Mail.ru Group Limited

Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021

Contents

Совершенствуя бизнес,
улучшаем мир

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Report on Review of Interim Financial Information

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Mail.ru Group Limited and its subsidiaries (the Group), which comprise the interim condensed consolidated statement of financial position as at September 30, 2021, the related interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the nine-month period then ended, and selected explanatory notes to the interim condensed consolidated financial statements (interim financial information). Management of Mail.ru Group Limited is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting.*

A.A. Chizhikov
Partner
Ernst & Young LLC

October 27, 2021

Details of the 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 5 December 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.

Interim Condensed Consolidated Statement of Financial Position

As of September 30, 2021
(in millions of Russian Roubles)

	Notes	As of September 30, 2021 (unaudited)	As of December 31, 2020
ASSETS			
Non-current assets			
Investments in equity accounted associates and joint ventures	9	48,045	41,948
Goodwill		138,003	135,670
Right-of-use assets		15,330	15,618
Other intangible assets	7	19,160	19,623
Property and equipment	8	15,511	11,651
Financial assets at fair value through profit or loss	16	5,382	2,305
Deferred income tax assets		4,407	2,924
Long-term loans issued	16	1,298	422
Advance under office lease contracts		460	249
Total non-current assets		247,596	230,410
Current assets			
Trade accounts receivable	16	16,251	16,707
Prepaid income tax		340	358
Prepaid expenses and advances to suppliers		1,807	853
Loans issued	16	623	2,441
Inventories		148	98
Other current assets		1,826	1,247
Cash and cash equivalents	16	30,820	39,297
Total current assets		51,815	61,001
Total assets		299,411	291,411
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital		–	–
Share premium		77,920	77,101
Treasury shares		(1,044)	(1,071)
Retained earnings		94,929	103,103
Foreign currency translation reserve		873	1,195
Total equity attributable to equity holders of the parent		172,678	180,328
Non-controlling interests		407	1,663
Total equity		173,085	181,991
Non-current liabilities			
Deferred income tax liabilities		1,509	1,379
Deferred revenue		2,076	1,871
Non-current lease liabilities	16	12,358	11,338
Non-current financial liabilities at fair value through profit or loss	16	1,622	3,506
Long-term interest-bearing loans and bonds	16	51,369	41,497
Other non-current liabilities		265	265
Total non-current liabilities		69,199	59,856
Current liabilities			
Trade accounts payable	16	12,947	10,923
Income tax payable		2,450	2,673
VAT and other taxes payable		3,422	2,259
Deferred revenue and customer advances		18,766	16,912
Short-term portion of long-term interest-bearing loans	16	7,060	3,718
Current lease liabilities	16	3,436	3,861
Other payables, accrued expenses and contingent consideration liabilities	11	9,046	9,218
Total current liabilities		57,127	49,564
Total liabilities		126,326	109,420
Total equity and liabilities		299,411	291,411

Interim Condensed Consolidated Statement of Comprehensive Income

For the three and nine months ended September 30, 2021
(in millions of Russian Roubles)

	Notes	Three months ended September 30, 2021 (unaudited)	Three months ended September 30, 2020 (unaudited)	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
Online advertising		12,229	9,543	33,950	26,230
MMO games		8,888	8,514	27,649	23,527
Community IVAS		4,425	4,109	13,316	13,086
Education technology services	3.2	2,173	934	5,924	2,097
Other revenue		2,326	1,417	6,625	4,286
Total revenue	5, 12	30,041	24,517	87,464	69,226
Personnel expenses		(7,589)	(6,515)	(23,762)	(18,653)
Agent/partner fees		(7,970)	(7,002)	(24,430)	(19,549)
Marketing expenses		(4,653)	(4,709)	(15,827)	(13,093)
Server hosting expenses		(225)	(202)	(635)	(567)
Professional services		(321)	(238)	(1,050)	(637)
Other operating expenses		(1,195)	(939)	(3,038)	(2,782)
Total operating expenses		(21,953)	(19,605)	(68,742)	(55,281)
EBITDA		8,088	4,912	18,722	13,945
Depreciation and amortisation		(4,562)	(3,578)	(13,405)	(10,526)
Share of loss of equity accounted associates and joint ventures	9	(5,451)	(4,986)	(14,181)	(10,327)
Finance income		340	76	716	280
Finance expenses		(993)	(627)	(2,910)	(1,868)
Other non-operating income/(loss)		47	(15)	25	23
Goodwill impairment	7	–	–	–	(6,430)
Net gain on financial assets and liabilities at fair value through profit or loss	16	698	3,939	2,023	3,525
Impairment of equity accounted associates		–	–	–	(260)
Gain on remeasurement of previously held interest in equity accounted associate		305	–	305	46
Loss on remeasurement of financial instruments		(116)	(53)	(414)	(230)
Net foreign exchange (loss)/gain		(205)	331	7	425
Loss before income tax expense		(1,849)	(1)	(9,112)	(11,397)
Income tax expense	13	(505)	(261)	(676)	(754)
Net loss		(2,354)	(262)	(9,788)	(12,151)
Attributable to:					
Equity holders of the parent		(2,096)	(141)	(9,424)	(11,886)
Non-controlling interest		(258)	(121)	(364)	(265)
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods					
Exchange differences on translation of foreign operations:					
Differences arising during the period		202	244	(322)	128
Total other comprehensive income/(loss), net of tax effect of 0		202	244	(322)	128
Total comprehensive loss, net of tax		(2,152)	(18)	(10,110)	(12,023)
Attributable to:					
Equity holders of the parent		(1,894)	103	(9,746)	(11,758)
Non-controlling interest		(258)	(121)	(364)	(265)
Loss per share, in RUB:					
Basic loss per share attributable to ordinary equity holders of the parent		(9)	(1)	(42)	(55)
Diluted loss per share attributable to ordinary equity holders of the parent		n/a	n/a	n/a	n/a

Interim Condensed Consolidated Statement of Cash Flows

For the nine months ended September 30, 2021
(in millions of Russian Roubles)

