement

We confirm that, to the best of our knowledge:

- The consolidated financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole.
- This annual report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation, taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Matthew Hammond
Managing Director, Chief Financial Officer
Mail.ru Group Limited
29 April 2021

financial statements

Mail.ru Group Limited

Consolidated Financial Statements

For the year ended December 31, 2020

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Совершенствуя бизнес, улучшаем мир

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Independent auditor's report

To the Shareholders and Board of Directors of
Mail.ru Group Limited

Opinion

We have audited the consolidated financial statements of Mail.ru Group Limited and its subsidiaries (hereinafter, the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Annual goodwill impairment analysis	
Under IFRSs, the Group is required to annually test the amount of goodwill for impairment by assessing the recoverable amounts of each cash-generating unit (CGU) or a group of CGU comprising operating segments of the Group, and comparing it with the carrying amount of relevant CGU or groups of CGU. This annual impairment test was a key audit matter because the balance of goodwill of RUB 135,670 million as of December 31, 2020 is material to the consolidated financial statements. In addition, the management's process to assess the recoverable amounts is complex and highly judgmental and is based on assumptions, specifically cash flow projections from financial budgets approved by management. These assumptions are affected by expectations about future market or economic conditions, particularly those expectations related to Russian internet market. Information about goodwill impairment is disclosed in Note 12 to the consolidated financial statements.	Our audit procedures included, among others, examining the amounts of goodwill allocated to each operating segment, involving our specialists in the evaluation of the significant assumptions and methodologies used by the Group, in particular those relating to the forecasted revenue growth and earnings before interest, taxes, depreciation and amortization (EBITDA) and profit margins for operating segments. In addition, we tested mathematical accuracy of the impairment models and analysed the sensitivity of the recoverable amount to the changes in key assumptions. We also focused on the disclosures in the Group consolidated financial statements about those assumptions to which the outcome of the impairment test is the most sensitive, that is, those that have the most significant effect on determination of the recoverable amount of goodwill.

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Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
The Group's online advertising revenues as well as revenues from other services is a complex automated process. It involves volume discounts and third-party commissions that require judgment in recognizing them as expenses or a reduction in revenue. On-line games and Community IVAS (Internet value-added services) revenues involve complex and judgmental calculations of material amounts of deferred revenues related to in-game items purchased by the users inside on-line games or social networks. Selecting and applying revenue recognition policies requires management judgment, therefore, this matter was a key audit matter. Information about revenue is disclosed in Notes 5 and 17 to the consolidated financial statements.	We tested application and IT-dependent manual controls over revenue recognition process. We examined and tested, on a sample basis, standard significant and non-standard revenue arrangements. We considered revenue recognition policy in respect of specific revenue streams (including various incentives and volume rebates) and relevant disclosures. We tested the Group's reconciliation of the amount of revenues recognized in the accounting systems to the relevant automated IT systems. We analysed the calculation of deferred revenue, including the assessment of the estimated life span of in-game items in online games and in social networks. We involved our IT specialist to assist us with the above-mentioned audit procedures.

Other information included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Audit committee for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is A.A. Chizhikov.

A.A. Chizhikov
Partner
Ernst & Young LLC

March 3, 2021

Details of the audited entity

Name: Mail.ru Group Limited
Registered: May 4, 2005
Address: 28 Oktovriou, 365, VASHIOTIS SEAFRONT, office 402, Neapoli, 3107 Limassol, Cyprus.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on December 5, 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Consolidated Statement of Financial Position

As of December 31, 2020
(in millions of Russian Roubles)

	Notes	As at December 31, 2020	As at December 31, 2019, Restated (Note 6.10)
ASSETS			
Non-current assets			
Investments in equity accounted associates and joint ventures	11	41,948	49,834
Goodwill	12, 8	135,670	141,285
Right-of-use assets	7	15,618	5,009
Other intangible assets	8	19,623	19,971
Property and equipment	9	11,651	8,712
Financial assets at fair value through profit or loss	23	2,305	1,749
Deferred income tax assets	19	2,924	2,078
Long-term loans receivable	23	422	286
Advance under office lease contract		249	120
Total non-current assets		230,410	229,044
Current assets			
Trade accounts receivable	23, 13	16,707	12,658
Prepaid income tax		358	148
Prepaid expenses and advances to suppliers		853	978
Financial assets at fair value through profit or loss	23	–	90
Loans receivable	23	2,441	655
Other current assets		1,345	1,317
Cash and cash equivalents	14	39,297	9,825
Total current assets		61,001	25,671
Total assets		291,411	254,715
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital			
Share premium	15	77,101	60,286
Treasury shares	15	(1,071)	(1,152)
Retained earnings		103,103	125,351
Accumulated other comprehensive income		1,195	170
Total equity attributable to equity holders of the parent		180,328	184,655
Non-controlling interests		1,663	809
Total equity		181,991	185,464
Non-current liabilities			
Deferred income tax liabilities	19	1,379	2,286
Deferred revenue	4.2.9	1,871	1,737
Non-current lease liabilities	7, 24.2	11,338	1,568
Financial liabilities at fair value through profit or loss, non-current	23	3,506	–
Long-term interest-bearing loans and borrowings	23, 24.2	41,497	19,474
Other non-current liabilities		265	–
Total non-current liabilities		59,856	25,065
Current liabilities			
Trade accounts payable	23, 24.2	10,923	8,030
Income tax payable	19	2,673	481
VAT and other taxes payable		2,259	2,086
Deferred revenue and customer advances	4.2.9	16,912	10,920
Short-term portion of long-term interest-bearing loans	24.3	3,718	4,044
Current lease liabilities	7, 24.2	3,861	3,218
Other payables, accrued expenses and contingent consideration liabilities	16, 24.2	9,218	15,407
Total current liabilities		49,564	44,186
Total liabilities		109,420	69,251
Total equity and liabilities		291,411	254,715

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2020
(in millions of Russian Roubles)

	Notes	2020	2019
Online advertising		39,008	36,571
MMO games	4.2.9	32,769	36,417
Community IVAS		18,215	15,763
Other revenue		10,550	7,480
Total revenue		100,542	96,231
Net gain/(loss) on venture capital investments	23	46	(139)
Personnel expenses		(27,023)	(21,507)
Office rent and maintenance		(422)	(246)
Agent/partner fees		(29,001)	(25,030)
Marketing expenses		(19,994)	(16,422)
Server hosting expenses		(777)	(675)
Professional services		(973)	(785)
Other operating income/(expenses)		(3,073)	(3,371)
Total operating expenses		(81,263)	(68,036)
EBITDA		19,325	28,056
Depreciation and amortisation	8, 9	(15,138)	(12,771)
Impairment of intangible assets	8	(285)	(832)
Share of loss of equity accounted associates and joint ventures	11	(19,892)	(1,691)
Finance income		336	585
Finance expenses	18	(2,969)	(1,459)
Other non-operating loss		(490)	(148)
Gain on joint ventures formation	6.5, 6.6	–	15,855
Goodwill impairment	8, 12	(7,050)	(4,380)
Net gain/(loss) on derivative financial assets and liabilities at fair value through profit or loss	23	5,235	(758)
Net gain on disposal of subsidiaries	8	1,437	–
(Impairment)/reversal of impairment of equity accounted associates	11	(260)	60
Net (loss)/gain on disposal of intangible assets	8	(124)	418
Gain on remeasurement of previously held interest in equity accounted associates	6.8	46	324
Net foreign exchange gain/(loss)		436	(980)
(Loss)/profit before income tax expense		(19,393)	22,279
Income tax expense	19	(1,833)	(3,428)
Net (loss)/profit		(21,226)	18,851
Attributable to:			
Equity holders of the parent		(20,921)	18,686
Non-controlling interests		(305)	165
Other comprehensive income that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations:			
Differences arising during the period		1,025	335
Total other comprehensive income net of tax effect of 0		1,025	335
Total comprehensive (loss)/income, net of tax		(20,201)	19,186
Attributable to:			
Equity holders of the parent		(19,896)	19,021
Non-controlling interests		(305)	165
(Loss)/earnings per share, in RUB:			
Basic (loss)/earnings per share attributable to ordinary equity holders of the parent	20	(95)	86
Diluted earnings per share attributable to ordinary equity holders of the parent	20	n/a	85

Consolidated Statement of Cash Flows

For the year ended December 31, 2020
(in millions of Russian Roubles)

	Notes	2020	2019
Cash flows from operating activities			
(Loss)/profit before income tax		(19,393)	22,279
Adjustments to reconcile (loss)/profit before income tax to cash flows:			
Depreciation and amortisation		15,138	12,771
Impairment losses on financial assets at amortized cost		510	301
Net (gain)/loss on derivative financial assets and liabilities at fair value through profit or loss	23	(5,235)	758
Goodwill impairment	8, 12	7,050	4,380
Gain on remeasurement of previously held interest in equity accounted associate	6	(46)	(324)
Gain on joint ventures formation	6.5, 6.6	–	(15,855)
Finance income		(336)	(585)
Finance expenses		2,969	1,459
Share of loss of equity accounted associates and joint ventures	11	19,892	1,691
Net foreign exchange (gain)/loss		(436)	980
Cash-settled and equity settled share based payments		1,770	1,742
Other non-cash items		(104)	16
Net (gain)/loss on venture capital investments	23	(46)	139
Net gain on disposal of subsidiaries	8	(1,437)	–
Net loss/(gain) on disposal of intangible assets	8	124	(418)
Loss on disposal of property and equipment and intangible assets		12	–
Dividend revenue from venture capital investments		–	(18)
Impairment/(reversal of impairment) of equity accounted associates	11	260	(60)
Impairment of intangible assets	8	285	832
Other non-operating loss/(gain)		265	(33)
Change in operating assets and liabilities:			
Increase in accounts receivable		(1,949)	(3,566)
Decrease/(increase) in prepaid expenses and advances to suppliers		296	(406)
Decrease in inventories and other assets		166	1,340
Decrease/(increase) in accounts payable and accrued expenses		2,469	(2,818)
(Increase)/decrease in non-current prepaid expenses and advances		(128)	67
Increase/(decrease) in deferred revenue and customer advances		5,832	(8,065)
Increase in financial assets at fair value through profit or loss	23	(1,039)	(1,820)
Increase in financial liabilities at fair value through profit or loss	23	624	3,652
Operating cash flows before interest, income taxes and contingent consideration settlement		27,513	18,438
Dividends received from venture capital investments		4	7
Settlement of contingent consideration of business combination	23.2	–	(688)
Interest received		366	493
Interest paid		(2,564)	(1,459)
Income tax paid		(2,298)	(3,871)
Net cash provided by operating activities		23,021	12,920
Cash flows from investing activities			
Cash paid for property and equipment		(6,730)	(4,688)
Cash paid for intangible assets		(4,388)	(3,697)
Dividends received from equity accounted associates	11	29	71
Loans issued		(2,803)	(790)
Loans collected		515	1,903
Cash paid for acquisitions of subsidiaries, net of cash acquired	6	(804)	(9,361)
Settlement of initial fair value of the contingent consideration at acquisition date	23.2	–	(1,132)
Proceeds from disposal of subsidiaries, net of cash disposed	8	1,090	–
Cash paid for investments in equity accounted associates and joint ventures	11	(17,318)	(15,687)
Net cash used in investing activities		(30,409)	(33,381)
Cash flows from financing activities			
Payment of lease liabilities		(4,023)	(3,493)
Loans received, net of bank commission	23.3	14,346	23,383
Loans repayment	23.3	(17,595)	
Cash paid for non-controlling interests in subsidiaries	6.7	(947)	–
Proceeds from issuance of GDR, net of issuance costs paid	15.3	15,209	–
Proceeds from bonds issued	23.4	30,944	–
Dividends paid by subsidiaries to non-controlling shareholders		(237)	–
Cash paid for treasury shares		–	(896)
Net cash provided by financing activities		37,697	18,994
Net increase/(decrease) in cash and cash equivalents		30,309	(1,467)
Effect of exchange differences on cash balances		(837)	(431)
Cash and cash equivalents at the beginning of the period		9,825	11,723
Cash and cash equivalents at the end of the period		39,297	9,825

Consolidated Statement of Changes in Equity

For the year ended December 31, 2019
(in millions of Russian Roubles)

	Share capital								
	Number of shares issued and outstanding	Amount	Share premium	Treasury shares	Retained earnings	Accumulated other comprehensive income/(loss) (net of tax effect of 0)	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at January 1, 2019	215,969,922	–	58,482	(286)	106,665	(165)	164,696	259	164,955
Profit for the year	–	–	–	–	18,686	–	18,686	165	18,851
Other comprehensive income:									
Foreign currency translation	–	–	–	–	–	335	335	–	335
Total other comprehensive income	–	–	–	–	–	335	335	–	335
Total comprehensive income	–	–	–	–	18,686	335	19,021	165	19,186
Share-based payment transactions	–	–	1,826	–	–	–	1,826	–	1,826
Exercise of RSUs and options over the shares of the Company	1,786,831	–	(30)	30	–	–	–	–	–
Acquisitions of treasury shares	(572,437)	–	–	(896)	–	–	(896)	–	(896)
Acquisitions of non-controlling interests in business combinations (Note 6)	–	–	–	–	–	–	–	385	385
Disposal of subsidiary	–	–	8	–	–	–	8	–	8
Balance at December 31, 2019	217,184,316	–	60,286	(1,152)	125,351	170	184,655	809	185,464

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020
(in millions of Russian Roubles)

	Share capital								
	Number of shares issued and outstanding (Note	Amount	Share premium	Treasury shares	Retained earnings	Accumulated other comprehensive income/(loss) (net of tax effect of 0)	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at January 1, 2020	217,184,316	–	60,286	(1,152)	125,351	170	184,655	809	185,464
Loss for the year	–	–	–	–	(20,921)	–	(20,921)	(305)	(21,226)
Other comprehensive income:							–		–
Foreign currency translation	–	–	–	–	–	1,025	1,025	–	1,025
Total other comprehensive income	–	–	–	–	–	1,025	1,025	–	1,025
Total comprehensive loss	–	–	–	–	(20,921)	1,025	(19,896)	(305)	(20,201)
Share-based payment transactions (Note 25.2)	–	–	1,690	–	–	–	1,690	–	1,690
Exercise of RSUs and options over the shares of the Company	1,147,159	–	(84)	81	–	–	(3)	–	(3)
Issue of GDR (Note 15.3)	7,142,858		15,209	–	–	–	15,209	–	15,209
Dividends paid by subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	(327)	(327)
Acquisitions of non-controlling interests (Note 6.7) [1]	–	–	–	–	(1,327)	–	(1,327)	380	(947)
Non controlling interests arising from business combination (Note 6)	–	–	–	–	–	–	–	1,106	1,106
Balance at December 31, 2020	225,474,333	–	77,101	(1,071)	103,103	1,195	180,328	1,663	181,991

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(in millions of Russian Roubles)

1 Corporate information and description of business

These consolidated financial statements of Mail.ru Group Limited (hereinafter "the Company") and its subsidiaries (collectively – "the Group") for the year ended December 31, 2020 were authorised for issue by the directors of the Company on March 3, 2021.

The Company was registered on May 4, 2005 in the Territory of the British Virgin Islands ("BVI"), pursuant to the International Business Companies Act (the "Act"), Cap. 291. The principal office of the Company is at 28 Oktovriou, 365, VASHIOTIS SEAFRONT, office 402, Neapoli, 3107 Limassol, Cyprus.

The Company consolidates or participates in businesses that operate in the Internet segment, including portals, social networking and communications, online marketplaces, educational technologies, online-to-offline services, massively multiplayer online games ("MMO games"), social and mobile games. The Group has leading positions in Russia and other CIS states where its properties are present.

The parent of the Company is MF Technologies.

Information on the Company's main subsidiaries is disclosed in Note 10.

2 Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis, except for financial assets and liabilities designated as at fair value through profit or loss and derivative financial instruments that have been measured at fair value.

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS").

The Group maintains its accounting records and prepares its statutory accounting reports in accordance with domestic accounting legislation and instructions for each of its subsidiaries. These consolidated financial statements are based on the underlying accounting records, appropriately adjusted and reclassified for fair presentation in accordance with the standards and interpretations issued by the International Accounting Standards Board ("IASB"). IFRS adjustments include and affect such major areas as consolidation, revenue recognition, accruals, deferred taxation, fair value adjustments, business combinations, impairment, share-based payments etc.

2.2 Application of new and amended IFRS and IFRIC

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2019, except for the adoption of new and amended IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations effective as of January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

In September 2019, the IASB issued amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

The Conceptual Framework for Financial Reporting

The IASB issued the Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

Notes to Consolidated Financial Statements (continued)

2 Basis of preparation (continued)

2.2 Application of new and amended IFRS and IFRIC (continued)

The Conceptual Framework is effective for annual periods beginning on or after January 1, 2020. The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. These amendments had no impact on the consolidated financial statements of the Group.

2.3 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1 and IAS 8: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. Application of the amendment will potentially cause RUB 25 bln reclassification relating to convertible bonds issue in the Group's consolidated statement of financial position from non-current liabilities to current liabilities.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations – Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The amendments are not expected to have a material impact on the Group.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued *Property, Plant and Equipment – Proceeds before Intended Use*, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have a material impact on the Group.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

2 Basis of preparation (continued)

2.3 Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies

In February 2021 the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments will be effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The amendments are not expected to have a material impact on the Group.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

In February 2021 the IASB issued amendments to IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments will be effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted.

3 Summary of significant accounting policies

Set out below are the principal accounting policies used to prepare these consolidated financial statements.

3.1 Principles of consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2020 and for the year then ended.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated.

