

Mail.ru Group Limited

Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2021

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Report on Review of Interim Financial Information

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

Introduction

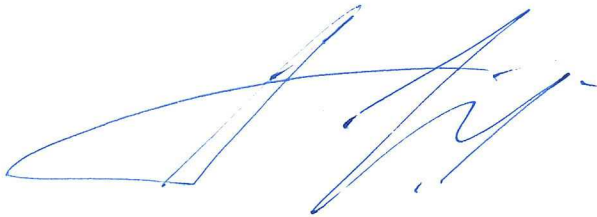
We have reviewed the accompanying interim condensed consolidated financial statements of Mail.ru Group Limited and its subsidiaries (the Group), which comprise the interim condensed consolidated statement of financial position as at June 30, 2021, the related interim condensed consolidated statement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

Scope of review

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

Conclusion

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



A.A. Chizhikov
Partner
Ernst & Young LLC

July 28, 2021

Details of the entity

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

Details of the auditor

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

Interim Condensed Consolidated Statement of Financial Position

As of June 30, 2021

(in millions of Russian Roubles)

	Notes	As of June 30, 2021 (unaudited)	As of December 31, 2020
ASSETS			
Non-current assets			
Investments in equity accounted associates and joint ventures	9	31,684	41,948
Goodwill		135,670	135,670
Right-of-use assets		15,305	15,618
Other intangible assets	7	19,512	19,623
Property and equipment	8	13,509	11,651
Financial assets at fair value through profit or loss	16	5,215	2,305
Deferred income tax assets		3,853	2,924
Long-term loans issued	16	11,626	422
Advance under office lease contract		449	249
Total non-current assets		236,823	230,410
Current assets			
Trade accounts receivable	16	15,036	16,707
Prepaid income tax		190	358
Prepaid expenses and advances to suppliers		1,241	853
Short-term deposits	16	3,619	-
Loans issued	16	798	2,441
Inventories		128	98
Other current assets		1,485	1,247
Cash and cash equivalents	16	20,179	39,297
Assets held for sale	10	2,810	-
Total current assets		45,486	61,001
Total assets		282,309	291,411
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital		-	-
Share premium		77,884	77,101
Treasury shares		(1,044)	(1,071)
Retained earnings		95,775	103,103
Foreign currency translation reserve		671	1,195
Total equity attributable to equity holders of the parent		173,286	180,328
Non-controlling interests		1,326	1,663
Total equity		174,612	181,991
Non-current liabilities			
Deferred income tax liabilities		1,258	1,379
Deferred revenue		2,003	1,871
Non-current lease liabilities	16	11,981	11,338
Non-current financial liabilities at fair value through profit or loss	16	2,121	3,506
Long-term interest-bearing loans and bonds	16	37,902	41,497
Other non-current liabilities		265	265
Total non-current liabilities		55,530	59,856
Current liabilities			
Trade accounts payable	16	11,598	10,923
Income tax payable		2,359	2,673
VAT and other taxes payable		3,018	2,259
Deferred revenue and customer advances		17,665	16,912
Short-term portion of long-term interest-bearing loans	16	5,920	3,718
Current lease liabilities	16	3,621	3,861
Other payables, accrued expenses and contingent consideration liabilities	11	6,519	9,218
Liabilities directly associated with assets held for sale	10	1,467	-
Total current liabilities		52,167	49,564
Total liabilities		107,697	109,420
Total equity and liabilities		282,309	291,411

Interim Condensed Consolidated Statement of Comprehensive Income

For the three and six months ended June 30, 2021

(in millions of Russian Roubles)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Online advertising		11,250	8,106	21,721	16,687
MMO games		9,362	8,188	18,761	15,013
Community IVAS		4,532	4,456	8,891	8,977
Education technology services	3.2	2,011	713	3,751	1,163
Other revenue		2,533	1,624	4,299	2,869
Total revenue	5, 12	29,688	23,087	57,423	44,709
Net (loss)/gain on venture capital investments	16	–	(43)	5	(84)
Personnel expenses		(8,209)	(6,260)	(16,173)	(12,138)
Agent/partner fees		(8,628)	(6,621)	(16,460)	(12,547)
Marketing expenses		(5,375)	(4,294)	(11,174)	(8,384)
Server hosting expenses		(207)	(198)	(410)	(365)
Professional services		(386)	(219)	(729)	(399)
Other operating expenses		(1,434)	(1,039)	(1,843)	(1,843)
Total operating expenses		(24,239)	(18,631)	(46,789)	(35,676)
EBITDA		5,449	4,413	10,639	8,949
Depreciation and amortisation		(4,413)	(3,565)	(8,843)	(6,948)
Share of loss of equity accounted associates and joint ventures		(5,441)	(2,518)	(8,730)	(5,341)
Finance income		246	85	376	204
Finance expenses		(955)	(630)	(1,917)	(1,241)
Other non-operating (loss)/income		(61)	49	(22)	38
Goodwill impairment	7	–	–	–	(6,430)
Net gain/(loss) on derivative financial assets and liabilities at fair value through profit or loss	16	26	(541)	1,320	(330)
Impairment of equity accounted associates		–	(38)	–	(260)
Gain on remeasurement of previously held interest in equity accounted associate		–	–	–	46
Loss on remeasurement of financial instruments		(124)	(68)	(298)	(177)
Net foreign exchange gain		812	436	212	94
Loss before income tax expense		(4,461)	(2,377)	(7,263)	(11,396)
Income tax expense	13	(516)	(380)	(171)	(493)
Net loss		(4,977)	(2,757)	(7,434)	(11,889)
Attributable to:					
Equity holders of the parent		(4,863)	(2,668)	(7,328)	(11,745)
Non-controlling interest		(114)	(89)	(106)	(144)
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods					
Exchange differences on translation of foreign operations:					
Differences arising during the period		(1,140)	(247)	(524)	(116)
Total other comprehensive loss net of tax effect of 0		(1,140)	(247)	(524)	(116)
Total comprehensive loss, net of tax		(6,117)	(3,004)	(7,958)	(12,005)
Attributable to:					
Equity holders of the parent		(6,003)	(2,915)	(7,852)	(11,861)
Non-controlling interest		(114)	(89)	(106)	(144)
Loss per share, in RUB:					
Basic loss per share attributable to ordinary equity holders of the parent		(27)	(12)	(35)	(54)
Diluted loss per share attributable to ordinary equity holders of the parent		n/a	n/a	n/a	n/a