	Notes	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Cash flows from operating activities			
Loss before income tax		(9,112)	(11,397)
Adjustments to reconcile loss before income tax to cash flows:			
Depreciation and amortisation		13,405	10,526
Share of loss of equity accounted associates and joint ventures		14,181	10,327
Finance income		(716)	(280)
Finance expenses		2,910	1,868
Expected credit loss allowance on trade and other receivables		326	310
Goodwill impairment		–	6,430
Net gain on financial assets and liabilities at fair value through profit or loss		(2,023)	(3,525)
Impairment of equity accounted associates		–	260
Gain on remeasurement of previously held interest in equity accounted associates		(305)	(46)
Loss on remeasurement of financial instruments		414	230
Net foreign exchange gain		(7)	(425)
Cash settled and equity settled share-based payments		711	1,380
Other non-cash items		25	29
Net loss on disposal of intangible assets		–	11
Impairment of intangible assets		–	56
Change in operating assets and liabilities:			
Decrease in accounts receivable		134	556
(Increase)/decrease in prepaid expenses and advances to suppliers		(971)	37
(Increase)/decrease in inventories and other assets		(1,202)	384
Increase in accounts payable and accrued expenses		2,587	102
Decrease/(increase) in other non-current assets		208	(103)
Increase in deferred revenue and customer advances		1,535	4,213
Increase in financial assets at fair value through profit or loss		(3,724)	(375)
Operating cash flows before interest and income taxes		18,376	20,568
Interest received		36	355
Interest paid		(2,347)	(1,868)
Income tax paid		(2,234)	(2,535)
Net cash provided by operating activities		13,831	16,520
Cash flows from investing activities			
Cash paid for property and equipment		(7,331)	(4,432)
Cash paid for intangible assets		(4,057)	(2,399)
Dividends received from equity accounted associates		883	29
Loans issued		(15,962)	(408)
Loans collected		139	507
Cash paid for acquisitions of subsidiaries, net of cash acquired	6, 7	(1,762)	(19)
Cash paid for investments in equity accounted associates and joint ventures		(4,717)	(6,577)
Net cash used in investing activities		(32,807)	(13,299)
Cash flows from financing activities			
Payment of lease liabilities		(2,714)	(2,956)
Loans repaid		(1,960)	(1,969)
Proceeds from bonds issued		15,000	–
Proceeds from issuance of GDR, net of issuance costs paid		–	15,209
Cash received from disposal of non-controlling interests in subsidiaries		655	–
Cash paid for non-controlling interests in subsidiaries		(20)	–
Dividends paid by subsidiaries to non-controlling shareholders		(215)	(235)
Net cash provided by financing activities		10,746	10,049
Net (decrease)/increase in cash and cash equivalents		(8,230)	13,270
Effect of exchange differences on cash balances		(247)	1,578
Cash and cash equivalents at the beginning of the period		39,297	9,825
Cash and cash equivalents at the end of the period		30,820	24,673

Interim Condensed Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2020
(in millions of Russian Roubles)

	Share capital: Number of shares issued and outstanding	Share capital: Amount	Share premium	Treasury shares	Retained earnings Restated	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 period	–	–	–	–	(11,886)	–	(11,886)	(265)	(12,151)
Other comprehensive income							–		–
Foreign currency translation	–	–	–	–	–	128	128	–	128
Total other comprehensive income	–	–	–	–	–	128	128	–	128
Total comprehensive loss	–	–	–	–	(11,886)	128	(11,758)	(265)	(12,023)
Share-based payment transactions	–	–	1,258	–	–	–	1,258	–	1,258
Exercise of RSUs and options over the shares of the Company	1,090,302	–	(68)	68	–	–	–	–	–
Increase in share capital, net of transaction costs	7,142,858	–	15,210	–	–	–	15,210	–	15,210
Dividends by subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	(235)	(235)
Balance at September 30, 2020 (unaudited)	225,417,476	–	76,686	(1,084)	113,465	298	189,365	309	189,674

Interim Condensed Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2021
(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, 2021	225,474,333	–	77,101	(1,071)	103,103	1,195	180,328	1,663	181,991
Loss for the period	–	–	–	–	(9,424)	–	(9,424)	(364)	(9,788)
Other comprehensive loss:									
Foreign currency translation	–	–	–	–	–	(322)	(322)	–	(322)
Total other comprehensive income	–	–	–	–	–	(322)	(322)	–	(322)
Total comprehensive loss	–	–	–	–	(9,424)	(322)	(9,746)	(364)	(10,110)
Share-based payment transactions	–	–	846	–	–	–	846	–	846
Exercise of RSUs and options over the shares of the Company	656,374	–	(27)	27	–	–	–	–	–
Dividends by subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	(215)	(215)
Non-controlling interests arising from business combinations (Note 6)	–	–	–	–	–	–	–	(62)	(62)
Acquisitions of non-controlling interests	–	–	–	–	–	–	–	(20)	(20)
Disposal of non-controlling interests*	–	–	–	–	1,250	–	1,250	(595)	655
Balance at September 30, 2021 (unaudited)	226,130,707	–	77,920	(1,044)	94,929	873	172,678	407	173,085

* *In July 2021, the Group sold a 49% stake in its subsidiary GeekBrains to a third party for a total cash consideration of RUB 655. As a result of the transaction, the Group's effective share in GeekBrains was reduced to 51%. The Group retained control of GeekBrains.*

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021
(in millions of Russian Roubles)

1 Corporate information and description of business

These interim condensed consolidated financial statements of Mail.ru Group Limited (Mail hereinafter "the Company") and its subsidiaries (collectively – "the Group" or "VK") for the three and nine months ended September 30, 2021 were authorised for issue by the directors of the Company on October 27, 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, education 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 operations are present.

The parent of the Company is MF Technologies.

2 Basis of preparation

The interim condensed consolidated financial statements for the three and nine months ended September 30, 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2020.

3 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2020, except for the adoption of new standards effective as of January 1, 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In August 2020, the IASB issued amendments to IFRS 7 *Financial Instruments: Disclosures*, IFRS 9 *Financial Instruments* as well as IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* named *Interest Rate Benchmark Reform – Phase II*. The amendments provide certain temporary reliefs which address the financial reporting effects related to the transfer to the risk-free interest rate. The amendments are effective on or after January 1, 2021.

3.1 Interest Rate Benchmark Reform – Phase II: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed consolidated financial statements because the Group does not have financial instruments with floating rates.

3.2 Education technology services revenue stream separation

During the nine months ended September 30, 2021, Education technology services revenue stream has significantly increased and has been disclosed separately, it was a part of Other revenue stream in the interim condensed consolidated statement of comprehensive Income for the three and nine months ended September 30, 2020.

3.3 Presentation of comparative information

Certain comparative figures have been reclassified and/or regrouped to conform to the current presentation adopted in the interim condensed consolidated statements for the three and nine months ended September 30, 2021. This does not have an impact on the reported amounts of net loss for the reporting periods.