3 Summary of significant accounting policies (continued)

3.1 Principles of consolidation (continued)

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interests;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3.2 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed and included in operating expenses.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and vested share-based payment awards of the acquiree that are replaced in the business combination.

If control is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

A contingent liability of the acquiree is recognised in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Only components of non-controlling interest constituting a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are measured at their acquisition date fair value.

The Group accounts for a change in the ownership interest of a subsidiary (without loss of control) as a transaction with owners in their capacity as owners. Therefore, such transactions do not give rise to goodwill, nor do they give rise to a gain or loss and are accounted for as an equity transaction.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

If the Group reorganises its reporting structure in a way that changes the composition of one or more cash-generating units to which goodwill has been allocated, the goodwill is reallocated to the units affected. The reallocation is performed using a relative value approach similar to that used in connection with the disposal of an operation within a cash-generating unit, unless some other method better reflects the goodwill associated with the reorganised units.

3.3 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

3 Summary of significant accounting policies (continued)

3.3 Current versus non-current classification (continued)

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.4 Fair value measurement

The Group measures financial instruments such as derivatives, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement, such as financial derivatives and unquoted financial assets, and for non-recurring measurement, such as assets held for sale in discontinued operations.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

3 Summary of significant accounting policies (continued)

3.5 Investments in associates and joint ventures

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group participates in the operating management of its equity accounted associates and joint ventures and intends to stay involved in their operations from a long-term perspective. Under the equity method, the investments in associates and joint ventures are carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate or joint venture. Distributions received from an investee reduce the carrying amount of the investment. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of associates and joint ventures. Where there has been a change recognised directly in the equity of the associates or joint ventures, the Group recognises its share of any changes in the investment balance and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate or joint venture.

Dividends received from equity accounted associates and joint ventures are shown in investing activities in the consolidated statement of cash flows.

The share of profit and other comprehensive income of equity accounted associates and joint ventures is shown on the face of the consolidated statement of comprehensive income. This is the profit attributable to equity holders of the associates and joint ventures and therefore is profit after tax of the associates and joint ventures and after non-controlling interests in the subsidiaries of the associates or joint ventures. The Group's share of movements in reserves is recognised in equity. However, when the Group's share of accumulated losses in a equity accounted associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate or joint venture.

The financial statements of equity accounted associates and joint ventures are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on the Group's investment in its associates and joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. Determining whether the investment is impaired is based on the guidance of IFRS 9 discussed under 3.15.6.

If there is objective evidence that an associate or joint venture is impaired, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value in accordance with IAS 36 (as discussed under 3.18) and recognises the amount of impairment in earnings under '*Impairment losses related to equity accounted associates or joint ventures*'. If the recoverable amount of the impaired investment subsequently increases, the related impairment is reversed to the extent of such increase.

Step acquisitions of significant influence in equity accounted associates previously classified as available-for-sale financial assets are accounted for using a cost-based approach whereby the investment in associate is recognised at the aggregate of (a) the historical cost of the available-for-sale investment and (b) the consideration transferred by the Group upon acquisition of significant influence. Any changes in the fair value of the available-for-sale investment are reversed through other comprehensive income upon acquisition of significant influence. Goodwill is calculated as a difference between (c) the cost of the investment so determined and (d) the Group's share in the fair value of the investee's net assets at the date significant influence is attained.

Upon acquisition of an additional stake in an existing associate where control is not obtained, the fair value of the consideration transferred for the additional stake is allocated to the acquired share of the fair value of associate's assets and liabilities, and the excess is recognised as goodwill as part of the investment in equity accounted associates.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3.6 Group as a lessee

- Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are amortised on a straight-line basis over the shorter of its estimated useful life and the lease term as follows:

Premises	1 to 6 years
Racks in data centers and optic fibre channels	1 to 3 years

Right-of-use assets are subject to impairment.

3 Summary of significant accounting policies (continued)

3.6 Group as a lessee (continued)

- Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- Leases of low-value assets

The Group applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

- Accounting for short-term leases

The Group elects not to apply simplifications for short-term leases and account for them using right-of-use asset model.

3.6.1 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other operating income/expenses in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

3.7 Property and equipment

3.7.1 Recognition and measurement

Property and equipment are recorded at purchase or construction cost less accumulated depreciation and accumulated impairment. Interest costs on borrowings to finance the construction of property and equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. Expenditures for continuing repairs and maintenance are charged to earnings as incurred.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are recognised net under '*Other non-operating income/(expense)*' in the consolidated statement of comprehensive income.

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

3.7.2 Depreciation and useful life

Depreciation is calculated on property and equipment on a straight-line basis from the time the assets are available for use, over their estimated useful lives as follows:

	Estimated useful life (in years)
Servers and computers	2-5
Furniture	7
Office IT equipment	2-3
Leasehold improvements	Lesser of useful life or life of lease

3 Summary of significant accounting policies (continued)

3.7 Property and equipment (continued)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted as appropriate, at each financial year-end. The Group classifies advances paid to equipment suppliers as assets under construction in property and equipment in the consolidated statement of financial position.

3.8 Intangible assets other than goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

3.8.1 Software development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the consolidated statement of comprehensive income when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Research and development costs recognised as an expense in the consolidated statement of comprehensive income during 2020 amounted to RUB 894 (2019: RUB 888).

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

3.8.2 Useful life and amortisation of intangible assets

The Group assesses whether the useful life of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset is regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. The Group did not have any intangible assets with an indefinite useful life in the years ended December 31, 2020 and 2019.

Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The estimated useful lives of the Group's intangible assets are as follows:

	Estimated useful life (in years)
Patents and trademarks	7-20
Capitalised software development costs	3
Domain names	10
Games	3-9
Customer base	3-15
Licenses	3-5
Purchased software	1-4

3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, short-term deposits with an original maturity of three months or less and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. All these items are included as a component of cash and cash equivalents for the purpose of the consolidated statement of financial position and consolidated statement of cash flows.

3.10 Employee benefits

Wages and salaries paid to employees are recognised as expenses in the current period or are capitalised as part of software development costs. The Group also accrues expenses for future vacation payments.

Under provisions of Russian legislation, social contributions are made through social insurance payments calculated by the Group by the application of a 30% rate to the portion of the annual gross remuneration of each employee not exceeding RUB 1.292 and a rate of 15.1% to the portion exceeding this threshold.

3 Summary of significant accounting policies (continued)

3.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

If the effect of discounting is material, provisions are determined by discounting the expected value of future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

3.12 Revenue recognition

Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Revenues from services are recognised in the period when services are rendered.

3.12.1 Online advertising

3.12.1.1 Display advertising

Promo posts in social networks, video and banner advertising space for display advertising is sold on a dynamic basis (i.e., a function of time that an advertisement lasts) or a static basis (i.e., according to the number of page views on an advertisement). The Group has standard rates for online advertisements that depend on several factors, including the specific web page on which the banner appears, the length of the contract, the season, and the format, size and position of the advertisement. Display advertising revenue is recognised as the services are provided (i.e., as per page view for dynamic banners and over the contractual term for static banners). For display advertising sold through some third party advertising agencies, revenue generally is recognised net of any portion attributable to the third parties. For arrangements related to display advertising where the Group does not control advertising services before these services are transferred to end customers, and hence, the Group is an agent rather than a principal in these contracts.

3.12.1.2 Context advertising

The Group earns revenues for search context advertising through partnerships with third parties. Once a user carries out a search on certain of the Group’s websites, search results and advertisement links are displayed on the webpage based on relevancy to the search topic and other known user parameters. When clicked on by the user, the advertisement links lead to sites owned by the third parties’ advertising customers, for which the third party receives a fee, a portion of which it shares with the Group. Context advertising revenue is recognised as the services are provided (i.e., upon “click-through”, which is when a user clicks on an advertiser’s listing) on a net basis. This type of context advertising revenues is based on reports provided by third parties.

Context advertising also includes revenue from the Group’s myTarget self-serve advertising technology (“target advertising”). Target advertisements are priced on either pay-per-click or pay-per-view basis. Revenue from pay-per-click advertisements is recognised upon click-through, while revenue from pay-per-view advertisements is recognised as the advertisements are viewed.

Context advertising also includes revenue related to the placement of target advertising, display advertising and advertising through integration in applications, advertising thought offers on the Group’s websites and in applications, advertising via networks comprising advertising banners placement on third party websites and advertising on the Group's site communities pages. The revenue from advertising in applications, on the web pages of communities and via networks is recognised on a gross basis with costs and commissions paid to third party owners and administrators of websites, applications, platforms and communities recognised in “Agent/partner fees”.

3.12.2 Internet value-added services (“IVAS”)

Revenue from IVAS is derived from a variety of Internet-based services, including communication products and online games.

3.12.2.1 Revenue from MMO games

The Group operates its games mainly under the free-to-play game model. The Group derives its online game revenue from in-game virtual items representing additional functionality and features for the game players’ characters purchased by game players to play the Group’s MMO games and casual games. The amounts of cash or receivables from payment systems for cash from the users, net of short messaging service operators, are not recognised as revenues and are credited to deferred revenue. They are then converted by the players into in-game points. In-game points are used to purchase in-game items. Under the item-based revenue model, revenues are recognised over the life of the in-game virtual items that game players purchase or as the in-game virtual items are consumed. Deferred revenue is reduced as revenues are recognised. The estimated life span of in-game items is determined based on historical player usage patterns and playing behaviour.

3 Summary of significant accounting policies (continued)

3.12 Revenue recognition (continued)

The Group enters into licensing arrangements with overseas licensees to operate the Group's games in other countries and regions. These licensing agreements provide two separate elements, each having commercial substance: the initial non-refundable fees and the usage-based royalty fees. The initial non-refundable payment represents the license of the game and is recognised as license revenue immediately once the games are launched into commercial use by the licensees. Ongoing usage-based royalties determined based on the amount of money charged to the players' accounts or services payable by players in a given country or region to the licensees are recognised when they are earned, provided that the collection is probable.

3.12.2.2 Community IVAS

The Group derives Community IVAS revenues through certain communication products, where users pay a fee for the paid content and online services, mainly through social networking web sites and through the commission from third party developers of the various applications placed on social networking web sites, including games, based on the respective applications' revenue. The fees for such services are collected from customers using various payment channels, including bank cards, online payment systems and mobile operators and from the applications developers. The mobile network operators collect fees for such services from their customers, usually through mobile short message services ("SMS"), and pass such fees to the Group. Revenues from third party applications and developers on the Group's platforms are recognised net of commission to mobile operators and any portion attributable to the developer of the application, at the time when customer payment is due. Revenues from services including games developed by the Group and operated on third party platforms are reported gross as the services are provided net of commission to mobile operators. If the amount of revenue is measured based on third party data, such amounts of revenue are recorded based on the best available data at the date of issuance of the consolidated financial statements.

3.12.3 Other revenue

Other revenues primarily consist of classifieds revenue, e-learning, non-advertising b2b big data services,database software implementation and support services, listing fees and dividends from venture investments.

3.13 Income taxes

The Company as a Cypriot tax resident is not subject to tax on capital gains and withholding taxes. However, in some jurisdictions where the Company's subsidiaries and associates are incorporated (particularly in Russia), investment income is subject to withholding tax deducted at the source of the income. The Group presents the withholding tax separately from the gross dividend income in the consolidated statement of comprehensive income and the consolidated statement of cash flows.

The Group is also subject to taxation in Russia, the Netherlands and some other jurisdictions its subsidiaries operate in (see also Note 19).

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income and not in profit or loss.

Deferred income tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.14 Share-based payment transactions

Employees (including senior executives) of the Group and its associates (each of which a "share-based payment recipient"), may receive remuneration in the form of share-based payment transactions, whereby share-based payment recipients render services as consideration for equity instruments ("equity-settled transactions") or a cash equivalent thereof ("cash-settled share-based payments").

3 Summary of significant accounting policies (continued)

3.14 Share-based payment transactions (continued)

If the Group has a choice to settle share-based payments in cash or in equity, the entire transaction is treated either as cash-settled or as equity-settled, depending on whether or not the Group has a present obligation to settle in cash.

3.14.1 Equity-settled transactions

The cost of equity-settled transactions with share-based payment recipients for awards granted is measured by reference to the fair value of the awards at the date on which they are granted. The fair value is determined using an appropriate pricing model (Black-Scholes-Merton, binomial, Monte-Carlo or other).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant share based payment recipients become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period recognised in profit or loss represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest based on estimated forfeiture rates or as actual forfeitures occur for groups of employee where we cannot make reliable estimates.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the share-based payment recipient as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the preceding paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (Note 20).

3.14.2 Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model, further details of which are provided in Note 25. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognised in *'Personnel expenses'* in the consolidated statement of comprehensive income.

3.14.3 Accounting for the change in form of settlement of share-based payments

As a result of modification of share-based payment awards from equity-settled to cash-settled the Group recognises a share-based payment expense which comprises as a minimum the following elements:

- the grant date fair value of the original equity-settled award; plus
- any incremental fair value arising from the modification of that award; plus
- any remeasurement of the liability between its fair value at modification date and the amount finally settled.

At the date of modification a liability is recognised based on the fair value of the cash-settled award as at that date and the extent to which the vesting period has expired, with a corresponding increase in equity. The total fair value of the cash-settled award is remeasured through profit or loss on an ongoing basis between the date of modification and the date of settlement.

3 Summary of significant accounting policies (continued)

3.15 Financial instruments

3.15.1 Initial recognition and measurement

Financial assets within the scope of IFRS 9 are classified as financial assets at fair value through profit or loss, financial assets through other comprehensive income or financial assets at amortised cost, as appropriate.

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss and financial liabilities at amortised cost as appropriate.

The Group determines the classification of its financial assets and liabilities at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. At initial recognition, the Group measures trade receivables at their transaction price (as defined in IFRS 15) if the trade receivables do not contain a significant financing component in accordance with IFRS 15. Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, directly attributable transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Group's financial assets include cash and cash equivalents, short-term time deposits, trade and other receivables, financial investments in venture capital investees (as defined under 3.21), and derivative financial assets, mainly over equity instruments of the Group's investees. The Group's financial liabilities include trade and other payables, loans and borrowings, and derivative financial liabilities, mainly over equity instruments of the Group's associates and subsidiaries. None of the derivative financial instruments held by the Group were designated as effective hedging instruments.

3.15.2 Subsequent measurement

The subsequent measurement of financial instruments depends on their classification. The Group classifies its financial assets and liabilities into the categories below in accordance with IFRS 9, as follows:

3.15.2.1 Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit and loss are carried in the consolidated statement of financial position at fair value. The changes in their fair value are recognised in the consolidated statement of comprehensive income as follows:

- The changes in the fair value of financial investments in associates and those derivative financial assets and liabilities where the underlying asset is represented by equity instruments of a financial investee, are recorded under *'Net gain/(loss) on venture capital investments and associated derivative financial assets and liabilities'* and are included in the Group's operating income; and
- The changes in the fair value of derivative financial assets where the underlying asset is represented by equity instruments of a subsidiary, as well as other derivative financial assets, are recorded under *'Net gain/(loss) on derivative financial assets and liabilities at fair value through profit or loss'*; and
- The changes in the fair value of derivative financial liabilities where the underlying liability is represented by a conversion component of the convertible bonds isssued, as well as other derivative financial liabilities, are recorded under *'Net gain/(loss) on derivative financial assets and liabilities at fair value through profit or loss'*.

3.15.2.2 Financial assets and liabilities at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

After initial recognition, interest bearing loans and borrowings and other financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in 'Finance expenses' in the consolidated statement of comprehensive income.

3 Summary of significant accounting policies (continued)

3.15 Financial instruments (continued)

3.15.2.3 Contingent consideration

Contingent consideration recognised by the Group in a business combination to which IFRS 3 applies is subsequently measured at fair value with changes recognised in profit or loss under 'Net gain/(loss) on derivative financial assets and liabilities at fair value through profit or loss'.

Contingent consideration includes the liabilities shown in the consolidated statement of financial position under 'Other payables, accrued expenses and contingent consideration liabilities'.

3.15.3 Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognised where:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group de-recognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

3.15.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.15.5 Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include: using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 23.

3.15.6 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables the Group applies a simplified approach in calculating ECLs. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3.15.6.1 Financial assets carried at amortised cost

For financial assets carried at amortised cost (loans and receivables), evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as a *'Bad debt expense'* in *'Other operating expenses'*. The allowance is estimated based on a combination of specific accounts and general ageing analysis.

Trade accounts receivable are recorded at the invoiced amount and are non-interest bearing. Credit is only granted to customers after a review of credit history.

3 Summary of significant accounting policies (continued)

3.16 Foreign currency translation

The consolidated financial statements are presented in RUB, which is the Group's presentation currency, and all values are rounded to the nearest million (RUB '000000) except per share information and unless otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Group's Russian subsidiaries and associates as well as the Company itself is RUB.

Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the measurement currency rate of exchange ruling at the reporting date. All resulting differences are taken to the consolidated statement of comprehensive income and included in the determination of net profit as '*Net foreign exchange (losses)/gains*'. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction.

As at the reporting date, the assets and liabilities of the Company, its subsidiaries and joint venture with functional currencies other than the RUB are translated into the presentation currency of the Group (RUB) at the rate of exchange ruling at the reporting date and their operations are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income.

3.17 Impairment of non-financial assets and investments in equity accounted associates and joint ventures

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations are recognised in earnings in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in earnings.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3.18 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary and Class A shares. Basic EPS is calculated by dividing the profit not applicable for loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which may comprise share options granted to employees of the Group.

