Mail.ru Group Limited

Consolidated Financial Statements

For the year ended December 31, 2019

Contents

EY
Совершенствуя бизнес, улучшаем мир

Ernst & Young LLC
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com/ru

ООО «Эрнст энд Янг»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 59002827
ОГРН: 1027739707203
ИНН: 7709383532

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, 2019, and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity 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, 2019 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' 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 140,665 million as of December 31, 2019 is material to the 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 11 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. We also focused on the disclosures in the Group consolidated financial statements about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill.
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 analyzed 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.

Key audit matter	How our audit addressed the key audit matter
Investments in joint ventures	
In October 2019 the Group acquired 18% of voting rights in share capital of AliExpress Russia PTE. LTD (AER). The Group accounted for this investment as an investment in joint venture. Consideration paid by the Group comprised of e-commerce assets that were contributed to the joint venture and cash. The key management judgment in respect of the accounting for investment in AER is whether the Group exercises joint control over AER and thus whether equity method of accounting should be applied under IAS 28 *Investments in Associates and Joint Ventures* (IAS 28) as well as the determination of the values of identifiable assets and liabilities of this investee for the purposes of disclosures required IAS 28 and IFRS 12 *Disclosure of Interests in Other Entities.* In December 2019 the Group acquired 50% of voting rights in share capital of Managing Company EKH LLC (O2O). O2O is a joint venture with Sberbank. Consideration paid by the Group comprised of food-tech, ride-hailing businesses contributed to the joint venture and cash. Consideration also includes a portion that is contingent upon KPIs set for the performance of the businesses contributed to O2O. The key management judgment in respect of the accounting for investment in O2O relates to the assessment of the amount of contingent consideration and the determination of the values of identifiable assets and liabilities of this investee for the purposes of disclosures required by IAS 28 and IFRS 12 *Disclosure of Interests in Other Entities.* Considering the significance of the carrying values of investments in O2O and AER to the consolidated financial statements and judgements involved, we have determined the accounting for the acquisition of investments in the joint ventures as a key audit matter. Information about these transactions is disclosed in Notes 6 and 10 to the consolidated financial statements.	We obtained share purchase agreements and analysed the terms. We assessed management analysis of the existence of joint control over AER. We analyzed the Group's approach to valuation and estimation of consideration transferred. We compared formula-driven calculations in the valuation model with underlying terms of the share purchase agreement for O2O. We assessed the allocation of consideration to the share of identifiable assets and liabilities of the joint ventures. We assessed the valuation of such assets identified as trade names, customer relationships and contingent assets. We assessed competence and expertise of the experts involved by management in the valuation of investments acquired and allocation of consideration to identifiable assets and liabilities of the investees. We involved our valuation specialists to analyze methodology and assumptions used by management. We analyzed the disclosures in the consolidated financial statements in respect of the acquisition of joint ventures as well as their financial information.

Other information included in the Group's 2019 Annual Report

Other information consists of the information included in the Group's 2019 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 will 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 identified above when it becomes available 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.

Совершенствуя бизнес,
улучшаем мир

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.
- 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, related safeguards.

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

February 26, 2020

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, 2019
(in millions of Russian Roubles)

	Notes	As at December 31, 2019	As at December 31, 2018
ASSETS			
Non-current assets			
Investments in equity accounted associates and joint ventures	10	49,834	2,816
Goodwill	11, 7	140,665	140,446
Right-of-use assets	2.2	4,942	–
Other intangible assets	7	19,526	20,759
Property and equipment	8	8,330	7,050
Financial assets at fair value through profit or loss	22	1,749	2,015
Deferred income tax assets	18	1,774	4,793
Long-term loans receivable	22	286	110
Other non-current assets	15	115	1,574
Total non-current assets		227,221	179,563
Current assets			
Trade accounts receivable	12	12,288	9,916
Prepaid expenses and advances to suppliers		978	1,123
Financial assets at fair value through profit or loss	22	90	1,072
Loans receivable	22	655	35
Other current assets		1,367	1,318
Cash and cash equivalents	13	9,782	11,723
Assets held for sale	6.2	2,334	32
Total current assets		27,494	25,219
Total assets		254,715	204,782
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital			–
Share premium		60,286	58,482
Treasury shares	14	(1,152)	(286)
Retained earnings		125,351	106,685
Accumulated other comprehensive income/(loss)		170	(165)
Total equity attributable to equity holders of the parent		184,655	164,716
Non-controlling interests		809	259
Total equity		185,464	164,975
Non-current liabilities			
Deferred income tax liabilities	18	2,181	2,405
Deferred revenue	4.2, 17	1,737	12,397
Non-current lease liabilities	2.2, 23.2	1,568	–
Long-term interest-bearing loans and borrowings	22.3, 23.2	19,474	–
Total non-current liabilities		24,960	14,802
Current liabilities			
Trade accounts payable	23.2	7,863	8,263
Income tax payable		481	893
VAT and other taxes payable		1,939	1,430
Deferred revenue and customer advances	4.2, 17	10,920	8,809
Short-term portion of long-term interest-bearing loans	22.3, 23.3	4,044	–
Current lease liabilities	2.2, 23.2	3,153	–
Other payables, accrued expenses and contingent consideration liabilities	16, 23.2	15,348	5,610
Liabilities directly associated with assets held for sale	6.2	543	–
Total current liabilities		44,291	25,005
Total liabilities		69,251	39,807
Total equity and liabilities		254,715	204,782

Consolidated Statement of Comprehensive Income

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

	Notes	2019	2018
Online advertising		36,571	31,970
MMO games		36,417	15,728
Community IVAS		15,763	13,890
Other revenue		7,480	4,517
Total revenue		96,231	66,105
Net (loss)/gain on venture capital investments	22	(139)	26
Personnel expenses		(21,507)	(22,698)
Office rent and maintenance		(246)	(2,528)
Agent/partner fees		(25,030)	(16,404)
Marketing expenses		(16,422)	(15,583)
Server hosting expenses		(675)	(1,966)
Professional services		(785)	(587)
Other operating expenses		(3,371)	(2,815)
Total operating expenses		(68,036)	(62,581)
EBITDA		28,056	3,550
Depreciation and amortisation	2.2, 7, 8	(12,771)	(9,665)
Impairment of intangible assets	7	(659)	(1,711)
Share of loss of equity accounted associates and joint ventures	10	(1,691)	(497)
Finance income		585	545
Finance expenses		(1,459)	(17)
Other non-operating loss		(182)	(12)
Gain on joint ventures formation	6.9, 6.10	15,855	–
Loss on fair value remeasurement of assets held for sale	6.2	(4,519)	–
Net loss on derivative financial assets and liabilities at fair value through profit or loss	22	(758)	(516)
Reversal of impairment/(impairment) of equity accounted associates	10	60	(37)
Net gain on disposal of intangible assets	15	418	–
Net gain on disposal of shares in subsidiaries		–	47
Gain on remeasurement of previously held interest in equity accounted associates		324	–
Net foreign exchange (loss)/gain		(980)	796
Profit/(loss) before income tax expense		22,279	(7,517)
Income tax expense	18	(3,428)	(546)
Net profit/(loss)		18,851	(8,063)
Attributable to:			
Equity holders of the parent		18,686	(7,991)
Non-controlling interests		165	(72)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations:			
Differences arising during the year		335	(293)
Total other comprehensive income/(loss) net of tax effect of 0		335	(293)
Total comprehensive income/(loss), net of tax		19,186	(8,356)
Attributable to:			
Equity holders of the parent		19,021	(8,284)
Non-controlling interests		165	(72)
Earnings/(loss) per share, in RUR:			
Basic earnings/(loss) per share attributable to ordinary equity holders of the parent	19	86	(37)
Diluted earnings/(loss) per share attributable to ordinary equity holders of the parent		85	n/a