4 Seasonality of operations

Due to the seasonal nature of advertising and online games, higher revenues and operating profits are usually expected in the second half of the year than in the first half. Historically higher sales during the second half of the year are mainly attributed to the facts that a large portion of advertising budgets is spent in the last quarter of the year, and to the increased demand for online games due to the end of the vacation period.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

5 Operating segments

In order to assess operational performance and allocate 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. These adjustments affect such major areas as revenue recognition, share-based payments, disposal or impairment of investments, fair value adjustments, amortisation and impairment thereof, net foreign exchange gains and losses, 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.

In 2021 the Group changed the approach to the presentation and composition of reporting segments in order to improve presentation of the Group's strategy and the way the business is managed. From the first quarter of 2021 the Group has presented reportable segments based on the consolidation scope as determined in accordance with IFRS, a change from previously applying a pro forma approach to acquisitions, disposals and assets held for sale. Additionally, from the first quarter of 2021, the Group revised its reportable segments and presented EdTech as a separate segment:

- Communications and Social;
- Games;
- EdTech; 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. 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 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) 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 EdTech segment includes the Group's online education platforms with educational courses and programs (such as GeekBrains and Skillbox) and earns substantially all revenue from individuals for education technology services.

The New initiatives reportable segment represents separate operating segments aggregated in one reportable segment for their similar nature of newly acquired or newly launched and dynamically developing businesses. This segment primarily consists of Youla classifieds that earns substantially all revenues from advertising and listing fees, VK Clips with potential to become a major separate product with the planned launch of own application and target presence across the various Group's services, B2B new projects including cloud along with other services, that are considered insignificant by the CODM for the purposes of performance review.

The Group measures 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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

5 Operating segments (continued)

The Group's share of profits of key strategic JVs and associates is not attributed to any operating segment and not included in the calculation of EBITDA. The Group's share of profits of key strategic JVs and associates (Aliexpress Russia JV, O2O JV, Uchi.ru) is included in Net profit reviewed by the CODM. The net profit of key strategic associates is calculated using accounting principles used for the segment financial information of the Group's consolidated operations. The Group's share of profits of non-core strategic associates (Haslop Company Limited, Tetrika and others) is not included in the financial information reviewed by the CODM.

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

The income statement items for each segment for the nine months ended September 30, 2021, as presented to the CODM, are stated below:

	Communications and Social	Games	EdTech	New initiatives	Eliminations	Group
Revenue						
External revenue	42,283	32,083	6,869	7,464	–	88,699
Intersegment revenue	222	78	2	30	(332)	–
Total revenue	42,505	32,161	6,871	7,494	(332)	88,699
Total operating expenses	23,356	25,615	8,024	10,877	(332)	67,540
EBITDA	19,149	6,546	(1,153)	(3,383)	–	21,159
Net profit from consolidated subsidiaries						8,070
Aliexpress Russia JV						(2,179)
O2O JV						(11,098)
Uchi.ru						(92)
Net loss						(5,299)

The income statement items for each segment for the nine months ended September 30, 2020, as presented to the CODM, are stated below (restated):

	Communications and Social	Games	EdTech	New initiatives	Eliminations	Group
Revenue						
External revenue	36,464	28,498	3,522	4,910	–	73,394
Intersegment revenue	(3)	73	–	33	(103)	–
Total revenue	36,461	28,571	3,522	4,943	(103)	73,394
Total operating expenses	18,492	23,682	2,872	8,809	(103)	53,752
EBITDA	17,969	4,889	650	(3,866)	–	19,642
Net profit from consolidated subsidiaries						8,235
Aliexpress Russia JV						(695)
O2O JV						(6,866)
Net profit						674

A reconciliation of group aggregate segment revenue, as presented to the CODM, to IFRS consolidated revenue of the Group for the nine months ended September 30, 2021 and 2020 is presented below:

	2021	2020
Group aggregate segment revenue, as presented to the CODM	88,699	73,394
Adjustments to reconcile revenue as presented to the CODM to consolidated revenue under IFRS:		
Differences in timing of revenue recognition	(1,235)	(4,168)
Consolidated revenue under IFRS	87,464	69,226

Notes to the Interim Condensed Consolidated Financial Statements (continued)

5 Operating segments (continued)

A reconciliation of group aggregate segment EBITDA, as presented to the CODM, to IFRS consolidated loss before income tax expense of the Group for the nine months ended September 30, 2021 and 2020 is presented below:

	2021	2020
Group aggregate segment EBITDA, as presented to the CODM	21,159	19,642
Adjustments to reconcile EBITDA as presented to the CODM to consolidated loss before income tax expenses under IFRS:		
Differences in timing of revenue recognition	(1,235)	(4,168)
Share-based payment transactions	(711)	(1,380)
Expected credit loss on consideration receivable	(473)	–
Other	(18)	(149)
EBITDA	18,722	13,945
Depreciation and amortisation	(13,405)	(10,526)
Share of loss of equity accounted associates and joint ventures	(14,181)	(10,327)
Finance income	716	280
Finance expenses	(2,910)	(1,868)
Other non-operating income	25	23
Goodwill impairment	–	(6,430)
Net gain on derivative financial assets and liabilities at fair value through profit or loss	2,023	3,525
Impairment of equity accounted associates	–	(260)
Gain on remeasurement of previously held interest in equity accounted associate	305	46
Loss on remeasurement of financial instruments	(414)	(230)
Net foreign exchange gain	7	425
Consolidated loss before income tax expense under IFRS	(9,112)	(11,397)

A reconciliation of group aggregate net (loss)/profit, as presented to the CODM, to IFRS consolidated net loss of the Group for the nine months ended September 30, 2021 and 2020 is presented below:

	2021	2020
Group aggregate net (loss)/profit, as presented to CODM	(5,299)	674
Adjustments to reconcile net (loss)/profit as presented to the CODM to consolidated net loss under IFRS:		
Differences in timing of revenue recognition	(1,235)	(4,168)
Share-based payment transactions	(711)	(1,380)
Expected credit loss on consideration receivable	(473)	–
Other non-operating income	25	23
Goodwill impairment	–	(6,430)
Net gain on derivative financial assets and liabilities at fair value through profit or loss	2,023	3,525
Impairment of equity accounted associates	–	(260)
Gain on remeasurement of previously held interest in equity accounted associate	305	46
Loss on remeasurement of financial instruments	(414)	(230)
Net foreign exchange gain	7	425
Amortisation of fair value adjustments to intangible assets	(2,993)	(2,399)
Net loss on financial liabilities at amortised cost	(659)	–
Differences in recognition of net share in loss of equity accounted associates and joint ventures	(812)	(2,766)
Other	(168)	(165)
Tax effect of the adjustments	616	954
Consolidated net loss under IFRS	(9,788)	(12,151)