3.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Group's chief operating decision maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3 Summary of significant accounting policies (continued)

3.20 Financial investments in venture capital investees

Financial investments in venture capital investees, are the Group's investments in start-up Internet ventures and smaller Internet companies in Russia, Ukraine and Israel with ownership ranging from 1.5% to 50% and which gives the Group significant influence in some of these investments. They form the Group's venture capital portfolio and are monitored and managed exclusively on the basis of their fair values. The Group's involvement in the operating management of the investees is limited, and the possibility of the Group maintaining a specific financial investment in its investment portfolio in the long run is remote. Financial investments in such associates are carried in the consolidated statement of financial position at fair value even though the Group may exert significant influence over those companies. This treatment is permitted by IAS 28 *Investments in Associates and Joint Ventures*, which allows investments held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IFRS 9, with changes in fair value recognised in profit or loss in the period of the change. Accounting policies of the Group with respect to financial investments in associates are discussed in more detail under Note 3.15 above as part of the Group's accounting policies with respect to financial assets.

3.21 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

Or

- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of comprehensive income.

In cases the Group ceases to classify the asset (or disposal group) as held for sale then the asset is measured at the lower of:

- its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

The Group includes any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale in profit or loss from continuing operations in the period in which the criteria of classification as asset held for sale are no longer met. Financial statements for the periods since classification as held for sale was applied are amended accordingly.

4 Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the reporting dates and the reported amounts of revenues and expenses during the reporting periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

4.1 Judgments

In the process of applying the Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognised in the consolidated financial statements:

4.1.1 Consolidation and accounting for associates

The Company directly or indirectly owned up to 50% in certain of its investments. Based on its voting rights and restrictions in the respective governing documents, the Group made judgments about whether it has control or significant influence over these investments. Subsequently, these entities are either accounted for as subsidiaries (consolidated) or associates (accounted for under the equity method or as financial assets at fair value through profit or loss).

4 Significant accounting judgments, estimates and assumptions (continued)

4.1 Judgments (continued)

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and noncontrolling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within '*Impairment of equity accounted associates*' in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

4.1.2 Consolidation of a structured entity

In November 2010, the Company established, as settlor, an employee benefit trust (the "Trust") under a Trust Deed dated November 11, 2010 ("Trust Deed"), the trustee of which is Mail.ru Employee Benefit Trustees Limited (the "Trustee"). The purpose of the Trust consists in holding trust funds for present and former employees and consultants and related persons. The Trustee manages employee stock options under the 2010 Option Plan (as defined in Note 25). Starting from October 2011, the Trustee was also instructed by the Company to acquire GDRs representing shares of the Company on the stock market and transfer those GDRs to employees in settlement of the 2010 Option Plan options as the options are exercised by the employees. The Group does not hold any equity interest in the Trust; however, under the Trust Deed, the Group has the power to appoint and remove the Trustee at its sole discretion. The operations of the Trust are restricted per the Trust Deed to the activities described above and are solely used by the Group. Based on these facts and circumstances, management concluded that the Group controls the Trustee and, therefore, consolidates the Trustee in its financial statements.

4.1.3 Accounting treatment of share-based payments where the Group has a choice to settle in cash or equity

The Group has wide discretion over the manner of settlement of options issued and determines the accounting treatment of the options based on whether the Group has a present obligation to settle in cash. Specifically, any option holder granted an aggregate of 20,000 or more options was only allowed to exercise the respective portion options in the form of GDRs, while exercises by the optionees granted a smaller cumulative number of options can continue to be in GDRs or cash at the Group's discretion. The terms of the option plan and past exercise history make it reasonable to expect cash settlement of most of the smaller option exercises, even though the Group continues to have discretion over the way of option exercise settlement. Larger than cumulative 20,000 options per person continue to be accounted for as equity awards.

4.2 Estimates and assumptions

Significant estimates and assumptions reflected in the Group's consolidated financial statements include, but are not limited to the following:

- revenue recognition;
- fair value of financial instruments;
- useful lives of intangible assets;
- software development costs;
- impairment of goodwill and other intangible assets;
- fair value of assets and liabilities in business combinations; and
- recoverability of deferred tax assets.

Actual results could materially differ from those estimates.

The key assumptions concerning the future events and other key sources of estimation uncertainty at the reporting date that have a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4 Significant accounting judgments, estimates and assumptions (continued)

4.2 Estimates and assumptions (continued)

4.2.1 Revenue recognition – in-game items life span

Deferred revenue is recognised as revenue over the estimated life span of the in-game items purchased or as the in-game items purchased with the game points are consumed. The estimated life span of in-game items is determined based on historical player usage patterns and playing behaviour. Future usage patterns may differ from the historical usage patterns on which the Group's revenue recognition policy is based. The Group monitors the operational statistics and usage patterns of its online games and modifies the expected life span when materially different.

Other significant judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers in accordance with IFRS 15 include (i) the timing of satisfaction of performance obligations and (ii) the transaction price and the amounts allocated to performance obligations.

4.2.2 Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates and assumptions have to be made, and a degree of judgment has to be applied in establishing fair values. The judgments, estimates and assumptions include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The expected volatility in the pricing models used to measure the fair value of the derivative financial assets and liabilities is determined by reference to peer companies' historical volatility, as the issuers of the underlying equity instruments are not public. When determining risk-free rates to be used in the pricing models, regard is given to US Treasury bonds or Russian government bonds with maturities equal to the expected terms of the respective derivative financial instruments.

Detailed information on the fair values of the Group's financial instruments is available in Note 23.

4.2.3 Useful life of intangible assets

The Group estimates remaining useful lives of its intangible assets at least once a year at the reporting date. If the estimation differs from the previous estimations, the changes are accounted for in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These estimates may have a significant impact on the carrying value of intangible assets and amortisation, charged to earnings. The carrying value of intangible assets is disclosed in Note 8.

4.2.4 Software development costs

Software development costs are capitalised in accordance with the accounting policy described in Note 3.8.1 Initial capitalisation of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

4.2.5 Impairment of goodwill and other intangible assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from management forecast. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in Notes 8 and 12.

4.2.6 Fair value of assets and liabilities in business combinations

At the acquisition date the Group recognises separately the identifiable assets, liabilities and contingent liabilities acquired or assumed in a business combination as well as contingent considerations at their fair values, which involves estimates. Such estimates are based on valuation methods that require considerable judgment in forecasting future cash flows and developing other assumptions.

4.2.7 Share-based payments

Management estimates the fair value of equity-settled stock options at the date of grant and the fair value of cash-settled options at each reporting date using the Black-Scholes-Merton, binominal, Monte-Carlo or other option pricing models, as applicable. The option pricing models were originally developed for use in estimating the fair value of traded options, which have different characteristics than the Group's stock options granted by the Company. The models are also sensitive to changes in the subjective assumptions, which can materially affect the fair value estimate. These subjective assumptions include expected volatility, dividend yield, risk-free interest and forfeiture rates.

4 Significant accounting judgments, estimates and assumptions (continued)

4.2 Estimates and assumptions (continued)

4.2.8 Deferred taxes on undistributed earnings

Deferred tax is recognised based on estimated dividends distributions of Company's subsidiaries taking into account limitation of cash and cash equivalents available at the reporting date.

4.2.9 Changes in estimates

In Q3 2019, the Group changed its estimates with respect to the life span of the in-game virtual items purchased by game players. The changes resulted from the fact that the Group accumulated sufficient data related to the patterns of how the in-game items are consumed by paying game players. As a result the Group refined its estimate of the period of satisfaction of the performance obligation in relation to virtual in-game items. The changes in estimates were recorded prospectively starting from Q3 2019 and resulted in an increase in revenue and a decrease in deferred MMO Games revenue estimated at RUR 13,324 as at December 31, 2019.

In Q4 2020, the Group enhanced the granularity of the data relating to the patterns of how the in-game items are consumed by paying game players and further refined its estimate of the performance obligation satisfaction period in relation to virtual in-game items. This update was recorded prospectively starting from October 1, 2020 and resulted in an increase in revenue and a decrease in deferred MMO Games revenue estimated at RUR 620 as at December 31, 2020.

4.2.10 Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

4.2.11. Significant judgement in determining incremental borrowing rate

For the interest rate the Group obtained estimation from banks and compared it to the interest rate swap applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Group's rating. As of December 31, 2020 the rate is close to 7% for weighted average lease duration. Duration for discount rate is based on weighted average lease period (2.4 years for January 1, 2020). The discount rate is applied to all lease contracts.

5 Operating segments

In reviewing the operational performance of the Group and allocating resources, the Chief Executive Officer of the Group, who is the Group's Chief Operating Decision Maker (CODM), reviews selected items of each segment's income statement, assuming 100% ownership in all of the Group's key operating subsidiaries, based on management reporting.

Management reporting is different from IFRS, because it does not include certain IFRS adjustments which are not analysed by the CODM in assessing the core operating performance of the business. Such adjustments affect such major areas as revenue recognition, deferred tax on unremitted earnings of subsidiaries, share-based payments, disposal or impairment of investments , business combinations, fair value adjustments, amortisation and impairment thereof, net foreign exchange gains and losses, share in financial results of associates and joint ventures, as well as irregular non-recurring items that occur from time to time and are evaluated for adjustment as and when they occur. The tax effect of these adjustments is also excluded from management reporting.

The financial information of the key subsidiaries acquired during the reporting period or after the reporting period but prior to the date of these consolidated financial statements is included into the segment disclosure starting from the beginning of the earliest comparative period included in the consolidated financial statements.

The financial information of subsidiaries disposed of and assets classified as held for sale prior to the date of these consolidated financial statements is excluded from the segment presentation starting from the beginning of the earliest period presented.

Accordingly, segment reporting for the year ended December 31, 2020 and the respective comparative segment financial information has been retrospectively adjusted, as applicable, to include the financial information of new acquisitions which took place during the period and up to the date of these annual consolidated financial statements (Note 6) and during 2019 financial year and to exclude the information related to disposed assets during the reporting period and 2019 financial year.

5 Operating segments (continued)

The Group has identified its operating segments in order to reflect its strategy, the way the business is managed and units' interconnection within its ecosystem. The Group has identified the following reportable segments on this basis:

- Communications and Social;
- Games; and
- New initiatives.

The Communications and Social segment includes email, instant messaging and portal (main page and media projects). It earns substantially all revenues from display and context advertising. This segment also aggregates the Group's social network Vkontakte (VK) and two other social networks (OK and My World) and earns revenues from (i) commission from application developers based on the respective applications' revenue, (ii) user payments for virtual gifts, stickers and music subscriptions and (iii) online advertising, including display and context advertising. It also includes Search and music services (UMA). These businesses have similar nature and economic characteristics as they are represented by social networks and online communications, common type of customers for their products and services and are regulated under similar regulatory environment.

The Games segment contains online gaming services, including MMO, social and mobile games, games streaming and platform solutions operated by the Group under the MY.GAMES brand and within the MY.GAMES ecosysytem. It earns substantially all revenues from (i) sale of virtual in-game items to users (f2p) or sale of digital copies of the games (b2p), (ii) royalties for games and gaming solutions licensed to third-party online game operators (iii) in-game advertising and (iv) revenues from streaming services and gaming platform services.

The New initiatives reportable segment represents separate operating segments aggregated in one reportable segment for its similar nature of newly acquired or newly launched and dynamically developing businesses. This segment primarily consists of Youla classifieds earning substantially all revenues from advertising and listing fees, online education, B2B new projects including cloud as well as MRG Tech Lab initiatives along with other services, which are considered insignificant by the CODM 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 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 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, 2020, as presented to the CODM, are presented below:

	Communications and Social	Games	New initiatives	Eliminations	Group
Revenue					
External revenue	52,513	40,660	14,254	–	107,427
Intersegment revenue	172	102	41	(315)	–
Total revenue	52,685	40,762	14,295	(315)	107,427
Total operating expenses	28,120	34,481	18,167	(315)	80,453
EBITDA	24,565	6,281	(3,872)	–	26,974
Net profit					10,014

The income statement items for each segment for the year ended December 31, 2019, as presented to the CODM, are presented below:

	Communications and Social	Games	New initiatives	Eliminations	Group
Revenue					
External revenue	50,251	31,144	7,265	–	88,660
Intersegment revenue	55	118	47	(220)	–
Total revenue	50,306	31,262	7,312	(220)	88,660
Total operating expenses	23,141	26,355	10,285	(220)	59,561
EBITDA	27,165	4,907	(2,973)	–	29,099
Net profit					14,755

5 Operating segments (continued)

A reconciliation of group aggregate segment revenue, as presented to the CODM, to IFRS consolidated revenue of the Group for the years ended December 31, 2020 and 2019 is presented below:

	2020	2019
Group aggregate segment revenue, as presented to the CODM	107,427	88,660
Adjustments to reconcile revenue as presented to the CODM to consolidated revenue under IFRS:		
Effect of difference in dates of acquisition,loss of control in subsidiaries and assets held for sale	(1,045)	1,024
Differences in timing of revenue recognition	(5,854)	6,520
Barter revenue	10	9
Dividend revenue from venture capital investments	4	18
Consolidated revenue under IFRS	100,542	96,231

A reconciliation of group aggregate segment EBITDA, as presented to the CODM, to IFRS consolidated (loss)/profit before income tax expense of the Group for the years ended December 31, 2020 and 2019 is presented below:

	2020	2019
Group aggregate segment EBITDA, as presented to the CODM	26,974	29,099
Adjustments to reconcile EBITDA as presented to the CODM to consolidated (loss)/profit before income tax expenses under IFRS:		
Effect of difference in dates of acquisition and loss of control in subsidiaries	(53)	(7,468)
Differences in timing of revenue recognition	(5,854)	8,265
Net gain/(loss) on venture capital investments	46	(139)
Share-based payment transactions	(1,770)	(1,742)
Other	(18)	41
EBITDA	19,325	28,056
Depreciation and amortisation	(15,138)	(12,771)
Impairment of intangible assets	(285)	(832)
Share of loss of equity accounted associates and joint ventures	(19,892)	(1,691)
Finance income	336	585
Finance expenses	(2,969)	(1,459)
Other non-operating loss	(490)	(148)
Gain on joint ventures formation	–	15,855
Net gain/(loss) on derivative financial assets and liabilities at fair value through profit or loss	5,235	(758)
Goodwill impairment	(7,050)	(4,380)
Gain on remeasurement of previously held interest in equity accounted associate	46	324
(Impairment)/reversal of impairment of equity accounted associates	(260)	60
Net (loss)/gain on disposal of intangible assets	(124)	418
Net gain on disposal of subsidiary	1,437	–
Net foreign exchange gain/(loss)	436	(980)
Consolidated (loss)/profit before income tax expense under IFRS	(19,393)	22,279

A reconciliation of group aggregate net profit, as presented to the CODM, to IFRS consolidated net (loss)/profit of the Group for the years ended December 31, 2020 and 2019 is presented below:

	2020	2019
Group aggregate segment net profit, as presented to the CODM	10,014	14,755
Adjustments to reconcile net profit as presented to the CODM to consolidated net (loss)/profit under IFRS:		
Share-based payment transactions	(1,770)	(1,742)
Differences in timing of revenue recognition	(5,854)	8,265
Effect of difference in dates of acquisition and loss of control in subsidiaries	(54)	(6,085)
Amortisation of fair value adjustments to intangible assets	(3,298)	(3,192)
Gain on joint ventures formation	–	15,855
Impairment of intangible assets	(285)	(173)
Net gain/(loss) on financial instruments at fair value through profit or loss	5,281	(897)
Net loss on financial liabilities at amortised cost	(220)	–
Goodwill impairment	(7,050)	(4,380)
Gain on remeasurement of previously held interest in equity accounted associate	46	324
Net (loss)/gain on disposal of intangible assets	(124)	418
Net gain on disposal of subsidiary	1,437	–
Net foreign exchange gain/(loss)	436	(980)
Share of loss of equity accounted associates and joint ventures	(19,892)	(1,691)
(Impairment)/reversal of impairment of equity accounted associates	(260)	60
Other non-operating loss	(477)	(148)
Other	–	9
Tax effect of the adjustments	844	(1,547)
Consolidated net (loss)/profit under IFRS	(21,226)	18,851

6 Business combinations in 2019 and 2020

6.1 UMA

In February 2019, the Group completed the acquisition of 100% of Salerton Investments Limited ("UMA"), an Internet and mobile music service provider in Russia, for a total cash consideration of RUB 6,391. As a result the Group derecognized equity accounted investment in UMA. The main purpose of the acquisition is to expand the Group's presence in the market of music services.

In February 2020 the Group finalised purchase price allocation for UMA acquisition, which resulted in no change from provisional values. The fair values of the identifiable assets and liabilities of UMA at the date of acquisition were as follows:

	Fair value
Intangible assets	693
Property and equipment	3
Deferred income tax assets	111
Trade accounts receivable	356
Prepaid expenses and advances to suppliers	169
Other current assets	26
Cash and cash equivalents	1,079
Total assets	2,437
Trade accounts payable	858
Deferred income tax liabilities	31
Income tax payable	13
Other taxes payable	100
Other payables, provisions and accrued expenses	47
Total liabilities	1,049
Total net assets	1,388

Goodwill on the transaction was calculated as the excess of:	
(a) The consideration transferred by the Group measured at fair values:	
[1] Cash paid	6,391
[2] The acquisition date fair value of the Group's previously held equity interest	1,601
Consideration transferred by the Group	7,992
(b) The amount of non-controlling interest in UMA measured at the proportionate share of the identifiable net assets	14
Over	
(c) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at final fair values	1,388
Goodwill	6,618

Goodwill is mainly attributable to development of music services, cost saving and potential synergy with the Group's business. Goodwill is allocated to Vkontante and Social Networks CGUs. Goodwill is not expected to be deductible for income tax purposes. Intangible assets mainly include software and customer base, and are amortised over the period of 2 to 5 years.