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021

(in millions of Russian Roubles)

	Notes	Six months ended June 30, 2021	Six months ended June 30, 2020
Cash flows from operating activities			
Loss before income tax		(7,263)	(11,396)
<i>Adjustments to reconcile loss before income tax to cash flows:</i>			
Depreciation and amortisation		8,843	6,948
Expected credit loss allowance on trade receivables		345	376
Loss on remeasurement of financial instruments		298	177
Net (gain)/loss on financial assets and liabilities at fair value through profit or loss	16	(1,320)	330
Goodwill impairment	7	-	6,430
Gain on remeasurement of previously held interest in equity accounted associate		-	(46)
Finance income		(376)	(204)
Finance expenses		1,917	1,241
Share of loss of equity accounted associates and joint ventures		8,730	5,341
Net foreign exchange gain		(212)	(94)
Cash settled and equity settled share-based payments		783	933
Other non-cash items		(17)	(61)
Net (gain)/loss on venture capital investments	16	(5)	84
Impairment of equity accounted associates		-	260
<i>Change in operating assets and liabilities:</i>			
Decrease in accounts receivable		803	1,406
(Increase)/decrease in prepaid expenses and advances to suppliers		(423)	648
(Increase)/decrease in inventories and other assets		(818)	417
Increase/(decrease) in accounts payable and accrued expenses		825	(1,385)
Decrease/(increase) in other non-current assets		219	(111)
Increase in deferred revenue and customer advances		894	2,969
Increase in financial assets at fair value through profit or loss	16	(3,301)	(218)
Operating cash flows before interest and income taxes		9,922	14,045
Dividends received from venture capital investments		4	-
Interest received		91	260
Interest paid		(1,490)	(1,241)
Income tax paid		(1,330)	(1,598)
Net cash provided by operating activities		7,197	11,466
Cash flows from investing activities			
Cash paid for property and equipment		(4,083)	(2,762)
Cash paid for intangible assets		(2,907)	(1,459)
Dividends received from equity accounted associates	9	877	29
Loans issued	16.4	(9,564)	(209)
Loans collected		(1)	482
Cash paid for acquisitions of subsidiaries, net of cash acquired	7.1, 6.1	(1,595)	(17)
Short-term time deposits		(3,886)	(630)
Cash paid for investments in equity accounted associates and joint ventures	9	(113)	(257)
Net cash used in investing activities		(21,272)	(4,823)
Cash flows from financing activities			
Payment of lease liabilities		(1,577)	(1,852)
Loans repaid		(1,306)	(1,312)
Cash paid for non-controlling interests in subsidiaries		(20)	-
Dividends paid by subsidiaries to non-controlling shareholders		(211)	(235)
Net cash used in financing activities		(3,114)	(3,399)
Net (decrease)/increase in cash and cash equivalents		(17,189)	3,244
Effect of exchange differences on cash balances		(178)	460
Cash and cash equivalents at the beginning of the period relating to continuing operations		39,297	9,782
Change in cash related to asset held for sale		(1,751)	(137)
Cash and cash equivalents at the end of the period		20,179	13,349

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2020

(in millions of Russian Roubles)

	Share capital		Share premium	Treasury shares	Retained earnings	Foreign currency translation reserve	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	Number of shares issued and outstanding	Amount							
Balance at January 1, 2020	217,184,316	–	60,286	(1,152)	125,351	170	184,655	809	185,464
Loss for the period	–	–	–	–	(11,745)	–	(11,745)	(144)	(11,889)
<i>Other comprehensive loss:</i>							–		
Foreign currency translation	–	–	–	–	–	(116)	(116)	–	(116)
<i>Total other comprehensive loss</i>	–	–	–	–	–	(116)	(116)	–	(116)
Total comprehensive loss	–	–	–	–	(11,745)	(116)	(11,861)	(144)	(12,005)
Share-based payment transactions	–	–	922	–	–	–	922	–	922
Exercise of RSUs and options over the shares of the Company	831,398	–	–	–	–	–	–	–	–
Dividends by subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	(235)	(235)
Balance at June 30, 2020 (unaudited)	218,015,714	–	61,208	(1,152)	113,606	54	173,716	430	174,146

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2021

(in millions of Russian Roubles)

	Share capital		Share premium	Treasury shares	Retained earnings	Foreign currency translation reserve	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	Number of shares issued and outstanding	Amount							
Balance at January 1, 2021	225,474,333	–	77,101	(1,071)	103,103	1,195	180,328	1,663	181,991
Loss for the period	–	–	–	–	(7,328)	–	(7,328)	(106)	(7,434)
<i>Other comprehensive loss:</i>									
Foreign currency translation	–	–	–	–	–	(524)	(524)	–	(524)
<i>Total other comprehensive income</i>	–	–	–	–	–	(524)	(524)	–	(524)
Total comprehensive loss	–	–	–	–	(7,328)	(524)	(7,852)	(106)	(7,958)
Share-based payment transactions	–	–	810	–	–	–	810	–	810
Exercise of RSUs and options over the shares of the Company	589,124	–	(27)	27	–	–	–	–	–
Dividends by subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	(211)	(211)
Acquisitions of non-controlling interests	–	–	–	–	–	–	–	(20)	(20)
Balance at June 30, 2021 (unaudited)	226,063,457	–	77,884	(1,044)	95,775	671	173,286	1,326	174,612