Consolidated Statement of Cash Flows

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

	Notes	2019	2018
Cash flows from operating activities			
Profit/(loss) before income tax		22,279	(7,517)
Adjustments to reconcile profit/(loss) before income tax to cash flows:			
Depreciation and amortisation		12,771	9,665
Impairment losses on financial assets at amortized cost		301	164
Net loss/(gain) on venture capital investments	22	139	(26)
Net loss on financial assets and liabilities at fair value through profit or loss	22	758	516
Gain on joint ventures formation	6.9, 6.10	(15,855)	–
Loss on fair value remeasurement of assets held for sale	6.2	4,519	–
Net gain on disposal of subsidiaries		–	(47)
Net gain on disposal of intangible assets	7	(418)	–
Loss on disposal of property and equipment and intangible assets		–	15
Gain on remeasurement of previously held interest in equity accounted associate		(324)	–
Finance income		(585)	(545)
Finance expenses		1,459	17
Dividend revenue from venture capital investments		(18)	(29)
Share of loss of equity accounted associates	10	1,691	497
(Reversal of impairment) / impairment of equity accounted associates	10	(60)	37
Impairment of intangible assets	7	659	1,711
Net foreign exchange loss/(gain)		980	(796)
Share-based payment expense		1,742	6,732
Other non-cash items		16	30
Change in operating assets and liabilities:			
Increase in accounts receivable		(3,566)	(2,934)
(Increase)/decrease in prepaid expenses and advances to suppliers		(406)	604
Decrease/(increase) in inventories and other assets		1,340	(314)
(Decrease)/increase in accounts payable and accrued expenses		(2,818)	1,592
Decrease/(increase) in non-current prepaid expenses and advances		67	(217)
(Decrease)/increase in deferred revenue and customer advances		(8,065)	7,588
Increase in financial assets at fair value through profit or loss	22	(1,820)	(3,081)
Increase in financial liabilities at fair value through profit or loss	22	3,652	1,225
Operating cash flows before interest, income taxes and contingent consideration settlement		18,438	14,887
Dividends received from venture capital investments		7	28
Settlement of contingent consideration of business combination	6.2, 16, 22	(688)	–
Interest received		493	561
Interest paid		(1,459)	(13)
Income tax paid		(3,871)	(2,981)
Net cash provided by operating activities		12,920	12,482
Cash flows from investing activities			
Cash paid for property and equipment		(4,688)	(4,492)
Cash paid for intangible assets		(3,697)	(2,156)
Dividends received from equity accounted associates		71	40
Loans issued		(790)	(83)
Loans collected		1,903	–
Cash paid for acquisitions of subsidiaries, net of cash acquired	6	(9,361)	(8,031)
Settlement of initial fair value of the contingent consideration at acquisition date	6.2, 16, 22	(1,132)	–
Proceeds from disposal of subsidiaries, net of cash disposed		–	(20)
Cash paid for investments in equity accounted associates and joint ventures	6	(15,687)	(1,960)
Net cash provided by investing activities		(33,381)	(16,702)
Cash flows from financing activities			
Payment of lease liabilities	2.2	(3,493)	–
Loans received, net of bank commission	22.4	23,383	–
Cash paid for treasury shares	14	(896)	–
Net cash used in financing activities		18,994	–
Net decrease in cash and cash equivalents		(1,467)	(4,220)
Effect of exchange differences on cash balances		(431)	572
Cash and cash equivalents at the beginning of the period		11,723	15,371
Change in cash related to asset held for sale		(43)	–
Cash and cash equivalents at the end of the period		9,782	11,723

Consolidated Statement of Changes in Equity

For the year ended December 31, 2018
(in millions of Russian Roubles)

	Share capital								
	Number of shares issued and outstanding	Amount	Share premium	Treasury shares	Retained earnings	Foreign currency translation reserve	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at January 1, 2018	212,424,794	–	51,722	(444)	114,676	128	166,082	84	166,166
Loss for the year	–	–	–	–	(7,991)	–	(7,991)	(72)	(8,063)
Other comprehensive loss:							–		–
Foreign currency translation	–	–	–	–	–	(293)	(293)	–	(293)
Total other comprehensive loss	–	–	–	–	–	(293)	(293)	–	(293)
Total comprehensive loss	–	–	–	–	(7,991)	(293)	(8,284)	(72)	(8,356)
Share-based payment transactions	–	–	6,918	–	–	–	6,918	–	6,918
Exercise of RSUs and options over the shares of the Company	3,545,128	–	(158)	158	–	–	–	–	–
Acquisition of treasury shares (Note 14)	–	–	–	–	–	–	–	269	269
Effect of disposal of subsidiary	–	–	–	–	–	–	–	(22)	(22)
Balance at December 31, 2018	215,969,922	–	58,482	(286)	106,685	(165)	164,716	259	164,975

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	Foreign currency translation reserve	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)	106,685	(165)	164,716	259	164,975
Impact of IFRS 16 adoption (Note 2.2)	–	–	–	–	(20)	–	(20)	–	(20)
Adjusted 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 (Note 14)	(572,437)	–	–	(896)	–	–	(896)	–	(896)
Acquisitions of non-controlling interests in business combinations (Note 6)	–	–	–	–	–	–	–	385	385
Effect of 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

Notes to Consolidated Financial Statements

For the year ended December 31, 2019
(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, 2019 were authorised for issue by the directors of the Company on February 26, 2020.

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, 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.

Information on the Company's main subsidiaries is disclosed in Note 9.

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, 2018, except for the following new and amended IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations effective as of January 1, 2019:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted the new standard using a modified retrospective approach and utilizing certain practical expedients provided. In IFRS consolidated financial statements assets and liabilities under IFRS 16 were recognized as at January 1, 2019. The Group elected to use the recognition exemptions for lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at January 1, 2019 (increase/(decrease)) is as follows:

Assets	
Right-of-use assets	6,295
Other non-current assets	(323)
Prepaid expenses and advances to suppliers	(525)
Deferred income tax assets	(7)
Total assets	5,440
Liabilities	
Current lease liabilities	2,902
Non-current lease liabilities	2,558
Total liabilities	5,460
Retained earnings	(20)

2 Basis of preparation (continued)

2.2 Application of new and amended IFRS and IFRIC (continued)

a) Nature of the effect of adoption of IFRS 16

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for leases of low-value assets. The right-of-use assets were recognised based on the amount of the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Based on the foregoing, as at January 1, 2019:

- Right-of-use assets of RUR 6,295 were recognised and presented separately in the statement of financial position;
- Lease liabilities are presented within Non-current lease liabilities and Current lease liabilities;
- Prepayments of RUR 801 related to previous operating leases were derecognized and added to the carrying amounts of the relevant right-of-use assets;
- Accrued provision for straight-line adjustment under IAS 17 in Current lease liabilities and respective deferred tax assets had been adjusted to retained earnings.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as at December 31, 2018 as follows:

Operating lease commitments as at December 31, 2018	2,249
Weighted average incremental borrowing rate as at January 1, 2019	9.6%
Discounted operating lease commitments as at January 1, 2019	2,100
Add	
Payments in optional extension periods not recognised as at December 31, 2018	3,394
Lease liabilities as at January 1, 2019	5,494

Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	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	2,787
Amortisation expense	(2,627)	(1,179)	(53)	(3,859)	–
Interest expense	–	–	–	–	579
Payments	–	–	–	–	(4,072)
Assets held for sale	(67)	–	–	(67)	(67)
As at December 31, 2019	4,180	747	15	4,942	4,721

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.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

These amendments have no impact on the consolidated financial statements of the Group.

2 Basis of preparation (continued)

2.2 Application of new and amended IFRS and IFRIC (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23 *Interpretation entitled Uncertainty over Income Tax Treatments*. The IFRIC clarifies that for the purposes of calculating current and deferred tax, companies should use a tax treatment of uncertainties, which will probably be accepted by the tax authorities. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019.

The Interpretation has no impact on the consolidated financial statements of the Group.

Annual Improvements 2015-2017 Cycle

- *IFRS 3 Business Combinations*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. Since the Group’s current practice is in line with these amendments, the Group does not expect impact on its consolidated financial statements.

- *IFRS 11 Joint Arrangements*

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments have no impact on the consolidated financial statements of the Group.

- *IAS 12 Income Taxes*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group’s current practice is in line with these amendments, the Group does not expect impact on its consolidated financial statements.

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 IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to IFRS 3 *Business Combinations*. The amendments enhance definition of a business set out by the standard. The amendments are effective for acquisitions to occur on or after January 1, 2020; earlier application is permitted. Possible impact of the amendments on the consolidated financial statements as well as the necessity of early adoption will be assessed in course of accounting support for future significant transactions.

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.’ The amendments to the definition of material are not expected to have a significant impact on the Group’s consolidated financial statements.

Amendments to IAS 1 and IAS 8: Classification of Liabilities as Current or Non-current

On January 23, 2020, the International Accounting Standards Board (IASB or the Board) issued amendments to paragraphs 69 to 76 of IAS 1 *Presentation of Financial Statements* (the amendments) to specify the requirements for classifying liabilities as current or non-current. The new guidance will be effective for annual periods starting on or after January 1, 2022. The amendments must be applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Earlier application is permitted. Possible impact of the amendments on the consolidated financial statements as well as the necessity of early adoption will be assessed in course of accounting support for future significant transactions.

2 Basis of preparation (continued)

2.3 Standards issued but not yet effective (continued)

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 should be applied for annual periods beginning on or after January 1, 2020. Earlier application is permitted. Possible impact of the amendments on the consolidated financial statements will be assessed in course of accounting support for future significant transactions.

Amendments to classification of liabilities as current or non-current

On January 23, 2020, the International Accounting Standards Board (IASB or the Board) issued amendments to paragraphs 69 to 76 of IAS 1 *Presentation of Financial Statements* (the amendments) to specify the requirements for classifying liabilities as current or non-current.

The IASB's amendments clarify the criteria for determining whether to classify a liability as current or non-current. The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists The amendments clarify the situations that are considered settlement of a liability.

The new guidance will be effective for annual periods starting on or after January 1, 2022. These amendments will have no impact on the consolidated financial statements of the Group.

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.

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.

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, 2018 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 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 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.

The Group participates in the operating management of its equity accounted associates and intends to stay involved in their operations from a long-term perspective. Under the equity method, the investments in associates are carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Distributions received from an investee reduce the carrying amount of the investment. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

3 Summary of significant accounting policies (continued)

3.3 Investments in associates and joint ventures (continued)

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of associates. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes in the investment balance and discloses this, when applicable, in the 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.

