Mail.ru Group Limited

Consolidated Financial Statements

For the year ended December 31, 2020

Contents

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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

* in October 2020, the Group increased its share in Skillbox by 10,326% (to 70.7%) for total cash consideration of RUB 638 and in December 2020 – in GeekBrains by 49% (to 100%) for a total cash consideration of RUB 294

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.

Notes to Consolidated Financial Statements (continued)

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.

Notes to Consolidated Financial Statements (continued)

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.

Notes to Consolidated Financial Statements (continued)

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.

Notes to Consolidated Financial Statements (continued)

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).

Notes to Consolidated Financial Statements (continued)

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.

Notes to Consolidated Financial Statements (continued)

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.

Notes to Consolidated Financial Statements (continued)

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:

		Ownership,%*	
Subsidiary	Main activity	December 31, 2020	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:

		Voting shares		Carrying value	
	Main activity	December 31, 2020	December 31, 2019	December 31, 2020	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:

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)

Notes to Consolidated Financial Statements (continued)

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)

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.

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 settled 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).

Notes to Consolidated Financial Statements (continued)

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	629	15,050

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.

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.