Notes to the Interim Condensed Consolidated Financial Statements (continued)

5 Operating segments (continued)

The income statement items for each segment for the three months ended September 30, 2021, as presented to the CODM, are stated below:

	Communications and Social	Games	EdTech	New initiatives	Eliminations	Group
Revenue						
External revenue	14,910	10,054	2,545	2,909	–	30,418
Intersegment revenue	62	26	1	17	(106)	–
Total revenue	14,972	10,080	2,546	2,926	(106)	30,418
Total operating expenses	7,622	7,644	2,875	3,957	(106)	21,992
EBITDA	7,350	2,436	(329)	(1,031)	–	8,426
Net profit from consolidated subsidiaries						3,836
Aliexpress Russia JV						(1,212)
O2O JV						(3,882)
Uchi.ru						(113)
Net loss						(1,371)

The income statement items for each segment for the three months ended September 30, 2020, as presented to the CODM, are stated below (restated):

	Communications and Social	Games	EdTech	New initiatives	Eliminations	Group
Revenue						
External revenue	12,456	9,822	1,630	1,737	–	25,645
Intersegment revenue	(2)	30	–	8	(36)	–
Total revenue	12,454	9,852	1,630	1,745	(36)	25,645
Total operating expenses	6,718	7,865	1,319	3,197	(36)	19,063
EBITDA	5,736	1,987	311	(1,452)	–	6,582
Net profit from consolidated subsidiaries						2,715
Aliexpress Russia JV						(162)
O2O JV						(2,968)
Net loss						(415)

A reconciliation of group aggregate segment revenue, as presented to the CODM, to IFRS consolidated revenue of the Group for the three months ended September 30, 2021 and 2020 is presented below:

	2021	2020
Group aggregate segment revenue, as presented to the CODM	30,418	25,645
Adjustments to reconcile revenue as presented to the CODM to consolidated revenue under IFRS:		
Differences in timing of revenue recognition	(377)	(1,128)
Consolidated revenue under IFRS	30,041	24,517

Notes to the Interim Condensed Consolidated Financial Statements (continued)

5 Operating segments (continued)

A reconciliation of group aggregate segment EBITDA, as presented to the CODM, to IFRS consolidated loss before income tax expense of the Group for the three months ended September 30, 2021 and 2020 is presented below:

	2021	2020
Group aggregate segment EBITDA, as presented to the CODM	8,426	6,582
Adjustments to reconcile EBITDA as presented to the CODM to consolidated loss before income tax expenses under IFRS:		
Differences in timing of revenue recognition	(377)	(1,128)
Share-based payment transactions	27	(447)
Other	12	(95)
EBITDA	8,088	4,912
Depreciation and amortisation	(4,562)	(3,578)
Share of loss of equity accounted associates and joint ventures	(5,451)	(4,986)
Finance income	340	76
Finance expenses	(993)	(627)
Other non-operating income/(loss)	47	(15)
Net gain on derivative financial assets and liabilities at fair value through profit or loss	698	3,939
Gain on remeasurement of previously held interest in equity accounted associate	305	–
Loss on remeasurement of financial instruments	(116)	(53)
Net foreign exchange (loss)/gain	(205)	331
Consolidated loss before income tax expense under IFRS	(1,849)	(1)

A reconciliation of group aggregate net (loss)/profit, as presented to the CODM, to IFRS consolidated net loss of the Group for the three months ended September 30, 2021 and 2020 is presented below:

	2021	2020
Group aggregate net loss, as presented to CODM	(1,371)	(415)
Adjustments to reconcile net (loss)/profit as presented to the CODM to consolidated net loss under IFRS:		
Differences in timing of revenue recognition	(377)	(1,128)
Share-based payment transactions	27	(447)
Other non-operating income/(loss)	47	(15)
Net gain on derivative financial assets and liabilities at fair value through profit or loss	698	3,939
Gain on remeasurement of previously held interest in equity accounted associate	305	–
Loss on remeasurement of financial instruments	(116)	(53)
Net foreign exchange (loss)/gain	(205)	331
Amortisation of fair value adjustments to intangible assets	(970)	(800)
Net loss on financial liabilities at amortised cost	(227)	–
Differences in recognition of net share in loss of equity accounted associates and joint ventures	(244)	(1,856)
Other	(29)	(67)
Tax effect of the adjustments	108	249
Consolidated net loss under IFRS	(2,354)	(262)

6 Business combinations

On May 20, 2021 the Group paid the contingent consideration for the acquisition of Deus Craft of RUB 287.

6.1 InGame

In March 2020 the Group acquired control over mobile games developer Belngame 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 derecognised 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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

6 Business combinations (continued)

6.1 InGame (continued)

The fair values of the identifiable assets and liabilities of InGame as of 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 consideration	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

6.2 Skillfactory

In September 2021, the Group acquired control over educational online platform "Skillfactory" LLC ("Skillfactory") by increasing its share to 61.809% (43.50% in addition to 18.309% stake as of June 30, 2021 that was accounted for as an equity accounted associate) by executing a call option for a total cash consideration of RUB 1,088. As of September 30, 2021, as a result of the control acquisition the Group de-recoqnised the equity accounted investment in Skillfactory with the gain from remeasurement of previously held interest in equity accounted associates of RUB 305.

In February 2021, the Group granted a loan to Skillfactory in the amount of RUB 125. As of September 30, 2021 carrying value of the loan comprised RUB 133. In accordance with the terms of the addendum to shareholders agreement, the Group received a convertion option to acquire an additional interest of 1.92% as of the date of execution of the above mentioned call option and intends to convert the loan into the share capital of Skillfactory. This conversion option provides the Group with present access to returns associated with that ownership interest and was accounted for as if the underlying 1.92% ownership interest was acquired. As a result, total Group's ownership interest in Skillfactory is 63.73%.

The Group has also written put options over the remaining 36.27% non-controlling interests at the date of acquisitions of control in Skillfactory. The Group treats both business combination and the written put options as a single transaction. The written put options are accounted for as a derivative financial liability with fair value of RUB 123 as the Group retains control over condition under which these put options become exercisable. The derivative financial liability is measured at fair value through profit or loss.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

6 Business combinations (continued)

6.2 Skillfactory (continued)

The primary purpose of the acquisition of Skillfactory was to expand the Group's presence in the online education market by achieving substantial synergies with Skillbox and Geekbrains, the Group's online educational platforms.