Dividends received from equity accounted associates are shown in investing activities in the statement of cash flows.

The share of profit and other comprehensive income of equity accounted associates is shown on the face of the statement of comprehensive income. This is the profit attributable to equity holders of the associates and therefore is profit after tax of the associates and after non-controlling interests in the subsidiaries of the associates. 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 equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate.

The financial statements of equity accounted associates are prepared for the same reporting period as the parent company. 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. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. Determining whether the investment is impaired is based on the guidance of IFRS 9 discussed under 3.13.6.

If there is objective evidence that an associate is impaired, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value in accordance with IAS 36 (as discussed under 3.15) and recognises the amount of impairment in earnings under '*Impairment losses related to equity accounted associates*'. 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 a equity accounted associate, the Group measures and recognises any remaining investment at its fair value. Any difference between (a) the carrying amount of the associate upon loss of significant influence and (b) the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3.4 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.

- 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.

3 Summary of significant accounting policies (continued)

3.4 Group as a lessee (continued)

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.

- Operating leases before January 1, 2019

Leases of assets under which substantially all the risks and benefits of ownership were effectively retained by the lessor were before January 1, 2019 classified as operating leases. Payments made under operating leases were charged to the consolidated statement of comprehensive income on a straight-line basis.

3.5 Property and equipment

3.5.1 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 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.

3.5.2 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

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 Summary of significant accounting policies (continued)

3.6 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.

3.6.1 Software development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the 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 statement of comprehensive income during 2019 amounted to RUR 888 (2018: RUR 258).

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.

3.6.2 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, 2019 and 2018.

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

3.7 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 statement of financial position and statement of cash flows.

3.8 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 RUR 1,150 and a rate of 15% to the portion exceeding this threshold.

3 Summary of significant accounting policies (continued)

3.9 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.

3.10 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.

3.10.1 Online advertising

3.10.1.1 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.

3.10.1.2 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".

3.10.2 Internet value-added services ("IVAS")

Revenue from IVAS is derived from a variety of Internet-based services, including communication products and online games.

3.10.2.1 Revenue from MMO games

The Group operates its games mainly under the free-to-play game model. The Group derives its online game revenue from in-game virtual items representing additional functionality and features for the game players' characters purchased by game players to play the Group's MMO games and casual games. The amounts of cash or receivables from payment systems for cash from the users, net of short messaging service operators, are not recognised as revenues and are credited to deferred revenue. They are then converted by the players into in-game points. In-game points are used to purchase in-game items. Under the item-based revenue model, revenues are recognised over the life of the in-game virtual items that game players purchase or as the in-game virtual items are consumed. Deferred revenue is reduced as revenues are recognised. The estimated life span of in-game items is determined based on historical player usage patterns and playing behaviour.

3 Summary of significant accounting policies (continued)

3.10 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.

3.10.2.2 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 financial statements.

3.10.3 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.

3.11 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 statement of comprehensive income and the 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 18).

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.

3.12 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)

3.12 Share-based payment transactions (continued)

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.

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.

3.12.1 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 19).

3.12.2 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 24. 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 expense'*.

3.12.3 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)

3.13 Financial instruments

3.13.1 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 3.18), 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.

3.13.2 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:

3.13.2.1 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 statement of financial position at fair value. The changes in their fair value are recognised in the 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 financial assets and liabilities at fair value through profit or loss over the equity of subsidiaries and other agreements'*.

3.13.2.2 Financial assets and liabilities at amortised cost

This category is the most relevant to the Group. 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 (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, and loan to an associate and loan to a director included under other non-current financial assets.

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 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 statement of comprehensive income.

3 Summary of significant accounting policies (continued)

3.13 Financial instruments (continued)

3.13.2.3 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 statement of financial position under 'Other payables, accrued expenses and contingent consideration liabilities'.

3.13.3 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.

3.13.4 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.

3.13.5 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 22.

3.13.6 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.

3.13.6.1 Financial assets carried at amortised cost

For financial assets carried at amortised cost (loans and receivables), evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as a *'Bad debt expense'* in *'Other operating expenses'*. The allowance is estimated based on a combination of specific accounts and general ageing analysis.

Trade accounts receivable are recorded at the invoiced amount and are non-interest bearing. Credit is only granted to customers after a review of credit history.

3 Summary of significant accounting policies (continued)

3.14 Foreign currency translation

The consolidated financial statements are presented in RUR, which is the Group's presentation currency, and all values are rounded to the nearest million (RUR '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 RUR.

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 and its subsidiaries with functional currencies other than the RUR are translated into the presentation currency of the Group (RUR) 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.

3.15 Impairment of non-financial assets and investments in equity accounted associates

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 subsidiaries 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.

3.16 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 or 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.

3.17 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)

3.18 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 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 3.13 above as part of the Group's accounting policies with respect to financial assets.

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).

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 statement of profit or loss 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 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 statement of profit or loss 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 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

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 24). 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 Significant accounting judgments, estimates and assumptions (continued)

4.1 Judgments (continued)

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 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.

4.2.1 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.

Another 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 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 22.

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 7.

Notes to Consolidated Financial Statements (continued)

4 Significant accounting judgments, estimates and assumptions (continued)

4.1 Judgments (continued)

4.2.4 Software development costs

Software development costs are capitalised in accordance with the accounting policy described in Note 3.6.1. 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 7 and 11.

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 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.

4.2.8 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 Company 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 (RUR 13,037 as at September 30, 2019).

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

At for the interest rate the Group obtained estimation from banks and compared it to the rate of 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. The rate is close to 9.6% for weighted average lease duration. Duration for discount rate is based on weighted average lease period (2.4 years for January 1, 2019). 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, 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 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, 2019 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 (Note 6) and to exclude the information related to assets held for sale reclassified during the reporting period.

Additionally, in order to achieve comparability, IFRS 16 adoption effect (Note 2.2) is included in segment reporting starting from January 1, 2018.

In 2019 the Group has changed the composition of the reporting segments in order to better reflect Group's strategy, the way the business is managed and units' interconnection within its eco-system. From the first quarter of 2019 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 includes online gaming services, including MMO, social and mobile games operated by the Group. It earns substantially all revenues from (i) sale of virtual in-game items to users, (ii) royalties for games licensed to third-party online game operators and (iii) in-game advertising.

The New initiatives reportable segment represents separate operating segments aggregated in one reportable segment for its similar nature of newly acquired and dynamically developing businesses. This segment primarily consists of Youla classifieds earning substantially all revenues from advertising and listing fees, Maps.me, Geek Brains, 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.

5 Operating segments (continued)

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 Group has changed presentation of its reporting segments retrospectively to provide corresponding basis for comparison.

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	50,313	30,551	6,206	–	87,070
Intersegment revenue	208	118	27	(353)	–
Total revenue	50,521	30,669	6,233	(353)	87,070
Total operating expenses	23,186	25,425	9,060	(353)	57,318
EBITDA	27,335	5,244	(2,827)	–	29,752
Net profit					15,649

The income statement items for each segment for the year ended December 31, 2018, as presented to the CODM, are presented below:

	Communications and Social	Games	New initiatives	Eliminations	Group
Revenue					
External revenue	43,575	24,841	2,748	–	71,164
Intersegment revenue	191	4	1	(196)	–
Total revenue	43,766	24,845	2,749	(196)	71,164
Total operating expenses	18,122	19,839	6,262	(196)	44,027
EBITDA	25,644	5,006	(3,513)	–	27,137
Net profit					15,083

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, 2019 and 2018 is presented below:

	2019	2018
Group aggregate segment revenue, as presented to the CODM	87,070	71,164
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	2,615	2,992
Differences in timing of revenue recognition	6,520	(8,154)
Barter revenue	8	74
Dividend revenue from venture capital investments	18	29
Consolidated revenue under IFRS	96,231	66,105

5 Operating segments (continued)

A reconciliation of group aggregate segment EBITDA, as presented to the CODM, to IFRS consolidated profit/(loss) before income tax expense of the Group for the years ended December 31, 2019 and 2018 is presented below:

	2019	2018
Group aggregate segment EBITDA, as presented to the CODM	29,752	27,137
Adjustments to reconcile EBITDA as presented to the CODM to consolidated profit/(loss) before income tax expenses under IFRS:		
Effect of difference in dates of acquisition, loss of control in subsidiaries and assets held for sale	(8,091)	(5,904)
IFRS 16 implementation	–	(3,540)
Differences in timing of revenue recognition	8,265	(7,464)
Net (loss)/gain on venture capital investments	(139)	26
Share-based payment transactions	(1,742)	(6,732)
Other	11	27
EBITDA	28,056	3,550
Depreciation and amortisation	(12,771)	(9,665)
Impairment of intangible assets	(659)	(1,711)
Share of loss of equity accounted associates	(1,691)	(497)
Finance income	585	545
Finance expenses	(1,459)	(17)
Other non-operating loss	(182)	(12)
Gain on joint ventures formation	15,855	–
Loss on fair value remeasurement of assets held for sale	(4,519)	–
Net loss on derivative financial assets and liabilities at fair value through profit or loss	(758)	(516)
Gain on remeasurement of previously held interest in equity accounted associate	324	–
Reversal of impairment / (impairment) of equity accounted associates	60	(37)
Net gain on disposal of intangible assets	418	–
Net gain on disposal of subsidiary	–	47
Net foreign exchange (loss)/gain	(980)	796
Consolidated profit/(loss) before income tax expense under IFRS	22,279	(7,517)