The cash flows on acquisition were as follows:

Cash paid (included in cash flows from investing activities)	6,391
Cash acquired (included in cash flows from investing activities)	(1,079)
Net cash flow on acquisition	5,312

6.2 Panzerdog

In May 2019 the Group acquired control in mobile games developer Panzerdog OY ("Panzerdog") by increasing its share to 59.45% (39.45% in addition to 20% stake as of March 31, 2019) for total cash consideration of RUB 626. As of September 30, 2019, as a result of the control acquisition the Group derecognized equity accounted investment in Panzerdog with the gain from remeasurement of previously held interest in equity accounted associates of RUB 285. The primary purpose of the acquisition of Panzerdog was to enhance the Group's position on the mobile games market.

In May 2020 the Group finalised purchase price allocation for Panzerdog acquisition, which resulted in no change from provisional values.

6 Business combinations in 2019 and 2020 (continued)

6.2 Panzerdog (continued)

The fair values of the identifiable assets and liabilities of Panzerdog as at the date of acquisition were as follows:

	Fair value
Intangible assets	654
Property and equipment	2
Trade accounts receivable	87
Other current assets	31
Cash and cash equivalents	89
Total assets	863
Deferred revenue	168
Deferred income tax liabilities	131
Trade accounts payable	215
Total liabilities	514
Total net assets	349

Goodwill on the transaction was calculated as the excess of:	
(a) The consideration transferred by the Group measured at fair values:	
[1] Cash paid	626
[2] The acquisition date fair value of the Group's previously held equity interest	317
Consideration transferred by the Group	943
(b) The amount of non-controlling interest in Panzerdog measured at the proportionate share of the identifiable net assets	141
Over	
(c) Financial assets at fair value through profit or loss – derivative over the equity of investee (Note 23)	110
(d) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3	349
Goodwill	625

Goodwill is mainly attributable to development of new games and potential synergy with the Group's business. Goodwill is not expected to be deductible for income tax purposes.

Intangible assets mainly include mobile games and are amortised over the period of 2 to 5 years.

The cash flows on acquisition were as follows:

Cash paid (included in cash flows from investing activities)	630
Cash acquired (included in cash flows from investing activities)	(89)
Net cash flow on acquisition	541

6.3 Native Roll, Worki and Relap

In April 2019 the Group acquired 50.83% in Native Media LLC ("Native Roll") – a video ad platform. The primary purpose of the acquisition of Native Roll was to enhance the Group's position on the advertising solutions market. As of December 31, 2019 the Group acquired the remaining share of 49.17%.

In May 2019 the Group acquired 51% in LLC "Iconjob" ("Worki"), a job search platform. The primary purpose of the acquisition of Worki was to leverage the Group's expertise and resources by achieving substantial synergies with Youla, the Group's general online classifieds product. As of December 31, 2019 the Group acquired the remaining share of 49%.

Also, in May 2019 the Group acquired 100% in Surfingbird LLC ("Relap"), a recommendatory platform. The primary purpose of the acquisition of Relap was to leverage the Group's expertise and resources by achieving substantial synergies with Pulse, the Group's recommendation technologies and solutions.

Total cash consideration for the transactions above was RUR 2.1 bln.

In April-May 2020 the Group finalised purchase price allocation for Native Roll, Worki and Relap acquisition, which resulted in no change from provisional values.

6 Business combinations in 2019 and 2020 (continued)

6.3 Native Roll, Worki and Relap (continued)

The fair values of the identifiable assets and liabilities of Native Roll, Worki and Relap as at the date of acquisition were as follows:

	Fair value
Intangible assets	335
Property and equipment	4
Trade accounts receivable	200
Other current assets	22
Cash and cash equivalents	86
Total assets	647
Trade accounts payable	139
Loans payable	67
Deferred income tax liabilities	55
VAT and other taxes payable	13
Other payables	28
Total liabilities	302
Total net assets	345
Goodwill on the transaction was calculated as the excess of:	
(a) The consideration transferred by the Group measured at fair values:	
[1] Cash paid	2,064
[2] Contingent consideration liability	71
Consideration transferred by the Group	2,135
(b) Financial liability at fair value through profit or loss – derivative over the equity of investee (Note 23)	461
Over	
(c) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at fair values	345
Goodwill	2,251

The fair value of contingent consideration liability, based on the performance of the acquired entity, is determined using present value of future expected cash flows. The estimate is based on a discount rate of 18% with a range of outcomes from RUB 0 to RUB 253, weighted on expected probabilities.

Goodwill is not expected to be deductible for income tax purposes. Goodwill is mainly attributable to enhancement the Group's position on advertising and online recruitment markets and potential synergies with the Group's businesses.

Intangible assets mainly include software, trademark and customer base and are amortised over the period of 2 to 10 years.

The cash flows on acquisition were as follows:

Cash paid (included in cash flows from investing activities)	2,064
Cash acquired (included in cash flows from investing activities)	(86)
Net cash flow on acquisition	1,978

6.4 Swag Masha

On July 8, 2019 the Group acquired control over mobile games developer LLC "Swag Masha" ("Swag Masha") by increasing its share to 51% (16% in addition to 35% stake as of March 31, 2019) for a total cash consideration of RUB 79. The primary purpose of the acquisition of Swag Masha was to enhance the Group's position on the mobile games market.

In July 2020 the Group finalised purchase price allocation for Swag Masha acquisition, which resulted in no change from provisional values.

6 Business combinations in 2019 and 2020 (continued)

6.4 Swag Masha (continued)

The fair values of the identifiable assets and liabilities of Swag Masha as at the date of acquisition were as follows:

	Fair value
Intangible assets	273
Property and equipment	1
Trade accounts receivable	68
Other current assets	1
Cash and cash equivalents	33
Total assets	376
Trade accounts payable	140
Other payables, provisions and accrued expenses	1
Total liabilities	141
Total net assets	235

Goodwill on the transaction was calculated as the excess of:	
(a) The consideration transferred by the Group measured at fair values:	
[1] Cash paid	79
[2] The acquisition date fair value of the Group's previously held equity interest	170
Consideration transferred by the Group	249
(b) The amount of non-controlling interest in Swag Masha measured at the proportionate share of the identifiable net assets	115
Over	
(c) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at fair values	235
Goodwill	129

Goodwill is mainly attributable to development of new games and potential synergy with the Group's business. Goodwill is not expected to be deductible for income tax purposes.

Intangible assets mainly include mobile games and are amortised over the period of 2 to 5 years.

The cash flows on acquisition were as follows:

Cash paid (included in cash flows from investing activities)	79
Cash acquired (included in cash flows from investing activities)	(33)
Net cash flow on acquisition	46

6.5 Aliexpress Russia Joint Venture

On October 8, 2019, the Group with Alibaba Group, MegaFon and RDIF completed the formation of Aliexpress Russia Joint Venture (AER or AER JV).

The Group invested its Pandao e-commerce assets with a fair value of RUB 1 bln and cash consideration in the amount of RUB 11.8 bln in exchange for a 15.01% economic stake in the AER JV (voting share – 18%).

Cash consideration in the amount of RUB 11.8 bln is comprised of RUB 6.5 bln paid on October 8, 2019 and the rest of the amount contributed on October 1, 2020 (please refer to Note 16).

Alibaba Group invested cash in the amount of RUB 6.5 bln and contributed its AliExpress Russia business in exchange for a 55.7% economic stake (voting share – 49.9%), RDIF invested cash in the amount of RUB 6.5 bln in exchange for a 5% economic stake (voting share – 1.2%) and MegaFon sold a 9.97% economic stake in Mail.ru Group to Alibaba Group in exchange for a 24.3% economic stake (voting share – 30.2%) in the AER JV.

All parties contractually agreed sharing of control over AER based on the unanimous consent of the parties over decisions related to AER JV's relevant activities.

The Group recognizes this investment as a joint venture and has accounted for it under the equity method.

6 Business combinations in 2019 and 2020 (continued)

6.5 Aliexpress Russia Joint Venture (continued)

The calculation of the gain on joint venture formation at the date of formation (October 8, 2019) is presented in the table below:

Fair value of 15.01% retained interest in joint venture adjusted for gain related to the Group's interest	12,692
Carrying value of net assets disposed	(32)
Cash consideration	(11,799)
Gain on joint venture formation (related to disposal of Pandao)	861

In October 2020 the Group finalised purchase price allocation for AER JV which resulted decrease in fair value of intangible assets by RUB 563, deferred tax liability by RUB 113 and goodwill by 68 RUB. The fair values of the identifiable assets and liabilities as at the date of acquisition were as follows:

	Fair value
Intangible assets	43,674
Property and equipment	825
Other non-current assets	346
Inventories	1,075
Trade accounts receivable	12,196
Other current assets	41
Cash and cash equivalents	13,170
Total assets	71,327
Deferred tax liabilities	8,674
Trade accounts payable	969
Other payables, provisions and accrued expenses	96
Total liabilities	9,739
Total net assets	61,588
Group's effective share in equity – 15.01%	9,247
Goodwill on the transaction was calculated as the excess of:	
(a) Fair value of 15.01% retained interest in joint venture adjusted for gain related to the Group's interest	12,692
Over	
(b) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at fair values	9,247
Goodwill	3,445

Goodwill in the amount of RUB 3.4 bln is included in the carrying amount of the AER JV investment.

Intangible assets mainly include trademark and customer base and are amortised over the period of 3 to 8 years.

6.6 O2O Joint Venture

In July 2019, the Group and Sberbank entered into an agreement for the investment into a new O2O group (O2O or O2O JV) focused on digital technologies for food and transportation markets. As of December 18, 2019 all the necessary corporate governance and regulatory approvals, including the approval from Federal Antimonopoly Service, had been received so the formation of a partnership was completed.

The Group contributed its stakes in Delivery Club (100%) and Citymobil (29.67%) as well as cash consideration of RUB 8.5 bln and contingent consideration in the amount of RUB 4.6 bln depending on the achievement of a number of KPIs by contributed businesses by November 2020 and other contingent consideration in amount of RUB 0.8 bln.

Sberbank contributed cash in the amount of RUB 39.7 bln (used by O2O JV to acquire additional 5.8% stake in Citymobil and 100% stake in Foodplex) and contingent consideration in the amount of RUB 13 bln depending on the achievement of a number of KPIs by contributed businesses by November 2020.

In 2020, due to current ecomomic conditions and particularly the effect of the coronavirus pandemic outbreak and related lockdowns on the ride-hailing business, the fair value of the contingent consideration liability payable to the O2O JV, was remeasured to nil.

In 2021, the assessment of KPI performance was extended till March 2021.

6 Business combinations in 2019 and 2020 (continued)

6.6 O2O Joint Venture (continued)

The parties have equal 50% stakes in the O2O JV, with up to 10% of shares to be potentially allocated for the long-term motivation program to incentivize O2O platform's employees.

The Group recognizes this investment as a joint venture and has accounted for it under the equity method.

The calculation of the gain on joint venture formation at the date of formation (December 18, 2019) is presented in the table below:

Fair value of 50% retained interest in joint venture adjusted for gain related to the Group's interest	37,019
Cash consideration	(8,447)
Carrying value of net assets disposed	(8,177)
Contingent consideration payable at fair value	(5,401)
Gain on joint venture formation (related to disposal of Delivery Club and carrying amount of Citymobil)	14,994

In December 2020 the Group finalised purchase price allocation for O2O JV which resulted in a decrease in fair value of intangible assets by RUB 1,050, decrease in deferred tax liability relating to purchase price allocation by RUB 210 and net increase in fair value of other assets and liabilities by RUB 410. Net effect on goodwill is RUB 208 increase. The fair values of the identifiable assets and liabilities as at the date of acquisition were as follows:

	Fair value
Investments in associates	559
Right-of-use assets	1,698
Intangible assets	17,034
Property and equipment	153
Deferred income tax assets	1,538
Other non-current assets	454
Trade accounts receivable	904
Other current assets, including consideration receivable of RUB 17.6 bln	19,038
Cash and cash equivalents	44,456
Total assets	85,833
Other non-current liabilities	235
Trade accounts payable	3,149
Lease liabilities	1,440
Other payables, provisions and accrued expenses	21,457
Total liabilities	26,282
Total net assets	59,551
Group's effective share in equity – 50% (effective share in equity adjusted by NCI – 48.6%)	28,940
Goodwill on the transaction was calculated as the excess of:	
(a) Fair value of 50% retained interest in joint venture adjusted for gain related to the Group's interest	37,019
Over	
(b) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at fair values	28,940
Goodwill	8,079

Goodwill in the amount in RUB 8.1 bln is included in the carrying amount of O2O JV investment.

Intangible assets mainly include trademark and customer base and are amortised over the period of 4 to 11 years.

On August 19, 2020 the O2O joint venture has been provided with an additional total equity contribution of RUB 12 bln from the Group and Sberbank equally. The additional resources will be used for scaling the O2O JV businesses and verticals.

6.7 Skillbox

In December 2019 the Group acquired control in educational online platform LLC "Skillbox" ("Skillbox") by increasing its share to 60.3% (50% in addition to 10.3% stake as of February 14, 2019 that was accounted as financial asset at fair value through profit and loss) for a total cash consideration of RUB 1.6 bln. The primary purpose of the acquisition of Skillbox was to expand the Group's presence in the online education market by achieving substantial synergies with Geekbrains, the Group's online educational platform.

In December 2020 the Group finalised purchase price allocation for Skillbox acquisition, which resulted in an increase in fair value of intangible assets by RUR 30.

6 Business combinations in 2019 and 2020 (continued)

6.7 Skillbox (continued)

The fair values of the identifiable assets and liabilities of Skillbox as at the date of acquisition were as follows:

	Fair value
Property and equipment	26
Intangible assets	771
Trade accounts receivable	8
Prepaid expenses and advances to suppliers	46
Other current assets	1
Cash and cash equivalents	118
Total assets	969
Trade accounts payable	21
Deferred revenue and customer advances	603
Other payables, provisions and accrued expenses	53
Total liabilities	677
Total net assets	292

Goodwill on the transaction was calculated as the excess of:	
(a) The consideration transferred by the Group measured at fair values:	
[1] Cash paid	1,602
[2] the acquisition date fair value of the Group's previously held equity interest measured at fair values	331
Consideration transferred by the Group	1,933
(b) The amount of non-controlling interest in Skillbox measured at the proportionate share of the identifiable net assets	116
Over	
(c) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at fair values	292
Goodwill	1,757

Goodwill is mainly attributable to educational services and potential synergy with the Group's business. Goodwill is not expected to be deductible for income tax purposes.

Intangible assets mainly include software, trademark and customer base and are amortised over the period of 2 to 10 years.

The cash flows on acquisition were as follows:

Cash paid (included in cash flows from investing activities)	1,602
Cash acquired (included in cash flows from investing activities)	(118)
Net cash flow on acquisition	1,484

On October 9, 2020 the Group increased its share in Skillbox by 10,326% for total cash consideration of RUB 638.

6.8 InGame

In March 2020 the Group acquired control over mobile games developer BeIngame Limited ("InGame") by increasing its share to 100% (75% in addition to 25% stake as of December 31, 2019) for a total cash consideration of RUB 309 (at the exchange rate as of the acquisition date) and settlement of pre-existing relationship in the amount of RUB 858 that represents fair value of Group's trade receivables due from InGame (that approximates its carrying value). As of March 31, 2020, as a result of the control acquisition the Group derecognized the equity accounted investment in InGame with a gain from remeasurement of previously held interest in equity accounted associates of RUB 46. The primary purpose of the acquisition of InGame was to enhance the Group's position in the mobile games market.

In March 2021 the Group finalised purchase price allocation for InGame acquisition, which resulted in no change from provisional values.

6 Business combinations in 2019 and 2020 (continued)

6.8 InGame (continued)

The fair values of the identifiable assets and liabilities of InGame as at the date of acquisition were as follows:

	Fair value
Intangible assets	373
Trade accounts receivable	72
Other current assets	83
Cash and cash equivalents	292
Total assets	820
Deferred revenue	113
Deferred tax liabilities	33
Total liabilities	146
Total net assets	674

Goodwill on the transaction was calculated as the excess of:	
(a) The consideration transferred by the Group measured at fair values:	
[1] Cash paid	309
[2] The acquisition date fair value of the Group's previously held equity interest	99
[3] Effective settlement of trade payables to the Group	858
Consideration transferred by the Group	1,266
Over	
(b) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at fair values	674
Goodwill	592

Goodwill is mainly attributable to development of new games and potential synergy with the Group's business. Goodwill is not expected to be deductible for income tax purposes and is allocated to Games CGU.

Intangible assets mainly include mobile games and are amortised over the period of 2 to 5 years.

The cash flows on acquisition were as follows:

Cash paid (included in cash flows from investing activities)	309
Cash acquired (included in cash flows from investing activities)	(292)
Net cash flow on acquisition	17

6.9 Deus Craft

In October 2020 the Group acquired control over mobile games developer DCGAMEPUB LIMITED ("Deus Craft") by increasing its share to 51.16% (51.06% in addition to 0.1% stake as of September 30, 2020) for a total cash consideration of RUB 1,048 and contingent consideration, measured at fair value, of RUB 624 based on ongoing financial KPIs and payable in April 2021. The primary purpose of the acquisition of Deus Craft is to enhance the Group's position in the mobile games market.