	Provisional fair value
Intangible assets	284
Property and equipment	5
Trade accounts receivable	5
Other current assets	17
Cash and cash equivalents	45
Total assets	356
Trade accounts payable	8
Deferred revenue	540
Other payables, provisions and accrued expenses	24
Total liabilities	572
Total net assets	(216)

Goodwill on the transaction was calculated as the excess of:	
(a) The consideration transferred by the Group measured at fair values:	
[1] Cash consideration	1,088
[2] The acquisition date fair value of the Group's previously held equity interest	458
[3] Fair value of the written put options over 36.27% non-controlling interest	123
[4] Effective settlement of convertible loan	133
Consideration transferred by the Group	1,802
(b) The amount of non-controlling interest in Skillfactory measured at the proportionate share of the identifiable net assets	(78)
Over	
(c) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at final fair values	(216)
Goodwill	1,940

Goodwill is mainly attributable to the 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 and trademark and customer base and are amortised over the period of 3 to 9 years.

The cash flows on acquisition were as follows:

Cash paid (included in cash flows from investing activities)	–
Cash acquired (included in cash flows from investing activities)	(45)
Net cash flow on acquisition	(45)

6.3 Mamboo games

In August 2021, the Group acquired control over mobile games publisher and developer Mamboo Games LLC ("Mamboo Games") by purchasing 51% of shares in form of executing a call option for a cash consideration of RUB 168 and effective settlement of convertible loans with total carrying value of RUB 202 measured at fair value through profit or loss. In addition, as of the date of acquisition a contingent consideration of RUB 39 was recognised.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

6 Business combinations (continued)

6.3 Mamboo games (continued)

Mamboo Games is a hypercasual games publisher and developer. The primary purpose of the acquisition of Mamboo Games was to enhance the Group's position on the mobile games market.

	Provisional fair value
Intangible assets	49
Trade accounts receivable	43
Other current assets	15
Cash and cash equivalents	1
Total assets	108
Trade accounts payable	70
Other payables, provisions and accrued expenses	5
Total liabilities	75
Total net assets	33

Goodwill on the transaction was calculated as the excess of:	
(a) The consideration transferred by the Group measured at fair values:	
[1] Cash paid	168
[2] The acquisition date fair value of the Group's previously held equity interest	1
[3] Effective settlement of convertible loans	202
[4] Contingent consideration	39
Consideration transferred by the Group	410
(b) The amount of non-controlling interest in Mamboo games measured at the proportionate share of the identifiable net assets	16
Over	
(c) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at final fair values	33
Goodwill	393

Goodwill is mainly attributable to the 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 5 years.

The cash flows on acquisition were as follows:

Cash paid (included in cash flows from investing activities)	168
Cash acquired (included in cash flows from investing activities)	(1)
Net cash flow on acquisition	167

7 Goodwill and other intangible assets

During the nine months ended September 30, 2021, the Group capitalised software development costs and otherwise acquired intangible assets with a cost of RUB 4,577 (2020: RUB 2,455), the amortisation charge for the nine months ended September 30, 2021 was RUB 6,428 (2020: RUB 4,979).

For the nine months ended September 30, 2020, the Group recognised 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.

For the nine months ended September 30, 2021, the Group identified indicators of impairment of goodwill related to Deus Craft CGU. The Group performed an impairment test and concluded that no impairment is required as the recoverable amount exceeded the net book value of assets related to Deus Craft CGU.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

7 Goodwill and other intangible assets (continued)

7.1 Playkey cloud gaming acquisition

In June 2021 the Group obtained control of Igroviye Resheniya LLC (Playkey cloud gaming) by purchasing of 100% in its share capital. The Playkey cloud gaming technology solution allows users to play any games on PC, tablets and smartphones via a video streaming solution. This technology can help the Group to develop its cloud gaming technology under MY.GAMES Cloud platform and to scale up cloud gaming in Russia. The MY.GAMES Cloud platform allows users to play new games on high resolutions video settings from all popular devices. The Playkey technology contributes to the future development and potential of the MY.GAMES Cloud platform.

Following IFRS 3 *Business Combinations* management of the Group performed a concentration test and concluded that the acquisition represented assets acquisition.

At the acquisition date, the Group recognised the Playkey technology as software in the amount of RUB 1,115, which was included in "Other software, licenses and other" group of Intangible assets with estimated useful life of 5 years. In addition, the Group acquired cash and cash equivalents in the amount of RUB 25.

8 Property and equipment

During the nine months ended September 30, 2021, the Group acquired property and equipment with a cost of RUB 7,464 (2020: RUB 4,352).

9 Investments in equity accounted associates and joint ventures

The Group has investments in associates and joint ventures operating popular Internet websites and providing various services over the Internet. Investments in equity accounted associates and joint ventures as of September 30, 2021 and December 31, 2020 comprised the following:

		Voting shares		Carrying value	
	Main activity	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Joint ventures					
Aliexpress Russia Holding Pte. Ltd.	E-commerce platform	18%	18%	12,626	11,506
O2O Holding LLC	Russian platform in mobility and food-tech	50%	50%	29,967	24,694
Associates					
Uchi.ru LLC (Russia)	Educational portal	25%	25%	3,955	4,130
Inplat Holdings Limited (Cyprus)	Operation of electronic online payment systems	17.76%	17.76%	559	564
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 the Group	28.10%	28.10%	499	484
Others				439	570
Total				48,045	41,948

The above entities have the same reporting dates as the Company. None of the entities were listed on a public exchange as of September 30, 2021. The movement in investments in equity accounted associates and joint ventures for the nine months ended September 30, 2021 is presented below:

	Nine months ended September 30, 2021
Investments in equity accounted associates and joint ventures as of January 1	41,948
Additional contribution to equity accounted associates and joint ventures	4,717
Loans converted to the share capital of joint venture	16,743
Share in net losses of equity accounted associates and joint ventures	(14,181)
Dividends received	(883)
Remeasurement of previously held interest in equity accounted associate	305
Disposal of equity accounted associate as part of business combination	(458)
Reclassification to assets held for sale* (Note 10)	(559)
Reclassification from assets held for sale* (Note 10)	559
Foreign currency translation adjustment	(146)
Investments in equity accounted associates and joint ventures as of September 30	48,045

* *Inplat Holdings Limited (Cyprus) (hereinafter – "Inplat") was reclassified from assets held for sale as presented in the table above and discussed in Note 10.*

Notes to the Interim Condensed Consolidated Financial Statements (continued)

9 Investments in equity accounted associates and joint ventures (continued)

In September 2021, the Group converted loans receivable of RUB 16,285 and interest receivable of RUB 458 into the share capital of O2O JV. The Group's share in the JV remained unchanged as Sberbank also converted its loans receivable from the JV to the share capital in the same amount.