A reconciliation of group aggregate net profit, as presented to the CODM, to IFRS consolidated net profit/(loss) of the Group for the years ended December 31, 2019 and 2018 is presented below:

	2019	2018
Group aggregate segment net profit, as presented to the CODM	15,649	15,083
Adjustments to reconcile net profit as presented to the CODM to consolidated net profit/(loss) under IFRS:		
Share-based payment transactions	(1,742)	(6,732)
Differences in timing of revenue recognition	8,265	(7,464)
Effect of difference in dates of acquisition, loss of control in subsidiaries and assets held for sale	(6,959)	(6,006)
IFRS 16 implementation	–	435
Amortisation of fair value adjustments to intangible assets	(3,192)	(5,174)
Gain on joint ventures formation	15,855	–
Loss on fair value remeasurement of assets held for sale	(4,519)	–
Net loss on financial instruments at fair value through profit or loss	(897)	(490)
Gain on remeasurement of previously held interest in equity accounted associate	324	–
Net gain on disposal of intangible assets	418	–
Net gain on disposal of subsidiary	–	47
Net foreign exchange (loss)/gain	(980)	796
Share of loss of equity accounted associates	(1,691)	(497)
Reversal of impairment/(impairment) of equity accounted associates	60	(37)
Other non-operating loss	(182)	(12)
Other	(11)	(16)
Tax effect of the adjustments	(1,547)	2,004
Consolidated net profit/(loss) under IFRS	18,851	(8,063)

6 Business combinations in 2018 and 2019

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 RUR 6,391. As of September 30, 2019, as a result of the control acquisition 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 Business combinations in 2018 and 2019 (continued)

6.2 ESforce

In January 2018 the Group acquired a leading eSport group of companies operating under the ESforce brand (together "ESforce") for a cash consideration of RUR 5,659 and contingent consideration, measured at fair value, of RUR 1,132 based on ongoing financial KPIs in a period of 1 year. Contingent liability was denominated in USD and remeasured in December 2018 to RUR 1,948 (Note 16) and paid in full amount in March 2019. The primary purpose of the acquisition of ESforce was to enhance the Group's position on the eSports market.

In January 2019 the Group finalised purchase price allocation for ESforce acquisition, which resulted in no change from provisional values. The fair values of the identifiable assets and liabilities of ESforce at the date of acquisition were as follows:

	Fair value
Property and equipment	648
Other intangible assets	674
Deferred income tax assets	227
Trade accounts receivable	191
Prepaid income tax	12
Prepaid expenses and advances to suppliers	23
Other current assets	167
Other non-current assets	9
Cash and cash equivalents	207
Total assets	2,158
Deferred income tax liabilities	144
Trade accounts payable	235
VAT and other taxes payable	12
Deferred revenue and customer advances	68
Provisions for tax contingencies	128
Other payables and accrued expenses	130
Total liabilities	717
Total net assets	1,441

Goodwill on the transaction was calculated as the excess of:

(a) The consideration transferred by the Group measured at fair values:	
[1] Cash consideration	5,659
[2] Contingent consideration liability (Note 16)	1,132
Consideration transferred by the Group	6,791
(b) The amount of non-controlling interest in ESforce measured at the proportionate share of the identifiable net assets	22
Over	
(c) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at final fair values	1,441
Goodwill	5,372

Goodwill is mainly attributable to the potential of ESforce to further enhance its leadership position in the eSports market, as well as the prospects of potential synergies with the Group's other operations. Goodwill is not expected to be deductible for income tax purposes.

Intangible assets mainly include trademark 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)	5,730
Cash acquired (included in cash flows from investing activities)	(207)
Net cash flow on acquisition	5,523

In June 2019 the Group decided to create a partnership around ESforce eSports business. As of June 30, 2019 the Group reclassified related to ESforce assets in amount RUR 6,920 as assets held for sale and liabilities directly associated with assets held for sale in the amount RUR 0.6 billion.

In December 2019, the Group remeasured fair value of ESforce, classified as assets held for sale, from RUR 6.3 billion to RUR 1.8 billion and, therefore recognized, remeasurement loss in the amount of RUR 4.5 billion for 2019 primarily related to goodwill.

6 Business combinations in 2018 and 2019 (continued)

6.2 ESforce (continued)

As at December 31, 2019, the Group classified related to ESforce assests in the amount RUR 2,334 as assets held for sale and liabilities directly associated with assets held for sale in the amount RUR 543 as the Group plans to recover its carrying value through a sale transaction or contribution to a joint venture.

The Group decided to use the right to reverse Modern Pick partnership transaction around ESforce due to non-completion of the key asset consolidation condition by the majority shareholder as of December 31, 2019.

6.3 BitGames, 33 Slona and InShopper

In April 2018 the Group acquired control in mobile games developer PBL Bitdotgames Publishing Limited ("BitGames") by increasing its share to 51% (49% in addition to 2% stake as of March 31, 2018). The primary purpose of the acquisition of BitGames was to enhance the Group's position on mobile games market.

Also in April 2018 the Group completed the acquisition of 100% in LLC "33 Slona" and LLC "Tekhnologii nedvizhimosti" (collectively, "33 Slona"), a digital real estate agency. The primary purpose of the acquisition of 33 Slona was to leverage the Group's expertise and resources by achieving substantial synergies with Youla, the Group's general online classifieds product.

In June 2018 the Group completed the acquisition of the 100% in Consult Universal Corp ("InShopper"), a cash-back technology provider. The primary purpose of the acquisition of InShopper was to leverage the Group's expertise and resources by achieving substantial synergies with Group's payment technologies and solutions.

Total cash consideration for the transactions above was RUR 2.5 bln and contingent consideration, measured at fair value, of RUR 93 (based on ongoing financial KPIs in a period of 1 year. Contingent liability was remeasured in March 2019 to RUR 9.

In April 2019 the Group finalised purchase price allocation for BitGames, 33 Slona and InShopper acquisitions, which resulted in no change from provisional values. The fair values of the identifiable assets and liabilities of BitGames, 33 Slona and InShopper at the date of acquisition were as follows:

	Fair value
Other intangible assets	1,140
Loans receivable	5
Deferred income tax assets	59
Prepaid expenses and advances to suppliers	14
Trade accounts receivable	36
Other current assets	36
Cash and cash equivalents	26
Total assets	1,316
Deferred income tax liabilities	143
Trade accounts payable	83
Deferred revenue and customer advances	473
Loans payable	33
VAT and other taxes payable	5
Other payables and accrued expenses	10
Total liabilities	747
Total net assets	569

Goodwill on the transaction was calculated as the excess of:	
(a) The consideration transferred by the Group measured at fair values:	
[1] Cash paid	2,515
[2] Financial assets at fair value through profit or loss – derivative over the equity of investee	11
[3] The acquisition date fair value of the Group's previously held equity interest	114
[4] Contingent consideration liability (Note 16)	93
Consideration transferred by the Group	2,733
(b) The amount of non-controlling interest measured at the proportionate share of the identifiable net assets	247
Over	
(c) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at final fair values	569
Goodwill	2,411

Goodwill is not expected to be deductible for income tax purposes. Goodwill is mainly attributable to development of new games, cost saving and potential synergy with the Group's classified business, payment solutions and other operations.

6 Business combinations in 2018 and 2019 (continued)

6.3 BitGames, 33 Slona and InShopper (continued)

Goodwill related to BitGames and 33 Slona acquisition is allocated to Games and Youla CGUs correspondingly. Goodwill related to InShopper acquisitions is allocated to Vkontakte, Social Networks and Email and Portal CGUs.

Intangible assets mainly include social and 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)	2,534
Cash acquired (included in cash flows from investing activities)	(26)
Net cash flow on acquisition	2,508

6.4 Citymobil

In April 2018 as a result of a number of transactions the Group acquired a 25.38% stake in taxi aggregator City-Mobil LLC ("Citymobil") for a total cash consideration of RUR 530, including RUR 120 conversion of loan. In 2019 the Group participated in new funding rounds and contributed additionally RUR 679. As a result of RUR 2.2 bln loan conversion the Group's share in Citymobil increased to 29.669%.

The Group concluded that it has significant influence over Citymobil as the Group has the power to participate in the financial and operating policy decisions through its representation on Citymobil's Board of Directors. The Group's ownership interest in Citymobil represents an investment in an associate and is accounted for under the equity method. As of April 2019, the Group finalized purchase price allocation of Citymobil, which resulted in no change from provisional values.

In July 2019 the Board of Directors of the Company approved the signing of a term sheet assuming investment into a new O2O-focused company.

In December 2019 the O2O deal was finalized and Citymobil was transferred to new O2O JV as a part of the Group investment. For details please refer to Note 6.10.

6.5 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 RUR 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 RUR 285. The primary purpose of the acquisition of Panzerdog was to enhance the Group's position on mobile games market.