6 Business combinations in 2019 and 2020 (continued)

6.9 Deus Craft (continued)

Provisional fair values of the identifiable assets and liabilities as at the date of acquisition were as follows:

	Provisional fair value
Intangible assets	2,686
Trade accounts receivable	323
Other current assets	23
Cash and cash equivalents	274
Total assets	3,306
Deferred revenue	84
Deferred tax liabilities	325
Trade accounts payable	667
Other payables	10
Total liabilities	1,086
Total net assets	2,220

Goodwill on the transaction was calculated as the excess of:	
(a) The consideration transferred by the Group measured at fair values:	
[1] Cash paid	1,048
[2] Financial assets at fair value through profit and loss – derivative over the equity of investee	373
[3] Contingent consideration	624
Consideration transferred by the Group	2,046
(b) The amount of non-controlling interest in Deus Craft measured at the proportionate share of the identifiable net assets	1,084
Over	
(c) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at fair provisional values	2,220
Goodwill	910

Goodwill is mainly attributable to development of new games and potential synergy with the Group's business. Goodwill is not expected to be deductible for income tax purposes and is allocated to Games CGU.

Intangible assets mainly include mobile games and are amortised over the period of 2 to 5 years.

The cash flows on acquisition were as follows:

Cash paid (included in cash flows from investing activities)	1,048
Cash acquired (included in cash flows from investing activities)	(274)
Net cash flow on acquisition	774

6.10 ESforce

Due to ongoing lockdowns and restrictions, caused by effect of COVID-19, as well as the related uncertainty of its consequences the Group had to postpone its intentions, relating to creation of a partnership around ESforce.

Following this descision the Group ceased to classify ESforce as assets held for sale and liabilities directly associated with assets held for sale as of December 31, 2020. The amounts in the consolidated statement of financial position of the Group are presented including ESforce as of December 31, 2020 and 2019. The net effect on the financial year 2020 consolidated statement of comprehensive income is a RUB 425 loss mostly related to depreciation and amortisation charge accrued for the period since classification and RUB 1,302 impairment losses recognised in 2020 primarily related to goodwill, intangible assets and deferred tax assets.

6 Business combinations in 2019 and 2020 (continued)

6.10 ESforce (continued)

The restated amounts of assets and liabilities relating to ESforce as of December 31, 2019 are presented below:

	As previously presented	Reclassifications	As restated
Goodwill	140,665	620	141,285
Other intangible assets	19,526	445	19,971
Property, plant and equipment	8,330	382	8,712
Right-of-use assets	4,942	67	5,009
Deferred income tax assets	1,774	304	2,078
Other non-current assets	115	5	120
Total non-current assets	227,221	1,823	229,044
Trade accounts receivable	12,288	370	12,658
Prepaid income tax	–	148	148
Other current assets	1,367	(50)	1,317
Cash and cash equivalents	9,782	43	9,825
Assets held for sale	2,334	(2,334)	–
Total current assets	27,494	(1,823)	25,671
Deferred income tax liabilities	2,181	105	2,286
Total non-current liabilities	24,960	105	25,065
Trade accounts payable	7,863	167	8,030
VAT and other taxes payable	1,939	147	2,086
Current lease liability	3,153	65	3,218
Other payables and accrued expenses	15,348	59	15,407
Liabilities directly associated with assets held for sale	543	(543)	–
Total current liabilities	44,291	(105)	44,186

6.11 Uchi.ru

In December 2020 the Group acquired 25% in e-learning platform Uchi.ru for a total cash consideration of RUB 4,103.

Provisional fair values of the identifiable assets and liabilities as at the date of acquisition were as follows:

	Provisional fair value
Intangible assets	5,121
Property and equipment	20
Right-of-use assets	36
Other non-current assets	6
Prepaid expenses and advances to suppliers	17
Other current assets	11
Cash and cash equivalents	1,120
Total assets	6,331
Deferred tax liability	3
Trade accounts payable	63
Deferred revenue and customer advances	1,035
Current lease liabiltites	34
Other payables, provisions and accrued expenses	83
Total liabilities	1,218
Total net assets	5,113
Group's effective share in equity – 25%	1,278
Goodwill on the transaction was calculated as the excess of:	
(a) the consideration transferred by the Group measured at cost in accordance with IAS 28:	4,130
Over	
(b) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at fair provisional values	1,278
Goodwill	2,852

Goodwill in the amount in RUB 2.9 bln is included in the carrying amount of Uchi.ru investment.

Intangible assets mainly include trademark and customer base and are amortised over the period of 3 to 10 years.

Notes to Consolidated Financial Statements (continued)

7 Lease contracts

In the Q1 2020 the lease contract for Moscow headquarter premises was modified including lease payments and lease terms that were extended from 2021 to 2026. This modification resulted in the increase in right-of-use assets and lease liabilities by RUB 6,933. Moreover, a new lease agreement for additional premises in Moscow resulted increase in right-of-use assets and lease liabilities by RUB 2,537.

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the financial year ending December 31, 2020 and December 31, 2019:

	Right-of-use assets				
	Premises	Racks in data centers	Other	Total	Lease liability
As at January 1, 2020	4,247	747	15	5,009	4,786
Additions	12,567	1,962	72	14,601	14,435
Depreciation charge	(2,614)	(1,311)	(67)	(3,992)	–
Interest expense	–	–	–	–	842
Payments	–	–	–	–	(4,864)
As at December 31, 2020	14,200	1,398	20	15,618	15,199

In 2020, lease liabilities payments of RUR 4,864 include payment of lease liability principal amount of RUR 4,022 and interest of RUR 842.

	Right-of-use assets				
	Premises	Racks in data centers	Other	Total	Lease liabilities
As at January 1, 2019	5,704	566	25	6,295	5,494
Additions	1,170	1,360	43	2,573	2,785
Depreciation charge	(2,627)	(1,179)	(53)	(3,859)	–
Interest expense	–	–	–	–	579
Payments	–	–	–	–	(4,072)
As at December 31, 2019	4,247	747	15	5,009	4,786

In 2019, lease liabilities payments in the amount of RUR 4,072 include payment of lease liability principal amount of RUR 3,493 and interest of RUR 579.

8 Intangible assets

	Goodwill	Trademark	Customer base	Game software and software development costs	Other software, licenses and other	Total
Cost						
At January 1, 2019	140,446	15,105	22,299	16,393	6,528	200,771
Additions	–	817	–	620	3,316	4,753
Disposals	–	(1)	–	(4,955)	(36)	(4,992)
Additions due to acquisition of subsidiaries (Note 6)	11,398	692	147	922	935	14,094
Disposal due to disposal of subsidiaries	(6,179)	(849)	(332)	–	(122)	(7,482)
Impairment	–	–	–	(59)	–	(59)
Translation adjustment	–	(81)	–	(534)	(83)	(698)
At December 31, 2019	145,665	15,683	22,114	12,387	10,538	206,387
Additions	–	–	3	772	2,767	3,542
Disposals	–	–	–	(247)	(383)	(630)
Revaluation of intangible assets acquired within 1 year (Note 6.7)	–	(176)	(91)	–	297	30
Additions due to acquisition of subsidiaries (Note 6)	1,496	–	–	3,053	209	4,758
Disposal due to disposal of subsidiaries	(61)	–	(165)	–	–	(226)
Translation adjustment	–	240	–	493	203	936
At December 31, 2020	147,100	15,747	21,861	16,458	13,631	214,797
Accumulated amortisation and impairment						
At January 1, 2019	–	(8,540)	(14,868)	(11,377)	(4,781)	(39,566)
Charge for the year	–	(1,153)	(1,479)	(967)	(2,245)	(5,844)
Disposals	–	–	–	4,573	115	4,688
Disposal due to disposal of subsidiaries (Note 6)	–	221	124	–	–	345
Impairment	(4,380)	(81)	(92)	(630)	(29)	(5,212)
Translation adjustment	–	4	–	399	56	459
At December 31, 2019	(4,380)	(9,549)	(16,315)	(8,002)	(6,884)	(45,130)
Charge for the year	–	(1,170)	(1,385)	(1,369)	(3,347)	(7,271)
Disposals	–	–	–	157	327	484
Disposal due to disposal of subsidiaries		–	142	–	–	142
Impairment (Note 6)	(7,050)	(69)	(58)	(3)	(155)	(7,335)
Translation adjustment	–	(38)	–	(220)	(136)	(394)
At December 31, 2020	(11,430)	(10,826)	(17,616)	(9,437)	(10,195)	(59,504)
Net book value						
At January 1, 2019	140,446	6,565	7,431	5,016	1,747	161,205
At December 31, 2019	141,285	6,134	5,798	4,385	3,654	161,256
At December 31, 2020	135,670	4,921	4,245	7,021	3,436	155,293

8 Intangible assets (continued)

Because of the significant downward revision of the forecasted cash inflows of the game Skyforge in Q2 2019, the Group fully impaired the game, recording an impairment charge of RUB 630. The impairment entirely belongs to the Games operating segment.

On November 2, 2020 the Group completed the sale of 100% of MAPS.ME, a mobile maps and navigation for RUB 1,6. Proceeds obtained under the deal RUB 1.1 (net of accounts receivable RUB 0.5 offset).

Game software and development costs consist of internally and externally developed and acquired software for online games in use and in process of development.

Games represent separable CGUs and the analysis of impairment is performed at the level of each game, where either impairment was previously recognised or current operating performance was below the original forecasts. The analysis included the comparison of the value in use determined based on discounted future cash flows to the carrying amount. The value in use calculation uses cash flow projections from financial budgets approved by senior management covering a period limited to the useful life of the respective game, ranging from 6 to 8 years.

Determining value in use requires the exercise of significant judgment, including judgment about appropriate discount rates, remaining useful life, the amount and timing of expected future cash flows. The cash flows employed in the DCF analysis are based on the Group's most recent budget and, for years beyond the budget, the Group's estimates, which are based on assumed growth rates. The discount rates used in the DCF analysis are intended to reflect the risks inherent in the future cash flows of the respective cash generating units. The pre-tax discount rates used in the DCF models as of December 31, 2020 are presented in Note 12.

The calculation of value in use is most sensitive to the following assumptions:

- Russian online entertainment market growth rates;
- The Group's market share;
- Games operating performance and net profit margins;
- Discount rates.

9 Property and equipment

	Servers and computers	Leasehold improvements	Furniture, office equipment and motor vehicles	Assets under construction	Other property and equipment	Total
Cost						
At January 1, 2019	13,146	1,085	402	1,533	1,174	17,340
Additions	111	–	–	4,653	–	4,764
Transfers	3,520	1	91	(3,751)	139	–
Disposals	(247)	–	(1)	(35)	(7)	(290)
Additions due to acquisition of subsidiaries (Note 6)	20	–	–	4	12	36
Disposal due to disposal of subsidiaries	(12)	–	(1)	(15)	(32)	(60)
Translation adjustment	(53)	–	(10)	(9)	(1)	(73)
At December 31, 2019	16,485	1,086	481	2,380	1,285	21,717
Additions	86	–	18	6,692	–	6,796
Transfers	5,242	10	125	(5,544)	167	–
Disposals	(420)	–	(8)	(3)	(2)	(433)
Additions due to acquisition of subsidiaries (Note 6)	–	–	–	3	–	3
Translation adjustment	133	1	14	12	6	166
At December 31, 2020	21,526	1,097	630	3,540	1,456	28,249
Accumulated depreciation and impairment						
At January 1, 2019	(8,951)	(528)	(207)	–	(604)	(10,290)
Charge for the year	(2,763)	(117)	(53)	–	(135)	(3,068)
Disposals	270	–	1	–	–	271
Disposal due to disposal of subsidiaries	8	–	–	–	14	22
Translation adjustment	51	1	8	–	–	60
At December 31, 2019	(11,385)	(644)	(251)	–	(725)	(13,005)
Charge for the year	(3,431)	(222)	(78)	–	(144)	(3,875)
Disposals	410	–	7	–	–	417
Translation adjustment	(113)	(1)	(17)	–	(4)	(135)
At December 31, 2020	(14,519)	(867)	(339)	–	(873)	(16,598)
Net book value						
At January 1, 2019	4,195	557	195	1,533	570	7,050
At December 31, 2019	5,100	442	230	2,380	560	8,712
At December 31, 2020	7,007	230	291	3,540	583	11,651

Notes to Consolidated Financial Statements (continued)

10 Consolidated subsidiaries

These consolidated financial statements include the assets, liabilities and financial results of the Company and its subsidiaries, whose main activity is providing Russian-language Internet services. The significant subsidiaries as at December 31, 2020 and 2019 are listed below:

Subsidiary	Main activity	Ownership,%* December 31, 2020	Ownership,%* December 31, 2019
Mail Coöperatief UA (Netherlands)	Holding entity	100.0%	100.0%
MRGroup Investments Limited (Cyprus)	Holding entity	100.0%	100.0%
Mail.Ru Group LLC (renamed from Internet company Mail.Ru LLC)	Holding company	100.0%	100.0%
Mail.ru Internet Holdings B.V. (Netherlands)	Holding company	100.0%	100.0%
Mail.ru Aggregates B.V. (Netherlands)	Holding company	100.0%	100.0%
Mail.ru Holdings B.V. (Netherlands)	Holding company	100.0%	100.0%
Mail.Ru, LLC (Russia)	Online portal services, development and support of online games, social network	100.0%	100.0%
Mail.Ru Development LLC	Research and development of online products	100.0%	100.0%
MGL MY.COM (CYPRUS) LIMITED (renamed from Benstar limited)	Support of online games	100.0%	100.0%
Data Centre M100 LLC (Russia)	Hosting services	100.0%	100.0%
My.com B.V. (Netherlands)	Support of online games and portal services	100.0%	100.0%
V kontakte LLC (Russia)	Social network	100.0%	100.0%
Pixonic LLC (Russia)	Research and development of online products	100.0%	100.0%
Pixonic Games Limited (Cyprus)	Online games operation	100.0%	100.0%
Skillbox LLC (Russia)	Education technologies	70.7%	60.3%
GeekBrains LLC (Russia)	Education technologies	100.0%	51.0%
BEINGAME LIMITED (Cyprus)	Mobile games development	100%	25.0%
DCGAMEPUB LIMITED (Cyprus)	Mobile games development	51.2%	–

* The ownership percentages above represent the Company's effective indirect ownership in each subsidiary. There are no differences between economic and voting rigths which the Group holds in subsidiaries.

11 Investments in equity accounted associates and joint ventures

The Group has investments in associates operating popular Internet websites and providing various services over the Internet. Also since 2019 the Group entered into new joint ventures. For details please refer to Note 6.

Investments in equity accounted associates and joint ventures at December 31, 2020 and 2019 comprised the following:

	Main activity	Voting shares December 31, 2020	Voting shares December 31, 2019	Carrying value December 31, 2020	Carrying value December 31, 2019
Joint ventures					
Aliexpress Russia Holding Pte. Ltd.	Cross-border marketplace	18%	18%	11,506	12,021
O2O Holding LLC	Russian platform in mobility and food-tech	50%	50%	24,694	36,517
Associates					
Uchi.ru LLC (Russia)	Educational portal	25%	–	4,130	–
Inplat Holdings Limited (Cyprus)	Operation of electronic online payment systems	17.76%	17.76%	564	581
Haslop Company Limited (Cyprus) and Russian subsidiaries (collectively, "Mamba")	Provides content for www.love.mail.ru, a vertical of the www.mail.ru portal operated by a subsidiary of Mail.Ru Internet NV	28.10%	31.19%	484	493
Others				570	222
Total				41,948	49,834

The above entities have the same reporting date as the Company. None of the entities were listed on a public exchange as of December 31, 2020. In 2020 due to poor performance of Tiwo investment the Group recorded impairment of RUB 254.