In August 2021, the Group provided USD 60.3 million (RUB 4,435) to AliExpress Russia JV in return for additional shares in the JV as part of its new share issuance. The Group's shareholding in the JV is expected to remain broadly unchanged versus the current 15.1% economic share, following the expected completion of the JV's funding round in Q4 2021.

10 Assets held for sale

Money.MaiLRu (LLC), VK Pay and InPlat

On February 12, 2021 Mail.ru Group, USM, Ant Group, Russian Direct Investment Fund (RDIF) and MeqaFon announced signing of binding agreements to create payments joint venture (PJV) and financial services joint venture (FSJV).

As of March 31, 2021, the Group classified assets related to Money.MaiLRu (LLC) and VK Pay in the amount of RUB 1,689 and investments in InPlat in the amount of RUB 559 as assets held for sale and liabilities directly associated with assets held for sale in the amount RUB 752 as the Group planned to recover the carrying value for those assets through the contribution to PJV. The deal was scheduled to be completed in November 2021.

As of September 30, 2021, the Group reassessed the probability of successful completion of the deal in the structure agreed and signed in February 2021 as currently not highly probable.

Following this probability reassessment, the Group ceased to classify Money.MaiLRu (LLC), VK Pay and InPlat as assets held for sale and liabilities directly associated with assets held for sale as of September 30, 2021. The amounts in the consolidated statement of financial position of the Group are presented including Money.MaiLRu (LLC), VK Pay and InPlat as of September 30, 2021 and December 31, 2020.

However, the Group intends to form a PJV and FSJV in the foreseeable future, and is currently in active negotiations on the matter.

11 Other payables, accrued expenses and contingent consideration liabilities

Other payables and accrued expenses consist of the following:

	September 30, 2021	December 31, 2020
Accrued vacations	2,503	2,190
Payables to personnel	2,834	3,373
Contingent consideration liabilities (Note 16.2)	907	1,604
Payable for acquisition of Skillfactory (Note 6.2)	1,088	–
Other current payables	1,714	2,051
Total other payables and accrued expenses and contingent consideration liabilities	9,046	9,218

12 Revenue

Contract balances comprise trade receivables presented as a separate line item in the statement of financial position and contract liabilities. Contract liabilities comprise deferred revenue and customer advances presented as separate line items in the statement of financial position.

As required by IFRS 15 disaggregation of revenue from contracts with customers for the nine months ended September 30, 2021, based on the Group's segment reporting (Note 5) is presented below:

Segments	Communications and Social	Games	EdTech	New initiatives	Eliminations	Group
Timing of revenue recognition						
Services transferred at a point in time	34,266	15,225	118	7,494	(332)	56,771
Services transferred over time	8,239	16,936	6,753	–	–	31,928
Total revenue	42,505	32,161	6,871	7,494	(332)	88,699

Notes to the Interim Condensed Consolidated Financial Statements (continued)

12 Revenue (continued)

Set out below is the disaggregation of the Group's revenue from contracts with customers for the nine months ended September 30, 2020 (restated):

Segments	Communications and Social	Games	EdTech	New initiatives	Eliminations	Group
Timing of revenue recognition						
Services transferred at a point in time	28,484	12,052	46	4,943	(103)	45,422
Services transferred over time	7,977	16,519	3,476	–	–	27,972
Total revenue	36,461	28,571	3,522	4,943	(103)	73,394

Set out below is the disaggregation of the Group's revenue from contracts with customers for the three months ended September 30, 2021:

Segments	Communications and Social	Games	EdTech	New initiatives	Eliminations	Group
Timing of revenue recognition						
Services transferred at a point in time	12,248	4,557	74	2,926	(106)	19,699
Services transferred over time	2,724	5,523	2,472	–	–	10,719
Total revenue	14,972	10,080	2,546	2,926	(106)	30,418

Set out below is the disaggregation of the Group's revenue from contracts with customers for the three months ended September 30, 2020 (restated):

Segments	Communications and Social	Games	EdTech	New initiatives	Eliminations	Group
Timing of revenue recognition						
Services transferred at a point in time	9,998	4,150	13	1,745	(36)	15,870
Services transferred over time	2,456	5,702	1,617	–	–	9,775
Total revenue	12,454	9,852	1,630	1,745	(36)	25,645

13 Income tax

The major components of income tax expense in the interim condensed consolidated statement of comprehensive income are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Current income tax expense	808	1,299	2,029	2,687
Deferred income tax benefit	(303)	(1,038)	(1,353)	(1,933)
Total income tax expense	505	261	676	754

The reconciliation between tax expense and the product of accounting profit multiplied by domestic rates applicable to individual Group entities for the three and nine months ended September 30, 2021 and 2020 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Loss before income tax expense	(1,849)	(1)	(9,112)	(11,397)
Tax at domestic rates applicable to individual Group entities	354	(63)	1,965	1,980
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non-deductible expenses	(8)	(269)	(444)	(634)
Non-taxable foreign exchange and other gains	290	354	898	809
Adjustments in respect of current income tax of previous period	–	(2)	(26)	(86)
Effect of changes in tax rates	–	–	10	–
Tax accruals and penalties	–	6	–	9
Unrecognised deferred tax assets	(60)	14	(186)	(152)
Share of results of equity associates and joint ventures	(1,094)	(997)	(2,902)	(2,065)
Remeasurement of contingent liability	–	691	–	691
Goodwill impairment	–	–	–	(1,286)
Other	13	5	9	(20)
Total income tax expense	(505)	(261)	(676)	(754)

Notes to the Interim Condensed Consolidated Financial Statements (continued)

14 Commitments, contingencies and operating risks

14.1 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 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 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.* In 2020, the Group revised a number of assumptions used for impairment test and recognised an impairment charge for these groups of CGU's. 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.

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 September 30, 2021 and December 31, 2020 all restrictive covenants are met.

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.

These interim condensed 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.

14.2 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 recognised 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 IFRS requirement for disclosure of possible taxes and should not be considered as an estimate of the Group's future tax liability.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

14 Commitments, contingencies and operating risks (continued)

14.3 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.