Provisional fair values of the identifiable assets and liabilities as at the date of acquisition were as follows:

	Provisional 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 22)	110
(d) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at fair provisional values	349
Goodwill	625

6 Business combinations in 2018 and 2019 (continued)

6.5 Panzerdog (continued)

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

6.6 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 advertising solutions market. As of December 31, 2019 the Group acquired control over 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 control over 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 accounting for the business combinations, the Group has provisionally determined the amounts of the acquired companies' identifiable assets and liabilities at their fair value. The acquisition accounting will be finalised upon completion of the tax planning and valuation of Native Roll, Worki and Relap's assets and liabilities.

Provisional fair values of the identifiable assets and liabilities of Native Roll, Worki and Relap as at the date of acquisition were as follows:

	Provisional 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 22)	461
Over	
(c) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at fair provisional values	345
Goodwill	2,251

6 Business combinations in 2018 and 2019 (continued)

6.6 Native Roll, Worki and Relap (continued)

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

6.7 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 RUR 79. The primary purpose of the acquisition of Swag Masha was to enhance the Group's position on mobile games market.

Provisional fair values of the identifiable assets and liabilities as at the date of acquisition were as follows:

	Provisional 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 provisional 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 Business combinations in 2018 and 2019 (continued)

6.8 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 RUR 1.6 bln. The primary purpose of the acquisition of Skillbox was to expand the Group's presence on the online education market by achieving substantial synergies with Geekbrains, the Group's online educational platform.

Provisional fair values of the identifiable assets and liabilities as at the date of acquisition were as follows:

	Provisional fair value
Property and equipment	26
Intangible assets	741
Trade accounts receivable	7
Prepaid expenses and advances to suppliers	46
Other current assets	1
Cash and cash equivalents	118
Total assets	939
Trade accounts payable	21
Deferred revenue and customer advances	603
Other payables, provisions and accrued expenses	53
Total liabilities	677
Total net assets	262

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	104
Over	
(c) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at fair provisional values	262
Goodwill	1,775

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

6.9 Aliexpress Russia Joint Venture

On October 8, 2019, the Group with Alibaba Group, MegaFon and RDIF completed formation of Aliexpress Russia Joint Venture (AER or AER JV).

The Group invested its Pandao e-commerce assets with fair value of RUR 1 bln and cash consideration in the amount of RUR 11.8 bln in exchange for a 15.01% stake in the AER JV (voting – 18%).

Cash consideration in the amount of RUR 11.8 bln is comprised of RUR 6.5 bln paid on October 8, 2019 and the rest of the amount to be contributed by October 2020.

Alibaba Group invested cash in the amount of RUR 6.5 bln and contributed its AliExpress Russia business in exchange for a 55.7% stake (voting – 49.9%), RDIF invested cash in the amount of RUR 6.5 bln in exchange for a 5% stake (voting – 1.2%) and MegaFon sold 9.97% economic stake in Mail.ru Group to Alibaba Group in exchange for a 24.3% stake (voting – 30.2%) in the AER JV.

6 Business combinations in 2018 and 2019 (continued)

6.9 Aliexpress Russia Joint Venture (continued)

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.

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

Provisional fair values of the identifiable assets and liabilities as at the date of acquisition were as follows:

	Provisional fair value as of October 8, 2019
Intangible assets	44,237
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	71,890
Deferred tax liabilities	8,787
Trade accounts payable	969
Other payables, provisions and accrued expenses	96
Total liabilities	9,852
Total net assets	62,038
Group's effective share in equity – 15.01%	9,314
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 provisional values	9,314
Goodwill	3,378

Goodwill in the amount in RUR 3.3 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.

6.10 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 RUR 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 RUR 0.8 bln.

Sberbank contributed cash in the amount of RUR 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.

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.

6 Business combinations in 2018 and 2019 (continued)

6.10 O2O Joint Venture (continued)

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

Provisional fair values of the identifiable assets and liabilities as at the date of acquisition were as follows:

	Provisional fair value as of December 18, 2019
Investments in associates	559
Right-of-use assets	1,698
Intangible assets	18,084
Property and equipment	153
Deferred income tax assets	447
Other non-current assets	454
Trade accounts receivable	963
Other current assets, *including consideration receivable of RUR 17.6 bln*	19,000
Cash and cash equivalents	44,456
Total assets	85,814
Other non-current liabilities	235
Trade accounts payable	3,149
Lease liabilities	1,440
Other payables, provisions and accrued expenses	21,011
Total liabilities	25,835
Total net assets	59,979
Group's effective share in equity – 50% (effective share in equity adjusted by NCI – 48.6%)	29,148
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 provisional values	29,148
Goodwill	7,871

Goodwill in the amount in RUR 7.8 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 3 to 10 years.

Notes to Consolidated Financial Statements (continued)

7 Intangible assets

	Goodwill	Trademark	Customer base	Game software and software development costs	Other software, licenses and other	Total
Cost						
At January 1, 2018	133,038	14,844	22,063	13,299	5,292	188,536
Additions	–	13	–	1,407	950	2,370
Disposals	–	–	–	(93)	(1)	(94)
Additions due to acquisition of subsidiaries (Note 6)	7,780	265	253	1,041	255	9,594
Disposal due to disposal of subsidiaries	(372)	(18)	(17)	–	(54)	(461)
Translation adjustment	–	1	–	739	86	826
At December 31, 2018	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
Impairment	–	–	–	(59)	–	(59)
Assets held for sale	(11,179)	(1,116)	(585)	–	(538)	(13,418)
Translation adjustment	–	(81)	–	(534)	(83)	(698)
At December 31, 2019	140,665	15,416	21,861	12,387	10,122	200,451
Accumulated amortisation and impairment						
At January 1, 2018	–	(7,064)	(11,846)	(8,282)	(3,264)	(30,456)
Charge for the year	–	(1,476)	(3,022)	(945)	(1,524)	(6,967)
Disposals	–	–	–	3	(1)	2
Disposal due to disposal of subsidiaries (Note 6)	–	–	–	–	33	33
Impairment	–	–	–	(1,711)	–	(1,711)
Translation adjustment	–	–	–	(442)	(25)	(467)
At December 31, 2018	–	(8,540)	(14,868)	(11,377)	(4,781)	(39,566)
Charge for the year	–	(1,153)	(1,479)	(967)	(2,245)	(5,844)
Disposals	–	221	124	4,573	115	5,033
Impairment	–	–	–	(630)	(29)	(659)
Assets held for sale	–	78	74	–	165	317
Translation adjustment	–	4	–	399	56	459
At December 31, 2019	–	(9,390)	(16,149)	(8,002)	(6,719)	(40,260)
Net book value						
At January 1, 2018	133,038	7,780	10,217	5,017	2,028	158,080
At December 31, 2018	140,446	6,565	7,431	5,016	1,747	161,205
At December 31, 2019	140,665	6,026	5,712	4,385	3,403	160,191

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 RUR 630. The impairment entirely belongs to the Games operating segment.

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 was 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, 2019 was 21.4% (2018: 20.6%).

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.

8 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, 2018	10,224	516	263	582	798	12,383
Additions	–	–	–	4,657	(1)	4,656
Transfers	3,228	135	76	(3,747)	308	0
Disposals	(364)	–	(6)	–	(6)	(376)
Assets held for sale	(32)	–	–	–	–	(32)
Additions due to acquisition of subsidiaries (Note 6)	32	434	68	41	73	648
Disposal due to disposal of subsidiaries	(1)	–	(1)	–	–	(2)
Translation adjustment	59	–	2	–	2	63
At December 31, 2018	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)
Assets held for sale	(35)	(484)	(74)	(14)	(111)	(718)
Additions due to acquisition of subsidiaries (Note 6)	20	–	–	4	12	36
Translation adjustment	(53)	–	(10)	(9)	(1)	(73)
At December 31, 2019	16,462	602	408	2,381	1,206	21,059
Accumulated depreciation and impairment						
At January 1, 2018	(6,980)	(274)	(164)	–	(474)	(7,892)
Charge for the year	(2,278)	(253)	(38)	–	(129)	(2,698)
Disposals	358	–	2	–	–	360
Translation adjustment	(51)	(1)	(7)	–	(1)	(60)
At December 31, 2018	(8,951)	(528)	(207)	–	(604)	(10,290)
Charge for the year	(2,763)	(117)	(53)	–	(135)	(3,068)
Disposals	270	–	1	–	–	271
Assets held for sale	15	268	1	–	14	298
Translation adjustment	51	1	8	–	–	60
At December 31, 2019	(11,378)	(376)	(250)	–	(725)	(12,729)
Net book value						
At January 1, 2018	3,244	242	99	582	324	4,491
At December 31, 2018	4,195	557	195	1,533	570	7,050
At December 31, 2019	5,084	226	158	2,381	481	8,330

9 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, 2019 and 2018 are listed below:

		Ownership,%*	
Subsidiary	Main activity	December 31, 2019	December 31, 2018
Mail Coöperatief UA (Netherlands)	Holding entity	100.0%	100.0%
MRGroup Investments Limited (Cyprus)	Holding entity	100.0%	100.0%
Mail.Ru, LLC (Russia)	Online portal services, development and support of online games, social network	100.0%	100.0%
NBSCI Money.Mail.Ru, LLC (Russia)	Internet payment system	100.0%	100.0%
Mail.Ru Development LLC	Reserch 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%
Mail.Ru Group LLC (renamed from Internet company Mail.Ru LLC)	Holding company	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%
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%
V kontakte LLC (Russia)	Social network	100.0%	100.0%
Pixonic LLC (Russia)	Reserch and development of online products	100.0%	100.0%
Pixonic Games Limited (Cyprus)	Online games operation	100.0%	100.0%
Delivery Club LLC (Russia)**	Food delivery	–	100.0%

* 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.