The tables below illustrate the summarized financial information of the Group's significant equity accounted investments and joint ventures in:

Notes to Consolidated Financial Statements (continued)

11 Investments in equity accounted associates and joint ventures (continued)

a) Uchi.ru

	December 31, 2020
Current assets	1,148
Non-current assets	5,183
Current liabilities	(1,219)
Equity	5,112
Group's share in equity – 25%	1,278
Goodwill	2,852
Group's carrying amount of the investment	4,130

	December 2020
Revenue	242
Cost of sales	(363)
Finance and other income/expenses	(5)
Loss before tax	(126)
Income tax expense	(3)
Loss for the period	(129)
Group's share of loss for the period	(32)

b) O2O Holding LLC

	December 31, 2020	December 31, 2019 Restated (Note 6.6)
Current assets	16,945	49,850
Non-current assets	49,376	21,514
Current liabilities	(20,097)	(12,640)
Non-current liabilities	(11,147)	(210)
Equity	35,077	58,514
Group's share in equity – 50% (effective share in equity adjusted by NCI – 47.36% (2019: 48.6%)	16,614	28,438
Goodwill	8,080	8,080
Group's carrying amount of the investment	24,694	36,517

	2020	December 2019 Restated (Note 6.6)
Revenue	18,135	459
Cost of sales	(24,772)	(296)
Administrative expenses	(21,755)	(1,289)
Finance and other income/expenses	(15,295)	(29)
Loss before tax	(43,687)	(1,155)
Income tax benefit	6,072	96
Loss for the period	(37,615)	(1,059)
Non-controlling interest share	(1,983)	(56)
Group's share of loss for the period	(17,816)	(501)

11 Investments in equity accounted associates and joint ventures (continued)

c) Aliexpress Russia Holding Pte Limited

	December 31, 2020	December 31, 2019 Restated (Note 6.5)
Current assets	33,004	28,417
Non-current assets	42,991	45,717
Current liabilities	(16,908)	(8,421)
Non-current liabilities	(8,598)	(8,140)
Equity	50,489	57,573
Group's share in equity – 15.01%	7,580	8,644
Goodwill	3,926	3,377
Group's carrying amount of the investment	11,506	12,021

	2020	October-December 2019 Restated (Note 6.5)
Revenue	25,820	6,428
Cost of sales	(21,205)	(5,780)
Marketing expenses	(10,742)	(2,158)
Administrative expenses	(4,930)	(1,712)
Finance and other costs	(4,108)	(1,243)
Loss before tax	(15,165)	(4,465)
Income tax benefit	1,853	–
Loss for the period	(13,312)	(4,465)
Group's share of loss for the period	(1,999)	(670)
Other comprehensive income effect related to foreign currency translation	1,466	-

Movement in investments in equity accounted associates and joint ventures for the years ended December 31, 2020 and 2019 is presented below:

	2020	2019
Investments in equity accounted associates and joint ventures at January 1	49,834	2,816
Acquisition of shares in equity accounted associates	4,858	3,749
Acquisition of shares in equity accounted joint ventures	31	49,711
Additional contribution to equity accounted joint ventures	6,001	–
Disposal of associate due to formation of joint ventures	–	(2,998)
Reversal of impairment/(impairment) of equity accounted associates and joint ventures	(260)	60
Acquisition of control over equity accounted associates	(57)	(1,742)
Share in net profits of equity accounted associates and joint ventures	(19,892)	(1,691)
Foreign currency translation effect relating to joint venture	1,462	–
Dividends from equity accounted associates and joint ventures	(29)	(71)
Investments in equity accounted associates and joint ventures at December 31	41,948	49,834

12 Impairment testing of goodwill

The table below shows movements in goodwill per groups of CGUs, corresponding to the Group's operating segments for each of the years ended December 31, 2020 and 2019:

	Email, Portal and IM	Social Networks	Online Games	Search	Vkontakte	Pixonic	DeliveryClub	ESForce	UMA	Skillbox	Deus Craft	Ingame	Others	Total
Cost at January 1, 2019	8,192	18,474	1,952	2,496	93,691	1,592	6,179	5,000	–	–	–	–	2,870	140,446
Assets held for sale	–	–	–	–	–	–	(6,179)	–	–	–	–	–	–	(6,179)
Impairment	–	–	–	–	–	–	–	(4,380)	–	–	–	–	–	(4,380)
Additions	–	–	–	–	–	–	–	–	6,617	1,775	–	–	3,006	11,398
Cost at December 31, 2019	8,192	18,474	1,952	2,496	93,691	1,592	–	620	6,617	1,775	–	–	5,876	141,285
Disposal	–	–	–	–	–	–	–	–	–	–	–	–	(62)	(62)
Impairment	(3,934)	–	–	(2,496)	–	–	–	(620)	–	–	–	–	–	(7,050)
Additions	–	–	–	–	–	–	–	–	–	(18)	910	592	13	1,497
Cost at December 31, 2020	4,258	18,474	1,952	–	93,691	1,592	–	–	6,617	1,757	910	592	5,827	135,670

12 Impairment testing of goodwill (continued)

The recoverable amount of goodwill has been determined based on value in use calculations as of December 31, 2020 and 2019.

Value in use

At December 31, 2020, value in use was determined using cash flow projections from financial budgets and forecasts approved by senior management covering a seven to nine-year period. The nine-year period was taken as the basis because the Group expects that the growth rates of the Russian Internet market will exceed the terminal growth rates in the four-year period following the first five years of forecast. The Group used the cash flow projections based on financial forecasts over a period longer than five years as it is confident that these projections are reliable and accurate.

The major assumptions used in the DCF models at December 31, 2019 are presented below:

	Email, Portal and IM	Social Networks	Online Games	E-commerce and EdTech	Vkontakte	Pixonic
Terminal growth rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Pre-tax discount rate	16.8%	17.6%	16.8%	18.7%	17.0%	16.1%

The major assumptions used in the DCF models at December 31, 2020 are presented below:

	Email, Portal and IM	Social Networks	Online Games	Deus Craft	E-commerce and EdTech	Vkontakte	Pixonic
Terminal growth rate	5.0%	5.0%	5.0%	5,0%	5.0%	5.0%	5.0%
Pre-tax discount rate	17.0%	17.3%	17.2%	26,6%	19.3%	16.7%	16.8%

Determining value in use requires the exercise of significant judgment, including judgment about appropriate discount rates, terminal growth rates, the amount and timing of expected future cash flows. The cash flows employed in the DCF analysis are based on the Group's most recent budget and, for years beyond the budget, the Group's estimates, which are based on assumed growth rates. The discount rates used in the DCF analysis are intended to reflect the risks inherent in the future cash flows of the respective cash generating units.

The calculation of value in use is most sensitive to the following assumptions:

- Revenue Compound annual growth rates ("CAGR");
- EBITDA margins;
- Growth rates used to extrapolate cash flows beyond the budget period including terminal growth rate in last year of projections; and
- Discount rates.

Reasonably possible changes in any key assumptions would not result in impairment of goodwill of any CGU.

In 2020, given the challenging market environment caused by the global recession and effect of COVID-19, with ongoing lockdowns and pressures around the advertising market as well as the related uncertainty in particular, the Group concluded that these circumstances might significantly and adversely affect the advertising market in Russia and accordingly, the Group revised its advertising revenue projections downward. As a result of this analysis in 2020 management recognized an impairment charge of RUB 2,496 against goodwill related to the Search CGU and RUB 3,934 against goodwill related to the Email, Portal and IM CGU.

13 Trade accounts receivable

As of December 31, 2020 and 2019 trade receivables comprised the following:

	December 31, 2020	December 31, 2019
Trade accounts receivable, gross	17,319	13,098
Allowance for expected credit losses	(612)	(440)
Total trade receivables, net	16,707	12,658

The accounts receivable increased primarily due to growth of online advertising and MMO games revenue.

The movements in the allowance for expected credit losses of trade receivables were as follows:

Balance as of January 1, 2019	(357)
Charge for the year	(201)
Accounts receivable written off	118
Balance as of December 31, 2019	(440)
Charge for the year	(173)
Accounts receivable written off	1
Balance as of December 31, 2020	(612)

Notes to Consolidated Financial Statements (continued)

13 Trade accounts receivable (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns and the likelihood of default over a given time horizon. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade and other receivables as of December 31, 2020 and 2019 using a provision matrix:

	Trade accounts receivable				
	Days past due				
	<90 days	90-180	180-360	>360	Total
As of December 31, 2020					
Expected credit loss rate	0.23%-21.05%	1.22%-54.87%	1.91-73.49%	100.00%	
Estimated total gross carrying amount at default	15,927	279	626	487	17,319
Expected credit loss	(24)	(14)	(87)	(487)	(612)

	Trade accounts receivable				
	Days past due				
	<90 days	90-180	180-360	>360	Total
As of December 31, 2019					
Expected credit loss rate	1.10%	11.50%	20.55%	75.51%	
Estimated total gross carrying amount at default	11,754	348	375	251	12,728
Expected credit loss	(129)	(40)	(77)	(194)	(440)

Trade receivables not impaired as of December 31, 2020 and 2019 are presented below:

		Ageing of receivables (days)	
	Total	<90	>90
As of December 31, 2020			
Trade accounts receivable	16,707	15,924	783
As of December 31, 2019			
Trade accounts receivable	12,658	12,099	559

The accounts receivable balances as of December 31, 2020 and 2019 mainly represented amounts due from online electronic payment systems and advertising customers.

The trade receivables are non-interest bearing and are generally settled in RUB on a 40-90 days basis. There is no requirement for collateral to receive credit.

Management considers that the carrying amount of the receivable balances approximated their fair value as of December 31, 2020 and 2019.

14 Cash and cash equivalents and short-term deposits

As of December 31, 2020 and 2019 cash and cash equivalents consisted of the following:

	Currency	December 31, 2020	December 31, 2019
Current accounts and cash on hand:	USD	30,650	917
	RUR	3,044	1,692
	EUR	2,517	1,501
	Other	3	3
Total current accounts and cash on hand		36,214	4,113
Deposit accounts with an original maturity of three months or less:	USD	354	680
	RUR	2,729	5,032
Total deposit accounts with an original maturity of three months or less		3,083	5,712
Total cash and cash equivalents and short-term deposits		39,297	9,825

15 Share capital

15.1 Charter capital and share issues

The charter capital of the Company consisted of 227,874,940 ordinary shares and 11,500,100 Class A shares with USD 0.000005 par value each as of December 31, 2020, while the number of authorised shares of the Company as of the same date consisted of 10,000,000,000 ordinary shares and 10,000,000,000 Class A shares. GDRs representing 649,637 shares of the Company were held in treasury by the Group as of December 31, 2020.

The charter capital of the Company consisted of 208,582,082 ordinary shares and 11,500,100 Class A shares with USD 0.000005 par value each as of December 31, 2019, while the number of authorised shares of the Company as of the same date consisted of 10,000,000,000 ordinary shares and 10,000,000,000 Class A shares. GDRs representing 126,979 shares of the Company were held in treasury by the Group as of December 31, 2019.

As of December 31, 2020 and 2019 all issued shares were fully paid.

Rights attached to the share classes as of December 31, 2020 and 2019

The Class A shares and the ordinary shares rank pari passu in all respects, but constitute separate classes of shares, i.e. each and every ordinary share and Class A share has the following rights:

(i) the right to an equal share in any dividend or other distribution paid by the Company to the holders of the shares, pari passu with all other Class A shares and ordinary shares; and, for the avoidance of doubt, any dividend or other distribution may only be declared and paid by the Company to the holders of the Class A shares and the ordinary shares together, and not to the holders of one of those classes of shares only;

(ii) the right to an equal share in the distribution of the surplus assets of the Company pari passu with all other ordinary shares and Class A shares upon the winding up of the Company.

Each Class A share has the right to twenty five votes and each ordinary share has the right to one vote at a meeting of members of the Company or on any resolution of members of the Company.

For additional details on the options over the shares of the Company outstanding as of December 31, 2020 and 2019, refer to Note 25.

15.2 GDR buying programme

Starting 2011, the Trustee commenced a GDR buying programme in order to cover a part of the employee and director options. Under the GDR buying programme, the Trustee acquires GDRs representing shares of the Company and will subsequently transfer the GDRs to the respective option holders upon the exercise of the options. The Trustee intends to hold the GDRs to be used over the next seven years.

During 2019 the Trustee acquired a total of 572,437 GDRs on the market for an aggregate consideration of RUB 896. (None in 2020) The Group accounts for GDRs repurchased as treasury shares.

15.3 Cash capital increase

On September 24, 2020 the Group announced placing of 7,142,858 newly issued Global Depository Receipts at a placement price of USD 28.00 per GDR corresponding to a capital increase of USD 200 million (RUB 15,209 net of issuance costs of RUB 154). Settlement of the placement was on September 28, 2020.

The expected use of proceeds raised by the Group was as follows:

- fund development and organic growth across existing verticals;
- finance and develop strategic M&A opportunities; and
- finance investments into O2O and AER JVs

16 Other payables and accrued expenses

Other payables and accrued expenses consist of:

	December 31, 2020	December 31, 2019
Payables to personnel	3,373	2,482
Accrued vacations	2,190	1,314
Contingent consideration liabilities	1,604	5,472
Deferred consideration on formation of joint ventures	–	5,076
Other current payables and provisions	2,051	1,063
Total other payables and accrued expenses	9,218	15,407

In 2020, due to current ecomomic conditions and particularly the effect of the coronavirus pandemic outbreak and related lockdowns on the ride-hailing business, the fair value of the contingent consideration liability payable to the O2O JV, was remeasured to nil.

On October 1, 2020 the Group transferred USD 82 million cash contribution (RUR 6.5 bln), according to the pre-agreed terms of the AER JV, which was finalized in October 2019.

Notes to Consolidated Financial Statements (continued)

17 Revenue

Contract balances comprise trade receivables presented as a separate line item in the consolidated statement of financial position and contract liabilities. Contract liabilities comprise deferred revenue and customer advances presented as separate line items in the consolidated statement of financial position.

As required for consolidated financial statements disaggregation of revenue from contracts with customers for the year ended December 31, 2020, based on the Group's segment reporting (Note 5) is presented below:

	Communications and Social	Games	New initiatives	Eliminations	Group
Revenue					
External revenue	52,513	40,660	14,254	–	107,427
Intersegment revenue	172	102	41	(315)	–
Total revenue	52,685	40,762	14,295	(315)	107,427
Services transferred at a point in time	41,855	6,930	8,196	(315)	56,666
Services transferred over time	10,830	33,832	6,099	–	50,761

Disaggregation of revenue from contracts with customers for the year ended December 31, 2019 based on the Group's segment reporting (Note 5) is presented below:

	Communications and Social	Games	New initiatives	Eliminations	Group
Revenue					
External revenue	50,251	31,144	7,265	–	88,660
Intersegment revenue	55	118	47	(220)	–
Total revenue	50,306	31,262	7,312	(220)	88,660
Services transferred at a point in time	40,754	4,545	5,321	(220)	50,400
Services transferred over time	9,552	26,717	1,991	–	38,260

18 Finance expenses

Finance expenses consist of:

	2020	2019
Interest on debts and borrowings	1,969	766
Interest on lease liabilities	842	579
Bank charges and commissions	158	114
Total finance expenses	2,969	1,459

19 Income tax

The business activity of the Group and its associates is subject to taxation in multiple jurisdictions, including:

The Russian Federation

The Group's subsidiaries and associates incorporated in the Russian Federation are subject to corporate income tax at the standard rate of 20% applied to their taxable income. In 2021 a new law regarding taxation of IT companies entered into force in Russia. The law proposes VAT exemption and decrease in profit tax rate and social contributions for Russian IT companies if certain criteria are met. In particular, VAT exemption will only apply to licensing software and databases included in the register of domestic software. Previously the exemption applied to all software and databases and was used by the Group. The Group cannot guarantee that it will be eligible to apply that new VAT exemption in future and expects negative effects from restrictions of the new VAT exemption rules. In addition, it is not clear if the Group could benefit from the reduction in profit tax rate and social contributions as certain requirements of the law are still to be clarified.

Withholding tax of 15% is applied to any dividends paid out of Russia. Specifically, the Group can incur the 15% withholding tax on dividends from the Russian subsidiaries to Cyprus based on amendments made to the Cyprus – Russia Double Tax Treaty in 2020 and clarifications subsequently issued by the Russian Ministry of Finance disallowing 5% tax rate on dividends to public companies, if they list on stock exchanges with depositary receipts instead of shares. Subsequently the Russian Ministry of Finance modified its position. In particular, either shares or depositary receipts must be listed in one of the contracting states, i.e. in Cyprus or in Russia. It is currently not clear if the Group would be able to apply reduced withholding tax rate on dividends paid out of Russia to Cyprus. In addition, termination of the Russia – Netherlands double tax treaty is under discussion. Such changes could adversely affect the business of the Group.

19 Income tax (continued)

Cyprus

The Company and the Group's subsidiaries and associates incorporated or tax resident in Cyprus are subject to a 12.5% corporate income tax applied to their worldwide income. Capital gains derived from sale of securities are tax exempt (except for capital gains realised in connection with sale of shares in companies deriving their value or the greater part of their value from immovable property located in Cyprus). Dividend income is also tax exempt.

British Virgin Islands

The Company and its subsidiaries and associates incorporated in the British Virgin Islands are exempt from all taxes under the respective laws, unless they become tax residents in other jurisdictions.

The Netherlands

The Group's subsidiaries incorporated in the Netherlands are subject to corporate income tax at a standard rate of 25% applied to their taxable income. Dividend income and capital gains received by the Dutch subsidiaries are exempt from the corporate income (participation exemption) if certain criteria are met.

The major components of income tax expense in the consolidated statement of comprehensive income are as follows:

	2020	2019
Current income tax expense	4,241	3,370
Deferred income tax expense/(benefit)	(2,408)	58
Total income tax expense	1,833	3,428

The reconciliation between tax expense and the product of accounting profit multiplied by domestic rates applicable to individual Group entities for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
(Loss)/profit before income tax expense	(19,393)	22,279
Tax at domestic rates applicable to individual group entities	3,805	(4,934)
Non-deductible expenses	(651)	(485)
Non-taxable foreign exchange and other gains	920	3,618
Adjustments in respect of current income tax of previous year	350	(119)
Effect of changes in tax rates	298	(393)
Tax accruals and penalties	(1,213)	(45)
Unrecognised deferred tax assets	(409)	(201)
Share of results of equity associates and joint ventures	(3,978)	(338)
Remeasurement of contingent liability	923	–
Goodwill and intangible assets impairment	(1,467)	(565)
Write-down of deferred tax assets	(394)	–
Other	(17)	34
Total income tax expense	(1,833)	(3,428)

In 2020 tax authorities confirmed the income tax relief for Vkontakte LLC in total amount of RUB 1.3 applicable since 2019. This resulted reverse of income tax expense RUB 435 for 2019 and decrease of income tax expense RUB 402 for 2020.

The majority of our taxable profits as well as income tax expenses in 2020 and 2019 are generated in Russia and Netherlands. Pre-tax gains and losses in other jurisdictions in 2020 mostly relate to share based payment expenses, fair value revaluation, foreign exchange gains and losses, and other similar items which are generally non-taxable (non-deductible) in those jurisdictions. These items affect pre-tax profit, but do not have an influence on income tax expense, which has an effect on the blended tax rate.