14.4 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.

14.5 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, that currently cannot be reliably estimated.

14.6 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.

14.7 Regulation

The Internet and its associated technologies are subject to government regulation. Substantial part of the Group's business is subject to Russian laws.

On July 1, 2021 the new amendments to the Advertising Law came into force, 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 volume of 5%), 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.

On July 1, 2021, the new law was adopted and came into force that obliges foreign IT companies operating in the Russian Federation to open their own representative offices in the Russian Federation and comply with a number of requirements of Russian legislation. The rule on the obligation of foreign IT companies to create representative offices (legal entities) on the territory of the Russian Federation will enter into force on January 1, 2022.

On June 17, 2021, new amendments to the Federal Law *On the Mass Media* and *On Information, Information Technologies and Information Protection* were adopted. The new rules are aimed on providing an independent measurement of the audience volume of TV channels (TV programs, TV broadcasts), network publications, audiovisual services, news aggregators and other Internet information resources that distribute media products, audiovisual works and other publicly available information.

New amendments to the Federal Law *On Advertising* will come into force on September 1, 2022. The aim is creating a unified system for accounting for advertisements distributed on the Internet. People who place advertisements on the Internet on the territory of the Russian Federation are obliged to provide Roskomnadzor with information about the advertisement. In addition, the amendments prohibit distribution of advertising on the information resource of a foreign organization by decision of Roskomnadzor if such foreign organization violates the law.

The State Duma of the Russian Federation adopted in the first hearing amendments to the Federal Law *On Information, Information Technologies and Information Protection* that is obliged operators of search services to remove links from search results to content that violates the rights of copyright holders.

A new draft law to the Federal Law *On Information, Information Technologies and the Protection of Information* was 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.

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. Noncompliance 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. The Group does not expect any negative consequences associated with the adoption of these laws.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

14 Commitments, contingencies and operating risks (continued)

14.8 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.

14.9 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.

14.10 Fund commitment

In April 2020 the Group entered into the venture capital fund MVOF L.P. (the Fund) 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, EdTech, 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 of September 30, 2021, the total capital commitment of the Group was RUB 7,298 (USD 100.3 million net of USD 36.9 million contributions made in 2021). As of 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.

15 Balances and transactions with related parties

The following table provides the total amount of transactions, which were entered into with related parties during the three and nine months ended September 30, 2021 and September 30, 2020 as well as balances with related parties as of September 30, 2021 and December 31, 2020, excluding Directors and key management of the Group. All related party transactions were made in accordance with contractual terms and conditions agreed between the parties.

	Three months ended September 30		Nine months ended September 30			
	Sales to related parties	Purchases from related parties	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
2021						
Equity accounted associates	42	–	240	18	85	14
Joint ventures	1,128	51	3,288	137	3,353	1,358
Entities with significant influence over the Group and other entities	168	13	459	68	211	14,437
2020						
Equity accounted associates	43	5	180	11	37	8
Joint ventures	1,308	–	2,933	–	3,201	788
Entities with significant influence over the Group and other entities	115	52	303	157	104	14,351

Entities with significant influence over the Group and other entities line include Sberbank and MegaFon and their respective subsidiaries.

15.1 The ultimate controlling party

The Group does not have an ultimate controlling party.

15.2 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 RUB 95 for the nine months ended September 30, 2021 (2020: RUB 88).

During the nine months ended September 30, 2021 55,000 PSUs were granted to Directors (2020: nil). During the nine months ended September 30, 2021, Directors did not forfeit any RSUs or options (2020: nil), and exercised 15,000 RSUs over shares of the Company (2020: nil).

Notes to the Interim Condensed Consolidated Financial Statements (continued)

15 Balances and transactions with related parties (continued)

15.2 Directors of the Company (continued)

The corresponding share-based payment expense was a negative RUB 49 for the nine months ended September 30, 2021 (2020: RUB 57).

On June 23, 2021 one of independent directors has sold 6,500 ordinary shares of the Company for RUB 10 (USD 141,791).

15.3 Key management of the Group

Total cash remuneration of the key management of the Group (excluding Directors) amounted to RUB 1,079 for the nine months ended September 30, 2021 (2020: RUB 633).

For the nine months ended September 30, 2021, no RSUs or options were granted to key executive employees of the Group (excluding Directors) (2020: nil RSUs). During the nine months ended September 30, 2021, key management of the Group (excluding Directors) exercised 185,875 RSUs and options (2020: 522,500), and forfeit 230,000 RSUs and options (2020: nil).

The corresponding share-based payment expense amounted to RUB 386 for nine months ended September 30, 2021 (2020: RUB 484).

16 Financial instruments

The carrying amounts of the Group's financial instruments approximated their fair values as of September 30, 2021 and December 31, 2020 and are presented by category of financial instruments in the table below:

	Category*	September 30, 2021	December 31, 2020
Financial assets at fair value through profit and loss			
Non-current			
Financial investments in venture capital investees	FAFVPL	3,987	1,265
Convertible loans	FAFVPL	1,035	565
Financial derivative under lease contract	FAFVPL	360	475
Financial assets at amortised cost			
Non-current			
Loans issued	FAAC	1,298	422
Current			
Trade accounts receivable	FAAC	16,251	16,707
Loans issued and interest receivable	FAAC	623	2,441
Cash and cash equivalents	FAAC	30,820	39,297
Total financial assets		54,374	61,172
Financial liabilities at fair value through profit and loss			
Current			
Contingent consideration payable	FLFVPL	907	1,604
Non-current			
Conversion option of bond issue	FLFVPL	1,499	3,506
Financial liabilities at fair value through profit or loss	FLFVPL	123	–
Financial liabilities at amortised cost			
Current			
Trade accounts payable	FLAC	12,947	10,923
Other payables and accrued expenses	FLAC	8,139	7,614
Short-term portion of long-term interest-bearing loans	FLAC	7,060	3,718
Short-term lease liabilities	FLAC	3,436	3,861
Non-current			
Long-term interest-bearing loans and bonds	FLAC	51,369	41,497
Non-current lease liabilities	FLAC	12,358	11,338
Total financial liabilities		97,838	84,061

* *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 the Interim Condensed Consolidated Financial Statements (continued)

16 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.

16.1 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 account receivable; and
- Cash and cash equivalents.