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2021

(in millions of Russian Roubles)

1 Corporate information and description of business

These interim condensed consolidated financial statements of Mail.ru Group Limited (hereinafter "the Company") and its subsidiaries (collectively – "the Group") for the three and six months ended June 30, 2021 were authorised for issue by the directors of the Company on July 28, 2021.

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

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

The parent of the Company is MF Technologies.

2 Basis of preparation

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

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

3 Changes in accounting policies and disclosures

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

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

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

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

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

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

3.2 Education technology services revenue stream separation

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

3.3 Presentation of comparative information

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

4 Seasonality of operations

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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

5 Operating segments

In order to assess operational performance and allocate resources, the Chief Executive Officer of the Group, who is the Group's Chief Operating Decision Maker (CODM), reviews selected items of each segment's income statement, assuming 100% ownership in all of the Group's key operating subsidiaries, based on management reporting.

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

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

- Communications and Social;
- Games;
- EdTech; and
- New initiatives.

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

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

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

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

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

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

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

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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

5 Operating segments (continued)

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

	Communications and Social	Games	EdTech	New initiatives	Eliminations	Group
Revenue						
External revenue	27,373	22,029	4,324	4,555	–	58,281
Intersegment revenue	160	52	1	13	(226)	–
Total revenue	27,533	22,081	4,325	4,568	(226)	58,281
Total operating expenses	15,734	17,971	5,149	6,920	(226)	45,548
EBITDA	11,799	4,110	(824)	(2,352)	–	12,733
Net profit from consolidated subsidiaries						4,234
Aliexpress Russia JV						(967)
O2O JV						(7,216)
Uchi.ru						21
Net loss						(3,928)

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

	Communications and Social	Games	EdTech	New initiatives	Eliminations	Group
Revenue						
External revenue	24,008	18,676	1,892	3,173	–	47,749
Intersegment revenue	(1)	43	–	25	(67)	–
Total revenue	24,007	18,719	1,892	3,198	(67)	47,749
Total operating expenses	11,774	15,817	1,553	5,612	(67)	34,689
EBITDA	12,233	2,902	339	(2,414)	–	13,060
Net profit from consolidated subsidiaries						5,520
Aliexpress Russia JV						(533)
O2O JV						(3,898)
Net profit						1,089

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

	2021	2020
Group aggregate segment revenue, as presented to the CODM	58,281	47,749
<i>Adjustments to reconcile revenue as presented to the CODM to consolidated revenue under IFRS:</i>		
Differences in timing of revenue recognition	(858)	(3,040)
Consolidated revenue under IFRS	57,423	44,709

Notes to the Interim Condensed Consolidated Financial Statements (continued)

5 Operating segments (continued)

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

	2021	2020
Group aggregate segment EBITDA, as presented to the CODM	12,733	13,060
<i>Adjustments to reconcile EBITDA as presented to the CODM to consolidated loss before income tax expenses under IFRS:</i>		
Differences in timing of revenue recognition	(858)	(3,040)
Net gain/(loss) on venture capital investments	5	(84)
Share-based payment transactions	(738)	(933)
Expected credit loss on consideration receivable	(473)	-
Other	(30)	(54)
EBITDA	10,639	8,949
Depreciation and amortisation	(8,843)	(6,948)
Share of loss of equity accounted associates and joint ventures	(8,730)	(5,341)
Finance income	376	204
Finance expenses	(1,917)	(1,241)
Other non-operating (loss)/income	(22)	38
Net gain/(loss) on derivative financial assets and liabilities at fair value through profit or loss	1,320	(330)
Goodwill impairment	-	(6,430)
Gain on remeasurement of previously held interest in equity accounted associate	-	46
Loss on remeasurement of financial instruments	(298)	(177)
Impairment of equity accounted associates	-	(260)
Net foreign exchange gain	212	94
Consolidated loss before income tax expense under IFRS	(7,263)	(11,396)

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

	2021	2020
Group aggregate net (loss)/profit, as presented to CODM	(3,928)	1,089
<i>Adjustments to reconcile net (loss)/profit as presented to the CODM to consolidated net loss under IFRS:</i>		
Share-based payment transactions	(738)	(933)
Differences in timing of revenue recognition	(858)	(3,040)
Amortisation of fair value adjustments to intangible assets	(2,023)	(1,599)
Net gain/(loss) on financial instruments at fair value through profit or loss	1,320	(330)
Net loss on financial liabilities at amortised cost	(432)	-
Goodwill impairment	-	(6,430)
Gain on remeasurement of previously held interest in equity accounted associate	-	46
Loss on remeasurement of financial instruments	(298)	(177)
Net foreign exchange gain	212	94
Differences in recognition of net share in loss of equity accounted associates and joint ventures	(568)	(910)
Impairment of equity accounted associates	-	(260)
Other non-operating (loss)/income	(22)	38
Expected credit loss on consideration receivable	(473)	-
Other	(134)	(182)
Tax effect of the adjustments	508	705
Consolidated net loss under IFRS	(7,434)	(11,889)