** the Group lost control over the subsidiary due to the formation of JV. For details please refer to Note 6.10

10 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, 2019 and 2018 comprised the following:

		Voting shares		Carrying value	
	Main activity	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Joint ventures					
Aliexpress Russia Holding Pte. Ltd.	Cross-border marketplace	18%	0%	12,021	–
O2O Holding LLC	Russia's leading platform in mobility and food-tech	50%	0%	36,517	–
Associates					
Inplat Holdings Limited (Cyprus)	Operation of electronic online payment systems	17.76%	17.76%	581	573
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	31.19%	31.19%	493	393
Salerton Investment Limited (Cyprus) (Note 6.1)	The company holds music library rights	100%*	20%	–	1,730
Others				222	120
Total				49,834	2,816

* the Group obtained control over Salerton Investment Limited (UMA) (see Note 6.1)

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, 2019.

The tables below illustrate the summarized financial information of the Group's significant equity accounted investments and joint ventures in:

Notes to Consolidated Financial Statements (continued)

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

10.1 Investments in associates

a) Inplat Holdings Limited

	December 31, 2019	December 31, 2018
Current assets	287	237
Non-current assets	86	72
Current liabilities	(99)	(84)
Equity	274	225
Group's share in equity – 17.76% (2018: 17.76%)	48	40
Goodwill	533	533
Group's carrying amount of the investment	581	573

	2019	2018
Revenue	938	1,050
Cost of sales	(801	(843
Administrative expenses	(75)	(54)
Finance and other costs	(1)	(8)
Profit before tax	61	145
Income tax expense	(17)	(19)
Profit for the year	44	126
Group's share of profit for the year	8	22

b) Haslop Company Limited

	December 31, 2019	December 31, 2018
Current assets	174	294
Non-current assets	32	17
Current liabilities	(116)	(205)
Equity	90	106
Group's share in equity – 31.19% (2018: 31.19%)	28	33
Goodwill	360	360
Reversal of impairment	105	–
Group's carrying amount of the investment	493	393

	2019	2018
Revenue	954	865
Cost of sales	(474)	(470)
Administrative expenses	(192)	(84)
Finance and other costs	(10)	–
Profit before tax	278	311
Income tax expense	(66)	(56)
Profit for the year	212	255
Group's share of profit for the year	66	80

Notes to Consolidated Financial Statements (continued)

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

10.2 Interest in joint ventures

c) O2O Holding LLC

	Provisional values as of December 31, 2019
Current assets, *including cash and cash equivalents of RUR 30 bln and consideration receivable of RUR 17.6 bln*	49,872
Non-current assets, *including intangible assets of RUR 18 bln, right-of-use assets of RUR 1.6 bln and deferred tax assets of RUR 635*	21,473
Current liabilities, *including trade accounts payable and advances received of RUR 3 bln, deferred consideration of RUR 5 bln and lease liability of RUR 1.4 bln*	(12,193)
Non-current liabilities	(210)
Equity	58,942
Group's share in equity – 50% (effective share in equity adjusted by NCI – 48.6%)	28,646
Net profit on acquisition	7,871
Group's carrying amount of the investment	36,517

	December 2019
Revenue	459
Cost of sales	(296)
Administrative expenses, *including depreciation and amortization of RUR 115*	(1,289)
Finance and other income/expenses, *including net interest expense of RUR 13*	(29)
Loss before tax	(1,155)
Income tax benefit	96
Loss for the period	(1,059)
Non-controlling interest share	(56)
Group's share of loss for the period	(501)

d) Aliexpress Russia Holding Pte Limited

	December 31, 2019
Current assets, *including cash and cash equivalents of RUR 18 bln and trade accounts receivable of RUR 8 bln*	28,417
Non-current assets, *including intangible assets of RUR 43 bln*	45,717
Current liabilities, *including trade accounts payable of RUR 7 bln*	(8,421)
Non-current liabilities, *including deferred tax liability of RUR 8 bln*	(8,140)
Equity	57,573
Group's share in equity – 15.01%	8,643
Goodwill	3,378
Group's carrying amount of the investment	12,021

	October-December 2019
Revenue	6,428
Cost of sales	(5,780)
Marketing expenses	(2,158)
Administrative expenses, *including depreciation and amortization of RUR 1 bln*	(1,712)
Finance and other costs	(1,243)
Loss before tax	(4,465)
Income tax expense	–
Loss for the period	(4,465)
Group's share of loss for the period	(670)

Notes to Consolidated Financial Statements (continued)

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

10.2 Interest in joint ventures (continued)

Movement in investments in equity accounted associates and joint ventures for the years ended December 31, 2019 and 2018 is presented below:

	2019	2018
Investments in equity accounted associates and joint ventures at January 1	2,816	1,013
Acquisition of shares in equity accounted associates	3,749	2,377
Acquisition of shares in equity accounted joint ventures (Note 6.9, 6.10)	49,711	–
Disposal of associate due to formation of joint ventures	(2,998)	–
Reversal of impairment/(impairment) of equity accounted associates and joint ventures	60	(37)
Acquisition of control over strategic associates	(1,742)	–
Share in net profits of equity accounted associates and joint ventures	(1,691)	(497)
Dividends from equity accounted associates and joint ventures	(71)	(40)
Investments in equity accounted associates and joint ventures at December 31	49,834	2,816

11 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, 2019 and 2018:

	Email, Portal and IM	Social Networks	Online Games	Search	E-commerce	Vkontakte	Pixonic	DeliveryClub	ESforce	Skillbox	Others	Total
Cost at January 1, 2018	8,192	18,474	1,952	2,496	462	93,691	1,592	6,179	–	–	–	133,038
Additions	–	–	210	–	1,720	–	–	–	5,372	–	478	7,780
Disposal	–	–	–	–	–	–	–	–	(372)	–	–	(372)
Cost at December 31, 2018	8,192	18,474	2,162	2,496	2,182	93,691	1,592	6,179	5,000	–	478	140,446
Additions	–	2,515	754	–	1,565	4,103	–	–	–	1,775	686	11,398
Assets held for sale	–	–	–	–	–	–	–	(6,179)	(5,000)	–	–	(11,179)
Cost at December 31, 2019	8,192	20,989	2,916	2,496	3,747	97,794	1,592	–	–	1,775	1,164	140,665

The recoverable amount of goodwill has been determined based on value in use calculations as of December 31, 2019 and 2018.

Goodwill related to Delivery Club in the amount of RUR 6,179 was reclassified into assets held for sale as of June 30, 2019 and subsequently disposed of as a result of O2O JV formation. For details please refer to Note 6.10.

Goodwill related to ESforce in the amount of RUR 5,000 was reclassified into assets held for sale as of June 30, 2019 and subsesuently remeasured. For details please refer to Note 6.2.

Value in use

At December 31, 2019, value in use was determined using cash flow projections from financial budgets and forecasts approved by senior management covering a seven to nine-year periods. 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, 2018 are presented below:

	Email, Portal and IM	Social Networks	Online Games	Search	E-commerce	Vkontakte	Pixonic	DeliveryClub	ESforce
Terminal growth rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	4.0%	5.0%
Pre-tax discount rate	17.1%	17.2%	17.5%	17.0%	4.5%	16.9%	16.1%	15.4%	22.3%

The major assumptions used in the DCF models at December 31, 2019 are presented below:

	Email, Portal and IM	Social Networks	Online Games	Search	E-commerce and EdTech	Vkontakte	Pixonic	Skillbox
Terminal growth rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Pre-tax discount rate	16.8%	17.6%	16.8%	16.1%	18.7%	17.0%	16.1%	20.4%

Notes to Consolidated Financial Statements (continued)

11 Impairment testing of goodwill (continued)

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. No impairment of goodwill was recognised in 2019 and 2018.

12 Trade accounts receivable

As of December 31, 2019 and 2018 trade receivables comprised the following:

	December 31, 2019	December 31, 2018
Trade accounts receivable, gross	12,728	10,273
Allowance for expected credit losses	(440)	(357)
Total trade receivables, net	12,288	9,916

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, 2018	(300)
Charge for the year	(84)
Accounts receivable written off	27
Balance as of December 31, 2018	(357)
Charge for the year	(201)
Accounts receivable written off	118
Balance as of December 31, 2019	(440)

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, 2019 and 2018 using a provision matrix:

	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 accounts receivable				
	Days past due				
	<90 days	90-180	180-360	>360	Total
As of December 31, 2018					
Expected credit loss rate	1.56%	12%	21%	75%	
Estimated total gross carrying amount at default	9,550	404	146	173	10,273
Expected credit loss	(149)	(49)	(30)	(129)	(357)

12 Trade accounts receivable (continued)

Trade receivables not impaired as of December 31, 2019 and 2018 are presented below:

		Ageing of receivables (days)	
	Total	<90	>90
As of December 31, 2019			
Trade accounts receivable	12,288	11,625	663
As of December 31, 2018			
Trade accounts receivable	9,916	9,401	515

The accounts receivable balances as of December 31, 2019 and 2018 mainly represented amounts due from online electronic payment systems and advertising customers.