16.2 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); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of September 30, 2021 and December 31, 2020, the Group held the following financial instruments measured at fair value through profit or loss:

	September 30, 2021	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
Financial investments in venture capital investees	3,987	–	–	3,987
Convertible loans	1,035	–	–	1,035
Financial derivative under lease contract	360	–	–	360
Total financial assets measured at fair value through profit or loss	5,382	–	–	5,382
Financial liabilities measured at fair value through profit or loss				
Financial derivative on put options over non-controlling interests of the Group's subsidiary	123	–	–	123
Contingent consideration payable	907	–	–	907
Conversion option of bond issue	1,499	–	1,499	–
Total financial liabilities measured at fair value through profit or loss	2,529	–	1,499	1,030

Notes to the Interim Condensed Consolidated Financial Statements (continued)

16 Financial instruments (continued)

16.2 Fair value hierarchy (continued)

	December 31, 2020	Level 1	Level 2	Level 3
Financial assets measured 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
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 payable	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

The balance of financial assets and liabilities at fair value through profit or loss measurements as of January 1, 2021 is reconciled to the balance of those measurements as of September 30, 2021 as follows:

	Balance as of January 1, 2021	Gains/(losses) recognised in profit and loss	Purchases/ settlement	Business combinations (Note 6)	Balance as of September 30, 2021
Financial assets measured at fair value through profit or loss					
Financial investments in venture capital investees	1,265	(123)	2,845	–	3,987
Convertible loans	565	(74)	879	(335)	1,035
Financial assets and derivatives under lease contracts	475	(115)	–	–	360
Total financial assets at fair value through profit or loss	2,305	(312)	3,724	(335)	5,382
Financial liability measured at fair value through profit or loss					
Financial derivative on put options over non-controlling interests of the Group's subsidiary	–	–	–	(123)	(123)
Contingent consideration payable	(1,604)	328	408	(39)	(907)
Conversion option of the bonds issued	(3,506)	2,007	–	–	(1,499)
Total financial liabilities measured at fair value through profit or loss	(5,110)	2,335	408	(162)	(2,529)

Notes to the Interim Condensed Consolidated Financial Statements (continued)

16 Financial instruments (continued)

16.2 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 September 30, 2020 as follows:

	Balance as of January 1, 2020	Gains/(losses) recognised in profit and loss	Purchases/ settlement	Other	Balance as of September 30, 2020
Financial assets measured at fair value through profit or loss					
Financial investments in venture capital investees	673	(96)	(122)	–	455
Derivative financial assets over the equity of investee	113	(251)	141	–	3
Convertible loans	539	393	371	(15)	1,288
Financial assets and derivatives under lease contracts	514	49	–	(31)	532
Total financial assets at fair value through profit or loss	1,839	95	390	(46)	2,278
Financial liability measured at fair value through profit or loss					
Contingent consideration payable	(5,472)	3,430	–	–	(2,042)
Total financial liabilities measured at fair value through profit or loss	(5,472)	3,430	–	–	(2,042)

16.3 Interest-bearing loans and bonds

On September 21, 2021, the Group issued RUB 15,000 unsecured bonds with an annual interest rate of 7.9% listed on the Moscow Exchange (MOEX). The bonds are issued at 100% of their principal amount with a denomination of RUB 1 thousand each and will be redeemed at par on September 15, 2026.

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;
- 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.

The table below represents the major loans and bonds as of September 30, 2021 and December 31, 2020:

	Original currency	Interest rate	Maturity date	Outstanding amount as of September 30, 2021	Outstanding amount as of December 31, 2020
Raiffeisen bank loan	RUB	7.2%	March 6, 2023	3,936	5,905
Sberbank loan	RUB	6.67%	December 26, 2024	14,354	14,354
LSE Convertible bonds	USD	1.625%	October 1, 2025	25,109	24,956
MOEX Bonds	RUB	7.9%	September 15, 2026	15,030	–

Total undrawn amount under the loan agreements was RUB 19,769 as of September 30, 2021 (December 31, 2020: 19,769).

Movements in loans and bonds, including related interest, for the nine months ended September 30, 2021 are presented below:

	January 1, 2021	Principal amount, proceeds	Principal amount, repayment	Interest, accrual	Interest, repayment	Reclassification from non-current to current	Foreign exchange differences	September 30, 2021
Current interest bearing loans	3,718	–	(1,960)	991	(1,000)	5,311	–	7,060
Non-current interest bearing loans	16,541	–	–	–	–	(5,311)	–	11,230
LSE convertible bonds	24,956	–	–	1,019	(482)	–	(384)	25,109
MOEX bonds	–	15,000	–	30	–	–	–	15,030
Total liabilities from financing activities	45,215	15,000	(1,960)	2,040	(1,482)	–	(384)	58,429

Notes to the Interim Condensed Consolidated Financial Statements (continued)

16 Financial instruments (continued)

16.4 Loans issued

During the nine months ended September 30, 2021, the Group granted loans to O2O JV in the amount of RUB 15,500 at the interest rate of 7.2% with maturity in September of 2021.

In September 2021, the Group converted loans receivable of RUB 16,285 and interest receivable of RUB 458 into the share capital of O2O JV.

As of September 30, 2021, loans receivable with carrying value of RUB 1,100 were classified as non-current assets since the Management expects that these loans will not be repaid within 12 months since the reporting date. The Management also expects that these loans receivable will be converted into the share capital of O2O JV.

17 Events after the reporting date

In October 2021, the Group converted loans issued receivable of RUB 1,100 and interest receivable of RUB 2 into the share capital of O2O JV. In October 2021, the Group also contributed an additional RUB 6,100 to the share capital of O2O JV.

In October 2021, the Group received a capital call from venture capital fund MVOF L.P. for the amount of USD 18.182 million (RUB 1,305).

In October 2021, the Group acquired 90% share in Mentorama Ltd and 25% share in Umskul LLC for a total cash consideration of RUB 1,660. The primary purpose of the acquisition of Mentorama and Umskul was to expand the Group's presence in the online education market.

In October 2021, the Group sold a 5.705% share in its subsidiary Skillbox Holding Limited to an entity controlled by Skillbox founders for a total cash consideration of RUB 844. As a result of this transaction the Group's share in Skillbox Holding Limited reduced to 57.54% of ownership. Following the deal, after the execution of long-term employee motivation program, the Group will remain the majority shareholder with a share of 50.06%.

In October 2021, the Group announced rebranding into VK. VK becomes a single user and corporate brand for the entire Group. The VK brand will be noticeable to users of every project: some products will be renamed, the brand will be associated with the rest through the logo and communications.