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

	Communications and Social	Games	EdTech	New initiatives	Eliminations	Group
Revenue						
External revenue	14,011	11,102	2,172	2,706	-	29,991
Intersegment revenue	104	28	1	12	(145)	-
Total revenue	14,115	11,130	2,173	2,718	(145)	29,991
Total operating expenses	8,281	8,463	3,000	3,730	(145)	23,329
EBITDA	5,834	2,667	(827)	(1,012)	-	6,662
Net profit from consolidated subsidiaries						2,288
Aliexpress Russia JV						(489)
O2O JV						(3,903)
Uchi.ru						(25)
Net loss						(2,129)

Notes to the Interim Condensed Consolidated Financial Statements (continued)

5 Operating segments (continued)

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

	Communications and Social	Games	EdTech	New initiatives	Eliminations	Group
Revenue						
External revenue	11,611	10,992	1,154	1,786	–	25,543
Intersegment revenue	(1)	26	–	11	(36)	–
Total revenue	11,610	11,018	1,154	1,797	(36)	25,543
Total operating expenses	5,983	8,660	878	2,614	(36)	18,099
EBITDA	5,627	2,358	276	(817)	–	7,444
Net profit from consolidated subsidiaries						3,427
Aliexpress Russia JV						(288)
O2O JV						(1,883)
Net profit						1,256

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

	2021	2020
Group aggregate segment revenue, as presented to the CODM	29,991	25,543
<i>Adjustments to reconcile revenue as presented to the CODM to consolidated revenue under IFRS:</i>		
Differences in timing of revenue recognition	(303)	(2,456)
Consolidated revenue under IFRS	29,688	23,087

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

	2021	2020
Group aggregate segment EBITDA, as presented to the CODM	6,662	7,444
<i>Adjustments to reconcile EBITDA as presented to the CODM to consolidated loss before income tax expenses under IFRS:</i>		
Differences in timing of revenue recognition	(303)	(2,456)
Net loss on venture capital investments	–	(43)
Share-based payment transactions	(432)	(504)
Expected credit loss on consideration receivable	(473)	–
Other	(5)	(28)
EBITDA	5,449	4,413
Depreciation and amortisation	(4,413)	(3,565)
Share of loss of equity accounted associates and joint ventures	(5,441)	(2,518)
Finance income	246	85
Finance expenses	(955)	(630)
Other non-operating (loss)/income	(61)	49
Net gain/(loss) on derivative financial assets and liabilities at fair value through profit or loss	26	(541)
Loss on remeasurement of financial instruments	(124)	(68)
Impairment of equity accounted associates	–	(38)
Net foreign exchange gain	812	436
Consolidated loss before income tax expense under IFRS	(4,461)	(2,377)

Notes to the Interim Condensed Consolidated Financial Statements (continued)

5 Operating segments (continued)

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

	2021	2020
Group aggregate net (loss)/profit, as presented to CODM	(2,129)	1,256
<i>Adjustments to reconcile net (loss)/profit as presented to the CODM to consolidated net loss under IFRS:</i>		
Share-based payment transactions	(432)	(504)
Differences in timing of revenue recognition	(303)	(2,456)
Amortisation of fair value adjustments to intangible assets	(1,017)	(808)
Net gain/(loss) on financial instruments at fair value through profit or loss	26	(541)
Net loss on financial liabilities at amortised cost	(216)	-
Loss on remeasurement of financial instruments	(124)	(68)
Net foreign exchange gain	812	436
Differences in recognition of net share in loss of equity accounted associates and joint ventures	(1,024)	(347)
Impairment of equity accounted associates	-	(38)
Other non-operating (loss)/income	(61)	49
Expected credit loss on consideration receivable	(473)	-
Other	(20)	(120)
Tax effect of the adjustments	(16)	384
Consolidated net loss under IFRS	(4,977)	(2,757)

6 Business combinations

There were no business combinations for the six months ended June 30, 2021. The note below discusses the business combinations that occurred during the comparative period of 2020.

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

6.1 InGame

In March 2020 the Group acquired control over mobile games developer BelnGame Limited ("InGame") by increasing its share to 100% (75% in addition to 25% stake as of December 31, 2019) for a total cash consideration of RUB 309 (at the exchange rate as of the acquisition date) and settlement of pre-existing relationship in the amount of RUB 858 that represents fair value of Group's trade receivables due from InGame (that approximates its carrying value). As of March 31, 2020, as a result of the control acquisition the Group derecognised the equity accounted investment in InGame with a gain from remeasurement of previously held interest in equity accounted associates of RUB 46. The primary purpose of the acquisition of InGame was to enhance the Group's position in the mobile games market.

In March 2021 the Group finalised purchase price allocation for InGame acquisition, which resulted in no change from provisional values.

The fair values of the identifiable assets and liabilities of InGame as of the date of acquisition were as follows:

	Fair value
Intangible assets	373
Trade accounts receivable	72
Other current assets	83
Cash and cash equivalents	292
Total assets	820
Deferred revenue	113
Deferred tax liabilities	33
Total liabilities	146
Total net assets	674
Goodwill on the transaction was calculated as the excess of:	
(a) The consideration transferred by the Group measured at fair values:	
[1] Cash consideration	309
[2] The acquisition date fair value of the Group's previously held equity interest	99
[3] Effective settlement of trade payables to the Group	858
Consideration transferred by the Group	1,266
Over	
(b) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at fair values	674
Goodwill	592

Goodwill is mainly attributable to development of new games and potential synergy with the Group's business. Goodwill is not expected to be deductible for income tax purposes and is allocated to Games CGU.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

6 Business combinations (continued)

6.1 InGame (continued)

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

7 Goodwill and other intangible assets

During the six months ended June 30, 2021, the Group capitalised software development costs and otherwise acquired intangible assets with a cost of RUB 3,166 (2020: RUB 1,180), the amortisation charge for the six months ended June 30, 2021 was RUB 4,193 (2020: 3,315).