19 Income tax (continued)

Deferred income tax assets and liabilities as of December 31, 2020 and 2019 are summarised below:

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	December 31, 2020	December 31, 2019	2020	2019
Deferred tax liabilities arising from:				
Intangible assets book basis in excess of tax basis	(2,030)	(2,634)	1,302	381
Basis of investment in associate in excess of tax basis	12	12	–	12
Unremitted earnings of subsidiaries	–	(10)	10	(4)
Other	(779)	(725)	(42)	(121)
Deferred tax liabilities netting	1,418	1,071		–
Total deferred tax liabilities	(1,379)	(2,286)	1,270	268
Deferred tax assets arising from:				
Tax credit carryforwards	1,097	735	648	1,423
Deferred compensation and accrued employee benefits	913	673	241	133
Accrued expenses	284	461	(227)	40
Revenue recognition	1,410	972	405	(1,965)
Unrealised intercompany profit	105	105	–	–
Other	533	203	71	43
Deferred tax assets netting	(1,418)	(1,071)	–	–
Total deferred tax assets	2,924	2,078	1,138	(326)
Net deferred tax assets/(liabilities)	1,545	(208)	2,408	(58)

The temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised, aggregate to RUB 84,351 (2019: RUB 79,968).

Changes in net deferred tax liabilities from January 1, 2020 to December 31, 2020 were as follows:

	2020	2019
Total deferred income tax assets /(liabilities), net at January 1	(208)	2,388
Translation reserve	(313)	(26)
Effect of disposal of subsidiary	–	(2,469)
Deferred tax (expense)/benefit	2,391	(29)
Effect of acquisition of subsidiaries (Note 6)	(325)	(72)
Total deferred income tax assets/(liabilities), net at December 31	1,545	(208)

20 EPS

20.1 Basic EPS

Basic EPS amounts are calculated by dividing earnings/loss for the year attributable to equity holders of the parent by the weighted average number of ordinary and Class A shares outstanding during the year.

	2020	2019
Net (loss)/profit attributable to equity holders of the Company	(20,921)	18,686
Weighted average number of ordinary and class A shares in issue and outstanding	219,673,210	216,694,354
Basic loss per share (RUB per share)	(95)	86

20.2 Diluted EPS

Diluted EPS is calculated by adjusting the weighted average number of ordinary and Class A shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and RSUs granted by the Company (collectively forming the denominator for computing the diluted EPS).

For share options and RSUs, a calculation is done to determine the number of shares that would have been issued assuming the exercise of the share options and RSUs. The above number is added to the denominator as an issue of ordinary shares for no consideration. Net profit/loss attributable to equity holders of the parent (numerator) is adjusted for the charge that would arise if equity settlement took place.

20 EPS (continued)

20.2 Diluted EPS (continued)

The calculation of diluted EPS is summarised in the table below:

	2020	2019
Net profit/(loss) attributable to equity holders of the Company	(20,921)	18,686
Adjustment for the gains from cash setlled option	–	(111)
Adjusted net profit/(loss) attributable to equity holders of the Company	(20,921)	18,575
Weighted average number of ordinary and class A shares in issue and outstanding	219,673,210	216,694,354
Effect of equity-settled share based payments of the Company	3,841,697	2,466,961
Total diluted weighted average number of shares	223,514,907	219,161,315
Diluted EPS (RUB per share)	n/a	85

21 Commitments, contingencies and operating risks

21.1 Operating environment of the Group

Most of the Group's operations are in Russia. Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy.

Starting from 2014 the Russian economy has been negatively impacted by sanctions imposed on Russia by a number of countries. The Rouble interest rates remained high. The combination of the above resulted in reduced access to capital, a higher cost of capital and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

On March 11, 2020, the World Health Organization declared a new coronavirus infection (COVID-19) a pandemic. The global markets began to experience significant volatility. Together with other factors, this have resulted in a sharp decrease in the oil price, stock market indices and coal prices, as well as a depreciation of the Russian rouble. Responding to the potentially serious threat the COVID-19 presents to public health, the Russian and other countries government authorities have taken extensive measures to contain the outbreak, including imposing restrictions on the cross-borders movement of people, entry restrictions for foreigners and instructing business community to transfer employees to working from home. The scope and duration of these events against the backdrop of the second wave of COVID-19 remain uncertain and may have further significant influence on the economy and companies operating in this environment.

The management of the Group is taking necessary precautions to protect the safety and well-being of employees against the spread of COVID-19. The Group has developed plans for mitigating the impact on its business and has reviewed the economic environment; the demand for the Group's products; its available bank facilities; and the possible effects on its cash flow and liquidity position, including consideration of debt covenants.

Taking into account the above-mentioned measures and the Group's current operational and financial performance along with other currently available public information, the management of the Group does not anticipate significant adverse or favourable impact of the COVID-19 outbreak on the Group's financial position and operating results, except:

- Social networks, Online Games and Vkontakte. The Group saw an acceleration of demand during the pandemic, continued to demonstrate solid growth trends and expects sustainable growth for these groups of CGU's;
- Email, Portal and IM, Search and ESForce. The Group revised a number of assumptions used for impairment test and recognized an impairment charge for these groups of CGU's (see Note 12). However, the management of the Group expects that the measures undertaken by the Russian and other countries government authorities shall reduce volatility and uncertainty in global markets and these groups of CGU's shall perform as in pre-crisis period in foreseeable future.

The management of the Group conducted a thorough analysis of the Group's receivables and did not identify any indicators that could significantly affect the measurement of the allowance for expected credit losses. Please see Note 13 for details.

The loan agreements contain restrictive financial and non-financial covenants that the Group as the borrower is obliged to fulfil. Restrictive covenants include maintaining certain financial ratios. As of December 31, 2020 all restrictive covenants are met. Please see Note 23 for details.

However, it may be difficult to predict the impact of the COVID-19 in the medium and long term perspective. Management closely monitors the development of the situation and takes necessary measures to mitigate negative effects of the COVID-19 pandemic.

The consolidated financial statements reflect management's assessment of the impact of the business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

21 Commitments, contingencies and operating risks (continued)

21.2 Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Modifications of the Group’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.

Management estimates that possible exposure in relation to the aforementioned risks, as well as other profits tax and non-profits tax risks (e.g. imposition of additional VAT liabilities), that are more than remote, but for which no liability is required to be recognized under IFRS, could be few times as high as income tax payable and VAT and other taxes payable reflected in the consolidated statement of financial position at that date. This estimation is provided for the IFRS requirement for disclosure of possible taxes and should not be considered as an estimate of the Group’s future tax liability.

21.3 Legal proceedings

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which has had, individually or in the aggregate, a material adverse impact on the Group. Management believes that the resolution of all current and potential legal matters will not have a material adverse impact on the Group’s financial position or operating results.

21.4 Managing Joint Ventures

To pursue our strategic development goals we entered into joint venture agreements with third parties in ecommerce and online-to-offline (O2O) segments. Failure to successfully develop new businesses and to operate those in a sustainable and efficient manner could cause us to face unanticipated liabilities and harm our overall financial results.

21.5 Private information

To become registered on a website operated by the Group, users have to input their personal data, which is then protected by the Group from access by third parties. Should such data become available to third parties as a result of hackers’ attacks, the Group may become a party to litigation from its users. Management believes it takes all necessary steps to reduce the related risk to an acceptable level.

21.6 Intellectual property rights

The Group 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 its services. If the Group is found liable for infringement, it may be required to pay significant damages, and if it is unable to license or develop non-infringing technology on a timely basis, it may be unable to continue offering the affected services without risk of liability. Similarly, third parties may obtain and use the Group’s intellectual property without authorisation. 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 the Group to protect its intellectual property and could have a material effect on its business, results of operations and financial condition. The Group has been subject to such proceedings. Although none of them was individually significant, similar potential claims may subject the Group to significant losses in the future, which currently cannot be reliably estimated.

21.7 Development

A failure to innovate, to provide popular products and services or to react quickly to changes in the market could affect the popularity of the Group’s sites and, in turn, could affect the Group`s revenue. An inability to develop competitive products and services which are compatible with new mobile devices could result in a failure to capture a significant share of an increasingly important market.

21.8 Regulation

The Internet and its associated technologies are subject to government regulation. Substantial part of Group’s business is subject to Russian laws.

New amendments to the Federal Law *On Information, Information Technologies and the Protection of Information* have been adopted:

- The amendments clarifying the procedure for restricting access to the information disseminated in breach of copyright or related rights provisions. In accordance with the applicable law, Internet (mobile) applications in breach of copyright and related rights provisions can be blocked following a court order. The procedure for blocking such applications is similar to the site access restriction process. The Law came into force on October 1, 2020.

- The amendments regulating the social networks. The new law introduces a concept of “social network” and defines the obligations for social network such as follows: it is prohibited to use a social network for illegal purposes, in particular, for committing criminal offenses, disclosing state secrets, disseminating information calling for mass riots, pornography materials, obscene language, placing information that is defaming business reputation, extremism and terrorism, and other information prohibited for distribution on the territory of the Russian Federation. Social networks have to monitor and delete some illegal information, such as: suicide, gambling, children pornographic images and other materials. Our failure to accurately comply with the obligations above could create liability in a fine of up to 8 million rubles (depending on the information placed on the social networks).

21 Commitments, contingencies and operating risks (continued)

21.8 Regulation (continued)

The social network is obliged to place an e-mail address and a form for user requests, and have to respond to user requests within 30 days. In addition, the social networks have to publish a report on the implementation of using measures to remove prohibited information. This Law came into force on February 1, 2021.

A new draft law to the Federal Law *On Information, Information Technologies and the Protection of Information* has been submitted to the State Duma that limits foreign participation in domestic audiovisual services (AVS) to 20%. This rule is similar to the regulation in mass media which was introduced in 2017.

New amendments to the Federal Law on *Personal data protection* has been adopted, regulating the use of personal data that is available to public. The new rules introduce a concept of “personal data permitted by the subject for dissemination” and determine how such data could be processed and used. In particular, such personal data can be used by third parties only on the basis of the consent of the personal data subject. The Law will come into force on March 1, 2021.

A new draft to the Advertising Law has been submitted to the State Duma regulating the placement of social advertisement on the Internet.

The new rules establish certain requirements for social advertising and specify that the advertiser of social advertisement has to be selected by a government agency (Roscomnadzor).

Advertising networks and/or advertising distributors are obliged to place social advertisements free of charge (in volumes that is established in by-laws), as well as to send reports on the forms, volumes and methods of advertising distribution for the purpose of making forecasts. Failure to comply with these requirements may result in restrictive measures.

The Group is also subject to other various specific Russian laws, such as so called Anti-Piracy Law, Anti-extremism Law, Black List Law etc. Non-compliance with the applicable regulations could lead to penalties or blocking of non-compliant services. The Group complies with the existing and new laws in all material respect.

21.9 Personnel

As competition in Russia’s internet industry increases, the Group’s business and operations could be adversely affected by difficulties in hiring, motivating and retaining highly-skilled people. Competition for senior managers is high. One or more could join a competitor, or set-up a competing company, with the result that operations and profitability could be affected by a loss of strategic direction, users, know-how and additional staff.

21.10 Infrastructure and capacity

If the infrastructure in Russia were not able to support increased demand, the Group’s services could be interrupted or the Group’s systems damaged. A limited availability of third-party providers of network and server capacity could limit the Group’s ability to offer certain services or to expand. Network or power failures could result in the loss of data and in a reduction in the number of users, which could have a material effect on the Group’s business, results of operations and financial condition.

21.11 Fund commitment

In April 2020 the Group entered into the venture capital fund MVOF L.P. as a limited partner. The purpose of the Fund is to carry on the business of investing and, in particular, of identifying, negotiating, making, monitoring the progress of and realising, exchanging or distributing investments. Main investment areas and geographic focus are the sectors of consumer internet, foodtech, edutech, fintech, AI and modern software, and any other sectors which are generally complementary to such identified sectors in developed markets outside Russia. The Group has right to the share in the financial results of the Fund investments in the proportion of its participation.

The Group does not control or exercise significant influence over the Fund according to IFRS criteria as the Group does not manage relevant activities of the Fund. Investments in the Fund are accounted for as financial assets at fair value through profit or loss. As at December 31, 2020 the total capital commitment of the Group was RUB 10,137 (USD 137.2 million net of USD 12.8 million contributions made in 2020). Capital contributions to the Fund are made quarterly based on the capital call notices. Anticipated lifetime of the Fund is 10 years.

22 Balances and transactions with related parties

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year, excluding Directors and key management of the Group (see Notes 22.2 and 22.3). All related party transactions were made in accordance with contractual terms and conditions agreed between the parties.

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
2020				
Equity accounted associates	328	17	37	8
Joint ventures	5,112	428	3,201	788
Entities with significant influence over the Group and other entities	470	195	104	14,351
2019				
Equity accouned associates	1,212	208	795	202
Joint ventures	442	1	1,040	10,651
Entities with significant influence over the Group and other entities	705	1,313	630	15,950

22 Balances and transactions with related parties (continued)

Entities with significant influence over the Group and other entities line include Sberbank and MegaFon and their respective subsidiaries.

22.1 The ultimate controlling party

The Group does not have an ultimate controlling party.

22.2 Directors of the Company

Total cash remuneration of the members of the Board of Directors (each a "Director" and collectively, "Directors") of the Company amounted to RUR 122 for the year ended December 31, 2020 (2019: RUR 107). In 2020 no RSUs or options over the shares of the Company were granted to Directors (2020: nil). During the year ended December 31, 2020, Directors did not forfeit any RSUs or options (2019: nil) and did not exercised any options or RSUs (2019: 2,500). The corresponding share-based payment expense was RUR 36 for year ended December 31, 2020 (2019: negative 31).

22.3 Key management of the Group

Total cash remuneration of the key management of the Group (excluding Directors) amounted to RUR 1,204 for the year ended December 31, 2020 (2019: 843).

In addition to the cash remuneration for the year ended December 31, 2020, key executive employees of the Group were granted 145,000 RSUs out of 2017 RSU Plan (2019: 1,280,000). During the year ended December 31, 2020, key management of the Group (excluding Directors) did not forfeit any options (2019: nil) and exercised 552,750 RSUs and options over shares of the Company (2019: 1,268,750). The corresponding share-based payment expense amounted to RUR 675 for year ended December 31, 2020 (2019: 583).

23 Financial instruments

The carrying amounts of the Group's financial instruments approximated their fair values as of December 31, 2020 and December 31, 2019 and are presented by category of financial instruments in the table below:

	Category*	December 31, 2020	December 31, 2019
Financial assets at fair value through profit and loss			
Non-current			
Financial investments in venture capital investees	FAFVPL	1,265	673
Derivative financial assets over the equity of investee	FAFVPL	–	110
Convertible loans	FAFVPL	565	452
Financial derivative under lease contract	FAFVPL	475	514
Current			
Convertible loans	FAFVPL	–	90
Financial assets at amortised cost			
Trade accounts receivable	FAAC	16,707	12,658
Loans and interest receivable	FAAC	2,863	941
Cash and cash equivalents	FAAC	39,297	9,825
Total financial assets		61,172	25,263
Financial liabilities at fair value through profit and loss			
Current			
Contingent consideration liabilities (Note 6, Note 16)	FLFVPL	1,604	5,472
Non-current			
Conversion option of bond issue	FLFVPL	3,506	–
Financial liabilities at amortised cost			
Current			
Trade accounts payable	FLAC	10,923	8,030
Other payables and accrued expenses	FLAC	7,614	9,935
Short-term portion of long-term interest-bearing loans	FLAC	3,718	4,044
Short-term lease liabilities	FLAC	3,861	3,218
Non-current			
Long-term interest-bearing loans and bonds	FLAC	41,497	19,474
Non-current lease liabilities	FLAC	11,338	1,568
Total financial liabilities		84,061	51,741

* Financial instruments used by the Group are included in one of the following categories:
- FAFVPL – financial assets at fair value through profit or loss;
- FLFVPL – financial liabilities at fair value through profit or loss;
- FAAC – financial assets at amortised cost; or
- FLAC – financial liabilities at amortised cost.

Notes to Consolidated Financial Statements (continued)

23 Financial instruments (continued)

None of the Group's financial investees are public companies and none of the Group's financial instruments are traded in active markets. Accordingly, fair values of the Group's financial assets and liabilities at fair value through profit or loss are determined using valuation techniques, including discounted cash flow models, comparison to similar instruments for which observable market prices exist, option pricing models and other relevant valuation models. Such valuation techniques require management to make certain assumptions about model inputs, including credit risk and volatility.

Fair value of cash and cash equivalents, short-term time deposits, short-term accounts receivable, other current assets, trade accounts payable approximate their carrying amounts largely due to the short-term maturities of these instruments.

23.1 Financial assets at amortised cost

The Group classifies the following financial assets at amortised cost:

- The asset is held within a business model with the objective of collecting the contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding;
- Trade receivables;
- Cash and cash equivalents

Detailed information on short-term receivables, cash and cash equivalents and short-term time deposits is available in Notes 13 and 14.