The trade receivables are non-interest bearing and are generally settled in RUR 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, 2019 and 2018.

13 Cash and cash equivalents and short-term deposits

As of December 31, 2019 and 2018 cash and cash equivalents consisted of the following:

	Currency	December 31, 2019	December 31, 2018
Current accounts and cash on hand:	USD	917	1,468
	RUR	1,692	1,436
	EUR	1,501	977
	Other	3	3
Cash attributable to assets held for sale		(43)	–
Total current accounts and cash on hand		4,070	3,884
Deposit accounts with an original maturity of three months or less:	USD	680	834
	RUR	5,032	7,005
Total deposit accounts with an original maturity of three months or less		5,712	7,839
Total cash and cash equivalents and short-term deposits		9,782	11,723

14 Share capital

14.1 Charter capital and share issues

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.

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, 2018, 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 157,371 shares of the Company were held in treasury by the Group as of December 31, 2018.

As of December 31, 2019 and 2018 all issued shares were fully paid.

Rights attached to the share classes as of December 31, 2019 and 2018

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, 2019 and 2018, refer to Note 24.

14 Share capital (continued)

14.2 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 RUR 896. The Group accounts for GDRs repurchased as treasury shares.

In December 2018 an additional extension of the RSU 2017 Plan for 2,000,000 units and acquisition of required number of GDRs on the market were approved.

15 Other assets

The table below represents other non-current assets:

	December 31, 2019	December 31, 2018
Advances for royalties	–	1,176
Advance under office lease contract	115	398
Total other non-current assets	115	1,574

In a number of non-cash transactions, the Group disposed certain MMO games titles including advances for royalty of RUR 1,176 and obtained equity investment in Modern Pick with carrying value of RUR 551. The Group recognised gain of RUR 400 as a result of these transactions.

16 Other payables and accrued expenses

Other payables and accrued expenses consist of:

	December 31, 2019	December 31, 2018
Payables to personnel	2,482	2,140
Accrued vacations	1,314	1,046
Accrued professional consulting expenses	71	41
Contingent consideration liabilities (Note 6, Note 22)	5,472	1,997
Deferred consideration on formation of joint ventures (Note 6, Note 22)	5,076	–
Other current payables and provisions	933	386
Total other payables and accrued expenses	15,348	5,610

17 Revenue

The presentation and disclosure requirements in IFRS 15 are more detailed than under previous standard. As required for consolidated financial statements 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	50,313	30,551	6,206	–	87,070
Intersegment revenue	208	118	27	(353)	–
Total revenue	50,521	30,669	6,233	(353)	87,070
Services transferred at a point in time	40,969	4,299	4,242	(353)	49,157
Services transferred over time	9,552	26,370	1,991	–	37,913

Disaggregation of revenue from contracts with customers for the year ended December 31, 2018 based on the Group's segment reporting (Note 5) is presented below:

	Communications and Social	Games	New initiatives	Eliminations	Group
Revenue					
External revenue	43,575	24,841	2,748	–	71,164
Intersegment revenue	191	4	1	(196)	–
Total revenue	43,766	24,845	2,749	(196)	71,164
Services transferred at a point in time	35,562	2,119	1,920	(196)	39,405
Services transferred over time	8,204	22,726	829	–	31,759

18 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. Withholding tax of 15% is applied to any dividends paid out of Russia, reduced to as low as 5% for some countries (including Cyprus), with which Russia has double-tax treaties.

Cyprus

The Company and the Group's subsidiaries and associates incorporated or tax residents 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.

United States of America

The Group's subsidiaries incorporated in the USA are subject to federal corporate income tax at standard rates of up to 35% applied to their taxable income.

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).

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

	2019	2018
Current income tax expense	3,370	3,067
Deferred income tax expense/(benefit)	58	(2,521)
Total income tax expense	3,428	546

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, 2019 and 2018 is as follows:

	2019	2018
Profit/(loss) before income tax expense	22,279	(7,517)
Tax at domestic rates applicable to individual group entities	(4,934)	1,103
Non-deductible expenses	(485)	(1,723)
Non-taxable foreign exchange and other gains	3,618	559
Adjustments in respect of current income tax of previous year	(119)	135
Effect of changes in tax rates	(393)	–
Tax accruals and penalties	(45)	(42)
Unrecognised deferred tax assets	(539)	(618)
Effect of reameasurement of assets held for sale	(565)	–
Other	34	40
Total income tax expense	(3,428)	(546)

The majority of our taxable profits as well as income tax expenses in 2019 and 2018 are generated in Russia. Pre-tax gains and losses in other jurisdictions in 2019 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.

18 Income tax (continued)

Deferred income tax assets and liabilities as of December 31, 2019 and 2018 are summarised below:

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	December 31, 2019	December 31, 2018	2019	2018
Deferred tax liabilities arising from:				
Intangible assets book basis in excess of tax basis	(2,634)	(3,002)	381	804
Basis of investment in associate in excess of tax basis	12	–	12	47
Unremitted earnings of subsidiaries	(10)	(7)	(4)	(6)
Other	(725)	(579)	(121)	(229)
Deferred tax liabilities netting	1,071	1,183	–	–
Related to assets held for sale	105	–	–	–
Total deferred tax liabilities	(2,181)	(2,405)	268	616
Deferred tax assets arising from:				
Tax credit carryforwards	735	1,733	1,423	698
Deferred compensation and accrued employee benefits	673	549	133	172
Accrued expenses	461	336	40	64
Revenue recognition	972	3,107	(1,965)	1,054
Unrealised intercompany profit	105	105	–	(56)
Other	204	146	43	(27)
Deferred tax assets netting	(1,071)	(1,183)	–	–
Related to assets held for sale	(305)	–	–	–
Total deferred tax assets	1,774	4,793	(326)	1,905
Net deferred tax assets/(liabilities)	(407)	2,388	(58)	2,521

The temporary differences associated with investments in subsidiaries for which a deferred tax liabilities have not been recognised, aggregate to RUR 79,968 (2018: RUR 79,659).

Changes in net deferred tax liabilities from January 1, 2018 to December 31, 2019 were as follows:

	2019	2018
Total deferred income tax liabilities, net at January 1	2,388	(216)
Translation reserve	(27)	86
Effect of disposal of subsidiary	(2,502)	–
Deferred tax (expense)/benefit	(29)	2,554
Effect of acquisition of subsidiaries (Note 6)	(72)	(36)
Assets held for sale	(165)	–
Total deferred income tax assets/(liabilities), net at December 31	(407)	2,388

19 EPS

19.1 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.

	2019	2018
Net profit/(loss)attributable to equity holders of the Company	18,686	(7,991)
Weighted average number of ordinary and class A shares in issued and outstanding	216,694,354	213,798,296
Basic EPS (RUR per share)	86	(37)

19.2 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.

19 EPS (continued)

19.2 Diluted EPS (continued)

The calculation of diluted EPS is summarised in the table below:

	2019	2018
Net profit/(loss) attributable to equity holders of the Company	18,686	(7,991)
Adjustment for the gains from cash setlled option	(111)	(82)
Adjusted net profit/(loss) attributable to equity holders of the Company	18,575	(8,073)
Weighted average number of ordinary and class A shares in issue and outstanding	216,694,354	213,798,296
Effect of equity-settled share based payments of the Company	2,466,961	2,844,785
Total diluted weighted average number of shares	219,161,315	216,643,081
Diluted EPS (RUR per share)	85	n/a

20 Commitments, contingencies and operating risks

20.1 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. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

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.

20.2 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.

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 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.

20.3 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.

20.4 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.

20.5 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.

20 Commitments, contingencies and operating risks (continued)

20.6 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.

20.7 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.

20.8 Regulation

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

On January 1, 2019 the Russian law on aggregators of goods and services came into force. Such law introduced obligations of aggregators to disclose certain information on the goods and services and on the seller of goods and the provider of services. The law determined liability of aggregators for causing damages to a buyer of goods or services by providing false information to the buyer.

On March 18, 2019 new law came into force banning publishing "fake news" and information showing "disrespect" to government bodies in mass media and internet. In March 2019 a law aimed at increasing Russian "sovereignty" over Russian internet has been adopted with effective date November 1, 2019 and certain provisions to come into force on January 1, 2021. The law seeks to create national system of routing web traffic and proposes building a national domain name system to allow the internet to continue functioning even if Russia is cut off from foreign infrastructure.

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.

20.9 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.

20.10 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 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 21.2 and 21.3). All related party transactions were made in accordance with contractual terms and conditions agreed between the parties. Other entities represents other than equity accounted associates (Note 3.18).