For the six months ended June 30, 2020, the Group recognised an impairment charge of RUB 2,496 against goodwill related to the Search CGU and RUB 3,934 against goodwill related to the Email, Portal and IM CGU.

For the six months ended June 30, 2021, the Group did not identify any indicators of impairment of goodwill.

7.1 Playkey cloud gaming acquisition

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

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

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

8 Property and equipment

During the six months ended June 30, 2021, the Group acquired property and equipment with a cost of RUB 4,167 (2020: RUB 2,802).

9 Investments in equity accounted associates and joint ventures

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

	Main activity	Voting shares		Carrying value	
		June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Joint ventures					
Aliexpress Russia Holding Pte. Ltd.	E-commerce platform	18%	18%	9,527	11,506
O2O Holding LLC	Russian platform in mobility and food-tech	50%	50%	17,085	24,694
Associates					
Uchi.ru LLC (Russia)	Educational portal	25%	25%	4,079	4,130
Inplat Holdings Limited (Cyprus)*	Operation of electronic online payment systems	17.76%	17.76%	-	564
Haslop Company Limited (Cyprus) and Russian subsidiaries (collectively, "Mamba")	Provides content for www.love.mail.ru, a vertical of the www.mail.ru portal operated by the Group	28.10%	28.10%	487	484
Others				506	570
Total				31,684	41,948

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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

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

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

	Six months ended June 30, 2021
Investments in equity accounted associates and joint ventures as of January 1	41,948
Additional contribution to equity accounted associates and joint ventures	113
Share in net losses of equity accounted associates and joint ventures	(8,730)
Dividends received	(877)
Reclassification to assets held for sale	(559)
Foreign currency translation adjustment	(211)
Investments in equity accounted associates and joint ventures as of June 30	31,684

10 Assets held for sale

Money.MailRu (LLC), VK Pay and InPlat

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

The Group will contribute to PJV its 100% stakes in subsidiaries (non-bank settlement credit institutions Money.MailRu (LLC) and VK Pay) and its 17.76% stake in an equity accounted associate (InPlat) in exchange for a 40% stake. The Group's contribution into FSJV will be of RUB 870 million in cash in exchange for a 5.95% stake in the FSJV. 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 certain conditions including third party approvals.

As of June 30, 2021, the Group classified assets related to Money.MailRu (LLC), VK Pay and InPlat in the amount of RUB 2,810 as assets held for sale and liabilities directly associated with assets held for sale in the amount RUB 1,467 as the Group plans to recover the carrying value for those assets through the contribution to PJV.

As of June 30, 2021, the Group keeps the intention to create a partnership around PJV and FSJV.

Money.MailRu (LLC) is included in Communications and Social operating segment, VK Pay is included in New initiatives operating segment.

11 Other payables, accrued expenses and contingent consideration liabilities

Other payables and accrued expenses consist of the following:

	June 30, 2021	December 31, 2020
Accrued vacations	2,665	2,190
Payables to personnel	2,392	3,373
Contingent consideration liabilities (Note 16.2)	865	1,604
Other current payables*	597	2,051
Total other payables and accrued expenses	6,519	9,218

* Decrease in other current payables is related to classification of liabilities directly associated with assets held for sale in the amount RUB 1,467 (Note 10).

12 Revenue

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

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

Segments	Communications and Social	Games	EdTech	New initiatives	Eliminations	Group
Timing of revenue recognition						
Services transferred at a point in time	22,018	14,746	44	4,568	(226)	41,150
Services transferred over time	5,515	7,335	4,281	-	-	17,131
Total revenue	27,533	22,081	4,325	4,568	(226)	58,281

Set out below is the disaggregation of the Group's revenue from contracts with customers for the six months ended June 30, 2020:

Segments	Communications and Social	Games	EdTech	New initiatives	Eliminations	Group
Timing of revenue recognition						
Services transferred at a point in time	18,486	11,350	33	3,198	(67)	33,000
Services transferred over time	5,521	7,369	1,859	-	-	14,749
Total revenue	24,007	18,719	1,892	3,198	(67)	47,749

Notes to the Interim Condensed Consolidated Financial Statements (continued)

12. Revenue (continued)

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

Segments	Communications and Social	Games	EdTech	New initiatives	Eliminations	Group
Timing of revenue recognition						
Services transferred at a point in time	11,436	7,925	33	2,718	(145)	21,967
Services transferred over time	2,679	3,205	2,140	–	–	8,024
Total revenue	14,115	11,130	2,173	2,718	(145)	29,991

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

Segments	Communications and Social	Games	EdTech	New initiatives	Eliminations	Group
Timing of revenue recognition						
Services transferred at a point in time	8,965	7,044	13	1,797	(36)	17,783
Services transferred over time	2,645	3,974	1,141	–	–	7,760
Total revenue	11,610	11,018	1,154	1,797	(36)	25,543

13 Income tax

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Current income tax expense	809	770	1,221	1,388
Deferred income tax benefit	(293)	(390)	(1,050)	(895)
Total income tax expense	516	380	171	493

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Loss before income tax expense	(4,461)	(2,377)	(7,263)	(11,396)
Tax at domestic rates applicable to individual Group entities	837	142	1,611	2,043
<i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i>				
Non-deductible expenses	(274)	(4)	(436)	(365)
Non-taxable foreign exchange and other gains	199	66	608	455
Adjustments in respect of current income tax of previous period	2	(48)	(26)	(84)
Effect of changes in tax rates	(145)	–	10	–
Tax accruals and penalties	–	3	–	3
Unrecognised deferred tax assets	(55)	(17)	(126)	(166)
Share of results of equity associates and joint ventures	(1,085)	(503)	(1,808)	(1,068)
Goodwill impairment	–	–	–	(1,286)
Other	5	(19)	(4)	(25)
Total income tax expense	(516)	(380)	(171)	(493)

14 Commitments, contingencies and operating risks

14.1 Operating environment of the Group

Most of the Group's operations are in Russia. Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy.