23.2 Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2020 and 2019 the Group held the following financial instruments measured at fair value through profit or loss:

	December 31, 2020	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
Financial assets at fair value through profit or loss:				
Financial investments in venture capital investees	1,265	–	–	1,265
Convertible loans	565	–	–	565
Financial derivative under lease contract	475	–	–	475
Derivative financial assets over the equity of investee	–	–	–	–
Total financial assets at fair value through profit or loss	2,305	–	–	2,305
Total financial assets measured at fair value through profit or loss	2,305	–	–	2,305
Financial liabilities measured at fair value through profit or loss				
Contingent consideration liabilities	1,604	–	–	1,604
Conversion option of bond issue	3,506	–	3,506	–
Total financial liabilities measured at fair value through profit or loss	5,110	–	3,506	1,604

	December 31, 2019	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
Financial assets at fair value through profit or loss:				
Financial investments in venture capital investees	673	–	–	673
Convertible loans	539	–	–	539
Financial derivative under lease contract	514	–	–	514
Derivative financial assets over the equity of investee	113	–	–	113
Total financial assets at fair value through profit or loss	1,839	–	–	1,839
Total financial assets measured at fair value through profit or loss	1,839	–	–	1,839
Financial liabilities measured at fair value through profit or loss				
Contingent consideration liabilities	5,472	–	–	5,472
Total financial liabilities measured at fair value through profit or loss	5,472	–	–	5,472

23 Financial instruments (continued)

23.2 Fair value hierarchy (continued)

The balance of financial assets and liabilities at fair value through profit or loss measurements as of January 1, 2020 is reconciled to the balance of those measurements as of December 31, 2020 as follows:

	Balance as of January 1, 2020	Gains/(losses) recognized in profit and loss	Foreign exchange gains/(losses)	Settlements	Purchases/ issue	Convertible loan execution	Recognition of deposit	Balance as of December 31, 2020
Financial assets measured at fair value through profit or loss								
Financial assets at fair value through profit or loss:								
Financial investments in venture capital investees	673	46	–	(309)	855	–	–	1,265
Derivative financial assets over the equity of investee	113	(251)	–	–	138	–	–	–
Convertible loans	539	51	–	–	381	(406)	–	565
Financial assets and derivatives under lease contracts	514	(13)	–	–	–	–	(26)	475
Total financial assets at fair value through profit or loss	1,839	(167)	–	(309)	1,374	(406)	(26)	2,305
Financial liability measured at fair value through profit or loss								
Financial liabilities at fair value through profit or loss – *contingent consideration liabilities*	(5,472)	4,492	–	–	(624)	–	–	(1,604)
Conversion option of the bond issue	–	956	296	–	(4,758)	–	–	(3,506)
Total financial liabilities measured at fair value through profit or loss	(5,472)	5,448	296	–	(5,382)	–	–	(5,110)

The balance of financial assets and liabilities at fair value through profit or loss measurements as of January 1, 2019 is reconciled to the balance of those measurements as of December 31, 2019 as follows:

	Balance as of January 1, 2019	Gains/(losses) recognized in profit and loss	Foreign exchange gains/(losses)	Purchases / Settlement	Convertible loan execution	Recognition of deposit	Balance as of December 31, 2019
Financial assets measured at fair value through profit or loss							
Financial assets at fair value through profit or loss:							
Financial investments in venture capital investees	256	(139)	(29)	484	101	–	673
Derivative financial assets over the equity of investee	94	(90)	–	109	–	–	113
Convertible loans	2,237	(468)	–	1,508	(2,738)	–	539
Financial derivatives under lease contracts	500	(245)	–	–	–	259	514
Total financial assets at fair value through profit or loss	3,087	(942)	(29)	2,101	(2,637)	259	1,839
Financial liability measured at fair value through profit or loss							
Financial liabilities at fair value through profit or loss – *contingent consideration liabilities*	(1,997)	45	132	(3,652)	–	–	(5,472)
Total financial liabilities measured at fair value through profit or loss	(1,997)	45	132	(3,652)	0	0	(5,472)

23 Financial instruments (continued)

23.2 Fair value hierarchy (continued)

Contingent liability relating to Esforce in the amount of RUR 1,948 was paid in full amount in March 2019.

23.3 Interest-bearing loans

In 2019 the Group raised several loans in the total amount of RUB 23,500 (net of loan origination fees of RUB 117) for funding increasing M&A activity. All loans are unsecured. The loan agreements contain restrictive financial and non-financial covenants that the Group as the borrower is obliged to fulfil. Restrictive covenants include maintaining certain financial ratios. As of December 31, 2020 all restrictive covenants are met.

On December 28, 2020 the Group repaid its outstanding debt under the credit line agreement with Sberbank followed by an immediate re-lending of the repayment as a new loan at 6.67% fixed rate with the maturity date of December 26, 2024.

The table below represents the major loans as of December 31, 2020 and 2019:

	Original currency	Interest rate	Maturity date	Outstanding principal amount as of December 31,2020	Outstanding principal amount as of December 31,2019
Sberbank RUB 6.5 bln loan	RUB	7.5%	October 6, 2023	–	6,500
Sberbank RUB 8.5 bln loan	RUB	7.0%	December 7, 2023	–	8,500
Raiffeisen bank RUB loan	RUB	7.2%	March 6, 2023	5,904	8,500
Sberbank RUB 14.3 bln loan	RUB	6.67%	December 26, 2024	14,354	–

Total undrawn amount under the loan agreements was RUR 19,769 as of December 31, 2020.

Loans movements in 2020 and 2019 are presented below:

	1 January 2020	Proceeds from loan	Loans repayment	interest accrual	Interest repayment	Reclass from long-term to current liabilities	31 December 2020
Current interest bearing loans	4,076	1,104	(3,801)	1,658	(1,643)	2,324	3,718
Non-current interest bearing loans	19,471	13,242	(13,794)	–	–	(2,324)	16,541
Total liabilities from financing activities	23,547	14,346	(17,595)	1,658	(1,643)	–	20,259

	1 January 2019	Proceeds from loan	Loans repayment	interest accrual	Interest repayment	Reclass from long-term to current liabilities	31 December 2019
Current interest bearing loans	–	4,029	–	834	(787)	–	4,076
Non-current interest bearing loans	–	19,471	–	–	–	–	19,471
Total liabilities from financing activities	–	23,500	–	834	(787)	–	23,547

23.4 Convertible bonds issuance

On October 1, 2020 the Group issued USD 400 million (RUB 30,944 net of RUB 572 issue costs) unsecured bonds convertible into Global Depositary Receipts of the Company listed on the London Stock Exchange, each representing one ordinary share.

The bonds are issued at 100% of their principal amount with a denomination of USD 200,000 each and – unless previously converted, repurchased or redeemed – will be redeemed at par on October 1, 2025. The conversion right may be exercised at any time on or after October 1, 2021. The bonds are offered with an annual interest rate of 1.625%, payable semi-annually, and a conversion premium of 42.5% above the placement price (Note 15.3). The bonds are subject to a cash settlement option at the discretion of the Group. The conversion feature of the bond is classified as financial liabitily and measured at fair value through profit and loss, while the host liability is accounted for at amortised cost using market interest rate of 5.55% per annum at the initial recognition.

As at December 31, 2020 the fair value of the conversion option was RUB 3,506 and was determined based on the quoted market price (level 2 of the fair value hierarchy) and included in non- current financial liabilities. For details please refer to Note 23.2.

The proceeds raised will be used to:

- fund development and organic growth across existing verticals;
- maintain flexibility to pursue strategic M&A opportunities in high growth verticals, with particular focus on those stimulated by the pandemic; and
- finance investments into O2O and AliExpress Russia JVs; and
- finance loans to the members of the Group to be used for the purposes described above.

24 Financial risk management objectives and policies

24.1 Introduction

The Group's principal financial liabilities mainly comprise a contingent consideration liability and trade accounts payable. The main purposes of these financial liabilities are to finance the Group's operations and, in the case of the contingent consideration, a business acquisition. The Group has short-term receivables, short-term time deposits, cash and cash equivalents and other current financial assets that arise directly from the Group's operations.

The Group also has a venture capital investment portfolio consisting of equity investments in Internet start-ups and smaller Internet companies and derivative contracts over the equity of the Group's venture capital investees.

The Group's senior management is responsible for identifying and controlling risks. These activities are supervised by the Board of Directors, the Group's governing body that is ultimately responsible for the Group's overall approach to risk management. The Board of Directors is developing risk management policies covering the following major aspects: identification and analysis of the risks the Group faces, setting appropriate risk limits and controls, and monitoring risks and adherence to limits. Risk management procedures and systems are contemplated to be reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

The Group's Audit Committee has been established to oversee, inter alia, how management monitors compliance with the Group's risk management practices and procedures when these are approved by the Board of Directors.

24.2 Liquidity and financial resources

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group monitors its risk of a shortage of funds using a liquidity planning tool. Management regularly monitors projected and actual cash flow information, analyzes the repayment schedules of the existing financial assets and liabilities and performs annual detailed budgeting procedures.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of operating cash flows, bank loans and overdrafts. Other financial liabilities of the Group are mostly represented by trade payables with maturity less than one year.

The contractual maturities of the Group's financial liabilities are presented below:

Year ended December 31, 2020	Less than 3 months	3 to 12 months	1 to 3 years	> 3 years	Total
Short-term and long-term interest-bearing loans and borrowings	654	3,064	12,098	29,399	45,215
Trade accounts payable	10,923	–	–	–	10,923
Current and non-current lease liabilities	1,154	3,162	7,128	7,406	18,850
Contingent consideration liabilities	980	624	–	–	1,604
Conversion option of bond issue	–	–	–	3,506	3,506
Other payables, accrued expenses	7,614	–	–	–	7,614
Total financial liablities	21,325	6,850	19,226	40,311	87,712

Year ended December 31, 2019	Less than 3 months	3 to 12 months	1 to 3 years	> 3 years	Total
Short-term and long-term interest-bearing loans and borrowings	708	3,336	14,526	4,948	23,518
Trade accounts payable	8,030	–	–	–	8,030
Current and non-current lease liabilities	966	2,403	1,608	291	5,268
Contingent consideration liabilities	–	5,472	–	–	5,472
Other payables, accrued expenses	4,859	5,076	–	–	9,935
Total financial liablities	14,563	16,287	16,134	5,239	52,223

24 Financial risk management objectives and policies (continued)

24.3 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

Financial assets, which potentially subject the Company and its subsidiaries and associates to credit risk, consist principally of cash and cash equivalents, short-term time deposits, short-term receivables and convertible loans. The total of these account balances represents the Group's maximum exposure to credit risk.

The Group places its cash and cash equivalents with highly rated financial institutions, which are considered at the time of deposit to have minimal risk of default. The Group does not require collateral or other security to support the financial instruments subject to credit risk. Accounts receivable from the two largest customers collectively represented 12% of total trade accounts receivable of the Group as of December 31, 2020 and 12% as of December 31, 2019. No customer accounted for more than 10% of revenue in 2020 or 2019. The Group provides credit payment terms to its customers in accordance with market practices and based on thorough review of the customer's profile and creditworthiness. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss beyond the allowance already recorded.

24.4 Capital management policy

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value. The Group manages its capital structure and makes adjustments in light of changes in economic conditions.

24.5 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The market risks the Group is exposed to comprise two types of risk: currency risk (Note 24.6) and equity risk. The Group's financial instruments affected by market risk include payables, cash and cash equivalents, short-term time deposits, financial investments in associates and derivative financial instruments. The Group's equity risk arises from uncertainties about future values of the investment into unlisted securities.

24.6 Foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in USD and EUR exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in USD rate	(Negative)/Positive effect on profit before tax
2020	`+16%	226
	`-16%	(226)
2019	`+15%	(681)
	`-15%	681

	Change in EUR rate	(Negative)/Positive effect on profit before tax
2020	`+16%	638
	`-16%	(638)
2019	`+20%	397
	`-20%	(397)

Notes to Consolidated Financial Statements (continued)

25 Share-based payments

25.1 Share-based payment arrangements of the Company

25.1.1 Option plans

During 2020 and 2019, the Company had the following outstanding option plans:

	2010 Option Plan	2015 RSU Plan	2017 RSU Plan
Adoption date	November 2010	February 2015	November 2017
Type of shares	Ordinary shares	Ordinary shares	Ordinary shares
Number of options or RSU reserved	10,706,403	5,795,500	7,202,471
Exercise price	Granted: • prior December 31, 2011 – USD 19.60 • since December 31, 2011 – USD 17.50	Nil	Nil
Exercise basis	Prior to November 2011 – net share basis only Since November 2011 – net share basis or cash at the Group's discretion	Shares or cash at the Group's discretion	Shares or cash at the Group's discretion
Expiration date	December 2022	December 2022	December 2026
Vesting period	Generally 4 years	Generally 4 years	Generally 4 years
Other major terms	• The options are not transferrable; • All other terms of the options under the 2010 Option Plan are to be determined by the Company's Board of Directors or Remuneration Committee.	• The RSUs are not transferrable; • All other terms of the options under the 2015 RSU Plan are to be determined by the Company's Board of Directors or Remuneration Committee.	• The RSUs are not transferrable; • Performance conditions • Immediate vesting due to change of ultimate controlling party. • All other terms of the options under the 2017 RSU Plan are to be determined by the Company's Board of Directors or Remuneration Committee.

25.1.2 Changes in outstanding options

The table below summarises the number and weighted average exercise prices (WAEP) of and movements in share options and RSUs in 2020 and 2019:

	Number of options/RSU	WAEP
Outstanding as of December 31, 2018	4,650,015	6.18
Exercisable as of December 31, 2018	3,586,139	5.94
Available for grant as of December 31, 2018	3,151,771	1.71
Granted during the year	2,938,000	1.07
Exercised during the year	1,839,423	0.65
Cancelled during the year	0	n/a
Forfeited during the year	201,250	8.48
Outstanding as of December 31, 2019	5,547,342	5.22
Exercisable as of December 31, 2019	1,598,622	13.58
Available for grant as of December 31, 2019	415,021	9.51
Granted during the year	262,500	0
Exercised during the year	1,292,573	2.83
Cancelled during the year	0	n/a
Forfeited during the year	52,000	5.05
Outstanding as of December 31, 2020	4,465,269	5.61
Exercisable as of December 31, 2020	1,692,123	12.94
Available for grant as of December 31, 2020	204,521	20.58

25 Share-based payments (continued)

25.1 Share-based payment arrangements of the Company (continued)

The weighted-average share price was USD 23.32 for options and RSUs exercised in 2020 and USD 23.51 for options and RSUs exercised in 2019

The range of exercise prices for options and RSUs outstanding as of December 31, 2020 and 2019 is presented in the table below:

Exercise price	December 31, 2020	December 31, 2019
–	3,121,647	3,982,670
17.5	615,367	808,917
19.6	728,255	755,755

25.1.3 Valuations of share-based payments

The valuations of all equity-settled options and RSUs granted during 2019 and 2020 are summarised in the table below:

Option plan/Grant date	Number of options	Share price (USD)	Fair value, total (million RUB)	Fair value per option/RSU (RUB)
2011 Option Plan / 2019	180,000	22.20-23.70	102	568
2017 RSU Plan / 2019	2,758,000	19.01-26.26	4,389	1,591
2017 RSU Plan / 2020	262,500	16.17-28.35	510	1,943

The valuations of all cash-settled options as of December 31, 2020 are summarised in the table below:

Number of options	Dividend yield %	Volatility, %	Risk-free interest rate, %	Expected term, years	Share price (USD)	Fair value, total (million RUB)	Fair value per option (RUB)	Valuation method
387,230	0%	39%	0.20%	N/A	26.30	261	674	Binomial

The forfeiture rate used for expenses calculation in 2020 is 0.1-15.6%. It is based on historical data and current expectations and is not necessarily indicative of forfeiture patterns that may occur.

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options/RSUs is indicative of future trends, which may not necessarily be the actual outcome.

25.2 Share-based payment expense

The Group recognised RUB 1,770 in share-based payment expenses in the year ended December 31, 2020 (2019: RUB 1,742), including RUB 1,690 (2019: 1,826) related to equity-settled share-based payments and RUB 80 related to cash-settled portion (2019: negative 84). The expense was included under “Personnel expenses” in the consolidated statement of comprehensive income.

26 Events after the reporting period

On February 9, 2021 the Board of Directors approved additional financing to O2O JV in the amount of RUB 3.7 billion. The additional resources will be used for scaling the O2O JV businesses and verticals.

On February 12, 2021 Mail.ru Group, USM, Ant Group, Russian Direct Investment Fund (RDIF) and MegaFon announced signing of binding agreements to create a payments joint venture (PJV) and a financial services joint venture (FSJV).

The Group will contribute to PJV its 100% stake in non-bank settlement credit institution Money.Mail.Ru (LLC) and VK Pay payment system assets in exchange for 40% stake. The Group’s contribution into the FSJV will be RUB 870 million in cash in exchange for a 5.95% stake in the FSJV.

The PJV and FSJV will work together to offer digital payment solutions and financial services around e-commerce sector in Russia. The deals are expected to close in 2021 after satisfying a number of conditions including third party approvals.

cautionary statements

Forward-looking statements

The Mail.ru Group Limited Annual Report and Accounts for 2020 contain certain “forward-looking statements” which include all statements other than those of historical facts that relate to the Group’s plans, financial position, objectives, goals, strategies, future operations and performance, together with the assumptions underlying such matters. Mail.ru Group Limited generally uses words such as “estimates”, “expects”, “believes”, “intends”, “plans”, “may”, “will”, “should” and other similar expressions to identify forward-looking statements. Mail.ru Group Limited has based these forward-looking statements on the current views of its management with regard to future events and performance. These views reflect management’s best judgement, but involve uncertainties and are subject to certain known and unknown risks together with other important factors outside the Group’s control, the occurrence of which could cause actual results to differ materially from those expressed in Mail.ru Group Limited's forward-looking statements.

Competitive position

Statements referring to the Group’s competitive position reflect the Group’s beliefs and, in some cases, rely on a range of sources, including investment analysts’ reports, independent market studies and the Group’s internal estimates of market share based on publicly available information regarding the financial results and performance of various market participants.

Rounding

Certain figures included in this document have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Terminology

In this document, a reference to the "Company" means Mail.ru Group Limited, which together with its subsidiaries is referred to as “we”, the “Group” or “Mail.ru Group”. Any reference to the position of Boris Dobrodeev as Chief Executive Officer (CEO) is a reference to his position as Chief Executive Officer (CEO), Russia. Any reference to the position of Vladimir Nikolsky as Chief Operating Officer (COO) is a reference to his position as Chief Operating Officer (COO), Russia. Any reference to the position of Vladimir Gabrielyan as First Deputy Chief Executive Officer is a reference to his position as First Deputy Chief Executive Officer, Russia.

see you soon.

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