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
2019				
Equity accounted associates	1,212	208	795	202
Joint ventures	442	1	1,040	10,651
Other entities	705	1,313	629	15,050
2018				
Equity accouned associates	1,156	574	305	136
Joint ventures	–	–	–	–
Other entities	1,124	22	833	7

All related party transactions were made in accordance with contractual terms and conditions agreed between the parties.

21 Balances and transactions with related parties (continued)

21.1 The ultimate controlling party

Starting October 18, 2018, no single shareholder of JSC MF Technologies is entitled solely to nominate 5 directors to the Company's Board of Directors at its discretion. As such, starting from that date, the Group does not have an ultimate controlling party.

21.2 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 107 for the year ended December 31, 2019 (2018: RUR 144). In 2019 no RSUs or options over the shares of the Company were granted to Directors (2018: nil RSUs). During the year ended December 31, 2019, Directors did not forfeit any RSUs or options (2018: nil) and exercised 2,500 options (2018: 2,500). The corresponding share-based payment expense was a negative RUR 31 for year ended December 31, 2019 (2018: negative 49).

21.3 Key management of the Group

Total cash remuneration of the key management of the Group (excluding Directors) amounted to RUR 843 for the year ended December 31, 2019 (2018: 563). In addition to the cash remuneration for the year ended December 31, 2019, key executive employees of the Group were granted 1,280,000 RSUs out of 2017 RSU Plan (2018: 200,000). During the year ended December 31, 2019, key management of the Group (excluding Directors) did not forfeit any options (2018: nil) and exercised 1,268,750 RSU`s and options over shares of the Company (2018: 3,082,500). In Q4 2018 3,535,000 RSUs held by key management of the Company were accelerated. The corresponding share-based payment expense amounted to RUR 583 for year ended December 31, 2019 (2018: 3,405).

22 Financial instruments

The carrying amounts of the Group's financial instruments approximated their fair values as of December 31, 2019 and December 31, 2018 and are presented by category of financial instruments in the table below:

	Category*	December 31, 2019	December 31, 2018
Financial assets at fair value through profit and loss			
Non-current			
Financial investments in venture capital investees	FAFVPL	673	256
Derivative financial assets over the equity of investee	FAFVPL	110	92
Convertible loans	FAFVPL	452	1,167
Financial derivative under lease contract	FAFVPL	514	500
Current			
Derivative financial assets over the equity of investee	FAFVPL	3	2
Convertible loans	FAFVPL	87	1,070
Financial assets at amortised cost			
Trade accounts receivable	FAAC	12,288	9,916
Loans and interest receivable	FAAC	941	145
Cash and cash equivalents	FAAC	9,782	11,723
Total financial assets		24,850	24,871
Financial liabilities at fair value through profit and loss			
Current			
Contingent consideration liabilities (Note 6, Note 16)	FLFVPL	5,472	1,997
Financial liabilities at amortised cost		–	
Current			
Trade accounts payable, other payables and accrued expenses	FLAC	17,739	11,876
Short-term portion of long-term interest-bearing loans	FLAC	4,044	–
Short-term lease liabilities	FLAC	3,153	–
Non-current			
Long-term interest-bearing loans	FLAC	19,474	–
Non-current lease liabilities	FLAC	1,568	–
Total financial liabilities		51,450	13,873

* 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.

22 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.

22.1 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 12 and 13.

22.2 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, 2019 and 2018 the Group held the following financial instruments measured at fair value through profit or loss:

	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

22 Financial instruments (continued)

22.2 Fair value hierarchy (continued)

	December 31, 2018	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	256	–	–	256
Convertible loans	2,237	–	–	2,237
Financial derivative under lease contract	500	–	–	500
Derivative financial assets over the equity of investee	94	–	–	94
Total financial assets at fair value through profit or loss	3,087	–	–	3,087
Total financial assets measured at fair value through profit or loss	3,087	–	–	3,087
Financial liabilities measured at fair value through profit or loss				
Contingent consideration liabilities	1,997	–	–	1,997
Total financial liabilities measured at fair value through profit or loss	1,997	–	–	1,997

The balance of Level 3 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 assets and 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)	–	–	(5,472)

	Balance as of January 1, 2018	Gains/(losses) recognized in profit and loss	Foreign exchange gains/(losses)	Purchases	Acqusition of control in investees	Acquisition of significant influence in investee	Balance as of December 31, 2018
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	264	26	5	72	(111)	–	256
Derivative financial assets over the equity of investee	122	275	–	3	(11)	(295)	94
Convertible loans	–	(626)	–	3,006	–	(143)	2,237
Financial derivatives under lease and hosting contracts	150	350	–	–	–	–	500
Total financial assets at fair value through profit or loss	536	25	5	3,081	(122)	(438)	3,087
Financial liability measured at fair value through profit or loss							
Financial liabilities at fair value through profit or loss – *contingent consideration liabilities*	–	(515)	(257)	(1,225)	–	–	(1,997)
Total financial liabilities measured at fair value through profit or loss	–	(515)	(257)	(1,225)	–	–	(1,997)

22 Financial instruments (continued)

22.3 Interest-bearing loans

In 2019 the Group raised several loans in the total amount of RUR 23,500 (net of loan origination fees of RUR 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, 2019 all restrictive covenants are met. The table below represents the major loans as of December 31, 2019:

	Original currency	Interest rate	Maturity date	Outstanding principal amount as of December 31,2019
Sberbank RUR 6.5 bln loan	RUR	7.5%	October 6, 2023	6,500
Sberbank RUR 8.5 bln loan	RUR	7.0%	December 7, 2023	8,500
Raiffeisen bank loan	RUR	9.0%	March 6, 2023	8,500

23 Financial risk management objectives and policies

23.1 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 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.

23.2 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, 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	7,863	–	–	–	7,863
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	4,800	5,076	–	–	9,876
Total financial liablities	14,337	16,287	16,134	5,239	51,997

Year ended December 31, 2018	Less than 3 months	3 to 12 months	1 to 3 years	> 3 years	Total
Trade accounts payable	8,263	–	–	–	8,263
Contingent consideration liabilities	–	1,997	–	–	1,997
Other payables, accrued expenses	3,613		–	–	3,613
Total financial liablities	11,876	1,997	–	–	13,873

Notes to Consolidated Financial Statements (continued)

23 Financial risk management objectives and policies (continued)

23.3 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, 2019 and 12% as of December 31, 2018. No customer accounted for more than 10% of revenue in 2019 or 2018. 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.

23.4 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.

23.5 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 23.6) 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.

23.6 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
2019	`+15%	(681)
	`-15%	681
2018	`+14%	(456)
	`-14%	456

	Change in EUR rate	(Negative)/Positive effect on profit before tax
2019	`+20%	397
	`-20%	(397)
2018	`+15%	12
	`-15%	(12)

Notes to Consolidated Financial Statements (continued)

24 Share-based payments

24.1 Share-based payment arrangements of the Company

24.1.1 Option plans

During 2019 and 2018, 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.

24.1.2 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 2019 and 2018:

	Number of options/RSU	WAEP
Outstanding as of December 31, 2017	7,204,764	4.04
Exercisable as of December 31, 2017	2,464,597	11.01
Available for grant as of December 31, 2017	2,393,864	4.79
Granted during the year	1,352,293	5.05
Exercised during the year	3,796,842	1.68
Cancelled during the year	0	n/a
Forfeited during the year	110,200	6.75
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

24 Share-based payments (continued)

24.1 Share-based payment arrangements of the Company (continued)

The weighted-average share price was USD 23.51 for options and RSUs exercised in 2019 and USD 27.59 for options and RSUs exercised in 2018

The range of exercise prices for options and RSUs outstanding as of December 31, 2019 and 2018 is presented in the table below:

Exercise price	December 31, 2019	December 31, 2018
–	3,982,670	3,101,093
17.5	808,917	782,167
19.6	755,755	766,755

24.1.3 Valuations of share-based payments

The valuations of all equity-settled options and RSUs granted during 2018 and 2019 are summarised in the table below:

Option plan/Grant date	Number of options	Share price (USD)	Fair value, total (million RUR)	Fair value per option (RUR)
2011 Option Plan/ 2018	390,000	21.54-27.96	353	905
2017 RSU Plan / 2018	962,293	22.38-35.54	1,676	1,742
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

The valuations of all cash-settled options as of December 31, 2019 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 RUR)	Fair value per option (RUR)	Valuation method
435,980	0%	33%	1.67%	N/A	22.30	185	423	Binomial

The forfeiture rate used for expenses calculation in 2019 is 0.1-16.0%. 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.

24.2 Share-based payment expense

The Group recognised RUR 1,742 in share-based payment expenses in the year ended December 31, 2019 (2018: RUR 6,732), including RUR 1,826 (2018: 6,918) related to equity-settled share-based payments and negative change related to cash-settled portion of RUR 84 (2018: negative 186). The expense was included under "Personnel expenses" in the consolidated statement of comprehensive income. According to the terms of 2017 RSU Plan the change of control results in immediate acceleration of related RSUs. The total expense related to such acceleration recognized in Q4 2018 is RUR 3.7 bln (3,166,250 RSUs).

25 Events after the reporting period

There were no events after the reporting period to be separately reported.