Starting from 2014 the Russian economy has been negatively impacted by sanctions imposed on Russia by a number of countries. The Rouble interest rates remained high. The combination of the above resulted in reduced access to capital, a higher cost of capital and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

On March 11, 2020, the World Health Organization declared a new coronavirus infection (COVID-19) a pandemic. The global markets began to experience significant volatility. Together with other factors, this have resulted in a sharp 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 remain uncertain and may have further significant influence on the economy and companies operating in this environment.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

14 Commitments, contingencies and operating risks (continued)

14.1 Operating environment of the Group (continued)

The management of the Group is taking necessary precautions to protect the safety and well-being of employees against the spread of COVID-19. The Group has developed plans for mitigating the impact on its business and has reviewed the economic environment; the demand for the Group's products; its available bank facilities; and the possible effects on its cash flow and liquidity position, including consideration of debt covenants.

Taking into account the above-mentioned measures and the Group's current operational and financial performance along with other currently available public information, the management of the Group does not anticipate significant adverse or favourable impact of the COVID-19 outbreak on the Group's financial position and operating results, except:

- *Social networks, Online Games and Vkontakte.* The Group saw an acceleration of demand during the pandemic, continued to demonstrate solid growth trends and expects sustainable growth for these groups of CGU's;
- *Email, Portal and IM, Search and ESForce.* In 2020, the Group revised a number of assumptions used for impairment test and recognised an impairment charge for these groups of CGU's. However, the management of the Group expects that the measures undertaken by the Russian and other countries government authorities shall reduce volatility and uncertainty in global markets and these groups of CGU's shall perform as in pre-crisis period in foreseeable future.

The management of the Group conducted a thorough analysis of the Group's receivables and did not identify any indicators that could significantly affect the measurement of the allowance for expected credit losses.

The loan agreements contain restrictive financial and non-financial covenants that the Group as the borrower is obliged to fulfil. Restrictive covenants include maintaining certain financial ratios. As of June 30, 2021 and December 31, 2020 all restrictive covenants are met.

However, it may be difficult to predict the impact of the COVID-19 in the medium and long term perspective. Management closely monitors the development of the situation and takes necessary measures to mitigate negative effects of the COVID-19 pandemic.

These interim condensed consolidated financial statements reflect management's assessment of the impact of the business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

14.2 Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Modifications of the Group's legal structure made from time to time may result in additional taxes, interest, and penalties in various jurisdictions. Any such taxes or penalties caused by the Group's structure or its modifications could have a material adverse effect on the Group's business, operating results, financial condition or prospects.

Management estimates that possible exposure in relation to the aforementioned risks, as well as other profits tax and non-profits tax risks (e.g. imposition of additional VAT liabilities), that are more than remote, but for which no liability is required to be recognised under IFRS, could be few times as high as income tax payable and VAT and other taxes payable reflected in the consolidated statement of financial position at that date. This estimation is provided for IFRS requirement for disclosure of possible taxes and should not be considered as an estimate of the Group's future tax liability.

14.3 Legal proceedings

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

14.4 Private information

To become registered on a website operated by the Group, users have to input their personal data, which is then protected by the Group from access by third parties. Should such data become available to third parties as a result of hackers' attacks, the Group may become a party to litigation from its users. Management believes it takes all necessary steps to reduce the related risk to an acceptable level.

14.5 Intellectual property rights

The Group may be subject to infringement claims from third parties in the future resulting from the technology and intellectual property used in the provision and marketing of its services. If the Group is found liable for infringement, it may be required to pay significant damages, and if it is unable to license or develop non-infringing technology on a timely basis, it may be unable to continue offering the affected services without risk of liability. Similarly, third parties may obtain and use the Group's intellectual property without authorisation. The validity, application, enforceability and scope of protection of intellectual property rights for many Internet-related activities are uncertain and still evolving, which may make it more difficult for the Group to protect its intellectual property and could have a material effect on its business, results of operations and financial condition. The Group has been subject to such proceedings. Although none of them was individually significant, similar potential claims may subject the Group to significant losses in the future, that currently cannot be reliably estimated.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

14 Commitments, contingencies and operating risks (continued)

14.6 Development

A failure to innovate, to provide popular products and services or to react quickly to changes in the market could affect the popularity of the Group's sites and, in turn, could affect the Group's revenue. An inability to develop competitive products and services which are compatible with new mobile devices could result in a failure to capture a significant share of an increasingly important market.

14.7 Regulation

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

On July 1, 2021 the new amendments to the Advertising Law came into force, regulating the placement of social advertisement on the Internet. The new rules establish certain requirements for social advertising and specify that the advertiser of social advertisement has to be selected by a government agency (Roscomnadzor). Advertising networks and/or advertising distributors are obliged to place social advertisements free of charge (in volume of 5%), as well as to send reports on the forms, volumes and methods of advertising distribution for the purpose of making forecasts. Failure to comply with these requirements may result in restrictive measures.

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

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

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

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

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

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

14.8 Personnel

As competition in Russia's internet industry increases, the Group's business and operations could be adversely affected by difficulties in hiring, motivating and retaining highly-skilled people. Competition for senior managers is high. One or more could join a competitor, or set-up a competing company, with the result that operations and profitability could be affected by a loss of strategic direction, users, know-how and additional staff.

14.9 Infrastructure and capacity

If the infrastructure in Russia were not able to support increased demand, the Group's services could be interrupted or the Group's systems damaged. A limited availability of third-party providers of network and server capacity could limit the Group's ability to offer certain services or to expand. Network or power failures could result in the loss of data and in a reduction in the number of users, which could have a material effect on the Group's business, results of operations and financial condition.

14.10 Fund commitment

In April 2020 the Group entered into the venture capital fund MVOF L.P. (the Fund) as a limited partner. The purpose of the Fund is to carry on the business of investing and, in particular, of identifying, negotiating, making, monitoring the progress of and realising, exchanging or distributing investments. Main investment areas and geographic focus are the sectors of consumer internet, foodtech, EdTech, fintech, AI and modern software, and any other sectors which are generally complementary to such identified sectors in developed markets outside Russia. The Group has right to the share in the financial results of the Fund investments in the proportion of its participation.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

14 Commitments, contingencies and operating risks (continued)

14.10 Fund commitment (continued)

The Group does not control or exercise significant influence over the Fund according to IFRS criteria as the Group does not manage relevant activities of the Fund. Investments in the Fund are accounted for as financial assets at fair value through profit or loss. As of June 30, 2021 the total capital commitment of the Group was RUB 7,256 (USD 100.3 million net of USD 36.9 million contributions made in 2021). As of December 31, 2020 the total capital commitment of the Group was RUB 10,137 (USD 137.2 million net of USD 12.8 million contributions made in 2020). Capital contributions to the Fund are made quarterly based on the capital call notices. Anticipated lifetime of the Fund is 10 years.

15 Balances and transactions with related parties

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

	Three months ended June 30		Six months ended June 30		Amounts owed by related parties	Amounts owed to related parties
	Sales to related parties	Purchases from related parties	Sales to related parties	Purchases from related parties		
2021						
Equity accounted associates	72	14	198	18	206	16
Joint ventures	1,123	75	2,160	86	12,769	1,637
Entities with significant influence over the Group and other entities	142	16	291	55	161	14,367
2020						
Equity accounted associates	40	3	137	6	37	8
Joint ventures	971	–	1,625	–	3,201	788
Entities with significant influence over the Group and other entities	85	44	188	105	104	14,351

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

15.1 The ultimate controlling party

The Group does not have an ultimate controlling party.

15.2 Directors of the Company

Total cash remuneration of the members of the Board of Directors (each a "Director" and collectively, "Directors") of the Company amounted to RUB 63 for the six months ended June 30, 2021 (2020: RUB 54).

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

The corresponding share-based payment expense was a negative RUB 47 for the six months ended June 30, 2021 (2020: RUB 3).

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

15.3 Key management of the Group

Total cash remuneration of the key management of the Group (excluding Directors) amounted to RUB 719 for the six months ended June 30, 2021 (2020: RUB 420).

For the six months ended June 30, 2021, no RSUs or options were granted to key executive employees of the Group (excluding Directors) (2020: nil RSUs). During the six months ended June 30, 2021, key management of the Group (excluding Directors) exercised 173,375 RSUs and options (2020: 480,000), and did not forfeit any RSUs or options (2020: nil).

The corresponding share-based payment expense amounted to RUB 346 for six months ended June 30, 2021 (2020: RUB 348).

Notes to the Interim Condensed Consolidated Financial Statements (continued)

16 Financial instruments

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

	Category*	June 30, 2021	December 31, 2020
Financial assets at fair value through profit and loss			
<i>Non-current</i>			
Financial investments in venture capital investees	FAFVPL	3,904	1,265
Convertible loans	FAFVPL	915	565
Financial derivative under lease contract	FAFVPL	396	475
Financial assets at amortised cost			
<i>Non-current</i>			
Loans issued	FAAC	11,626	422
<i>Current</i>			
Trade accounts receivable	FAAC	15,036	16,707
Loans issued and interest receivable	FAAC	798	2,441
Short-term deposits	FAAC	3,619	–
Cash and cash equivalents	FAAC	20,179	39,297
Total financial assets		56,473	61,172
Financial liabilities at fair value through profit and loss			
<i>Current</i>			
Contingent consideration liabilities	FLFVPL	865	1,604
<i>Non-current</i>			
Conversion option of bond issue	FLFVPL	2,121	3,506
Financial liabilities at amortised cost			
<i>Current</i>			
Trade accounts payable	FLAC	11,598	10,923
Other payables and accrued expenses	FLAC	5,654	7,614
Short-term portion of long-term interest-bearing loans	FLAC	5,920	3,718
Short-term lease liabilities	FLAC	3,621	3,861
<i>Non-current</i>			
Long-term interest-bearing loans and bonds	FLAC	37,902	41,497
Non-current lease liabilities	FLAC	11,981	11,338
Total financial liabilities		79,662	84,061

* Financial instruments used by the Group are included in one of the following categories:

- FAFVPL – financial assets at fair value through profit or loss;
- FLFVPL – financial liabilities at fair value through profit or loss;
- FAAC – financial assets at amortised cost; or
- FLAC – financial liabilities at amortised cost.

None of the Group's financial investees are public companies and none of the Group's financial instruments are traded in active markets. Accordingly, fair values of the Group's financial assets and liabilities at fair value through profit or loss are determined using valuation techniques, including discounted cash flow models, comparison to similar instruments for which observable market prices exist, option pricing models and other relevant valuation models. Such valuation techniques require management to make certain assumptions about model inputs, including credit risk and volatility.

Fair value of cash and cash equivalents, short-term time deposits, short-term accounts receivable, other current assets, trade accounts payable approximate their carrying amounts largely due to the short-term maturities of these instruments.

16.1 Financial assets at amortised cost

The Group classifies the following financial assets at amortised cost:

- The asset is held within a business model with the objective of collecting the contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding;
- Trade account receivable; and
- Cash and cash equivalents.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

16 Financial instruments (continued)

16.2 Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	June 30, 2021	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
<i>Financial investments in venture capital investees</i>	3,904	–	–	3,904
<i>Convertible loans</i>	915	–	–	915
<i>Financial derivative under lease contract</i>	396	–	–	396
Total financial assets measured at fair value through profit or loss	5,215	–	–	5,215
Financial liabilities measured at fair value through profit or loss				
<i>Contingent consideration liabilities</i>	865	–	–	865
<i>Conversion option of bond issue</i>	2,121	–	2,121	–
Total financial liabilities measured at fair value through profit or loss	2,986	–	2,121	865

	December 31, 2020	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
<i>Financial investments in venture capital investees</i>	1,265	–	–	1,265
<i>Convertible loans</i>	565	–	–	565
<i>Financial derivative under lease contract</i>	475	–	–	475
Total financial assets measured at fair value through profit or loss	2,305	–	–	2,305
Financial liabilities measured at fair value through profit or loss				
<i>Contingent consideration liabilities</i>	1,604	–	–	1,604
<i>Conversion option of bond issue</i>	3,506	–	3,506	–
Total financial liabilities measured at fair value through profit or loss	5,110	–	3,506	1,604

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

	Balance as of January 1, 2021	Gains/(losses) recognised in profit and loss	Purchases/settlement	Balance as of June 30, 2021
Financial assets measured at fair value through profit or loss				
<i>Financial investments in venture capital investees</i>	1,265	(141)	2,780	3,904
<i>Convertible loans</i>	565	(171)	521	915
<i>Financial assets and derivatives under lease contracts</i>	475	(79)	–	396
Total financial assets at fair value through profit or loss	2,305	(391)	3,301	5,215
Financial liability measured at fair value through profit or loss				
<i>Contingent consideration liabilities</i>	(1,604)	331	408	(865)
<i>Conversion option of the bond issue</i>	(3,506)	1,385	–	(2,121)
Total financial liabilities measured at fair value through profit or loss	(5,110)	1,716	408	(2,986)

Notes to the Interim Condensed Consolidated Financial Statements (continued)

16 Financial instruments (continued)

16.2 Fair value hierarchy (continued)

The balance of financial assets and liabilities at fair value through profit or loss measurements as of January 1, 2020 is reconciled to the balance of those measurements as of June 30, 2020 as follows:

	Balance as of January 1, 2020	Gains/(losses) recognised in profit and loss	Purchases/ settlement	Other	Balance as of June 30, 2020
Financial assets measured at fair value through profit or loss					
<i>Financial investments in venture capital investees</i>	673	(84)	(218)	–	371
<i>Derivative financial assets over the equity of investee</i>	113	(251)	141	–	3
<i>Convertible loans</i>	539	(66)	295	–	768
<i>Financial assets and derivatives under lease contracts</i>	514	15	–	(35)	494
Total financial assets at fair value through profit or loss	1,839	(386)	218	(35)	1,636
Financial liability measured at fair value through profit or loss					
<i>Contingent consideration liabilities</i>	(5,472)	(28)	–	–	(5,500)
Total financial liabilities measured at fair value through profit or loss	(5,472)	(28)	–	–	(5,500)

16.3 Interest-bearing loans and bonds

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

	Original currency	Interest rate	Maturity date	Outstanding amount as of June 30, 2021	Outstanding amount as of December 31, 2020
Raiffeisen bank loan	RUB	7.2%	March 6, 2023	4,593	5,905
Sberbank loan	RUB	6.67%	December 26, 2024	14,354	14,354
LSE Convertible bonds	USD	1.625%	October 1, 2025	24,875	24,956

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

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

	January 1, 2021	Principal amount, proceeds	Principal amount, repayment	Interest, accrual	Interest, repayment	Reclassification from non-current to current	Foreign exchange differences	June 30, 2021
Current interest bearing loans	3,718	–	(1,306)	672	(678)	3,514	–	5,920
Non-current interest bearing loans	16,541	–	–	–	–	(3,514)	–	13,027
Convertible bonds	24,956	–	–	673	(246)	–	(508)	24,875
Total liabilities from financing activities	45,215	–	(1,306)	1,345	(924)	–	(508)	43,822

16.4 Loans issued

During the six months ended June 30, 2021, the Group granted loans to O2O JV in the amount of RUB 9,300 at the interest rate of 7.2% with maturity in September of 2021.

As of June 30, 2021 loans receivable with carrying value of RUB 11,414 were classified as non-current assets since the Management expects that these loans will not be repaid within 12 months since the reporting date. The Management also expects that these loans receivable will be converted into the share capital of O2O JV.

16.5 Short-term deposits

As of April 20, 2021, the Group placed a short-term deposit of USD 50 million (as of June 30, 2021, RUB 3,619) in Sberbank with the maturity date October 18, 2021 at the interest rate of 0.5%.

17 Events after the reporting date

On July 6, 2021 Mail.ru Group sold a 49% stake in its subsidiary GeekBrains to a third party. As a result of the transaction, the Group's effective share in GeekBrains was reduced to 51%. The Group retained control of GeekBrains.