Mail.ru Group Limited

Interim Condensed Consolidated Financial Statements

For the nine months ended September 30, 2020

Contents

Совершенствуя бизнес, улучшаем мир

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Independent auditor's report

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

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Mail.ru Group Limited and its subsidiaries (the Group), which comprise the interim condensed consolidated statement of financial position as at September 30, 2020, the related interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the nine-month period then ended, and selected explanatory notes to the interim condensed consolidated financial statements (interim financial information). Management of Mail.ru Group Limited is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

A.A. Chizhikov
Partner
Ernst & Young LLC

October 23, 2020

Details of the entity

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

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 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.

Interim Condensed Consolidated Statement of Financial Position

As of September 30, 2020
(in millions of Russian Roubles)

	Notes	As at September 30, 2020 (unaudited)	As at December 31, 2019
ASSETS			
Non-current assets			
Investments in equity accounted associates and joint ventures	10	45,766	49,834
Goodwill	8	134,827	140,665
Right-of-use assets	7	11,497	4,942
Other intangible assets	8	17,758	19,526
Property and equipment	9	10,127	8,330
Financial assets at fair value through profit or loss	16	1,631	1,749
Deferred income tax assets		2,773	1,774
Long-term loans receivable	16	431	286
Advance under office lease contract		206	115
Total non-current assets		225,016	227,221
Current assets			
Trade accounts receivable	16	13,385	12,288
Prepaid income tax		961	147
Prepaid expenses and advances to suppliers		1,130	978
Financial assets at fair value through profit or loss	16	647	90
Loans receivable	16	214	655
Other current assets		937	1,220
Cash and cash equivalents	16	24,500	9,782
Assets held for sale	17	2,503	2,334
Total current assets		44,277	27,494
Total assets		269,293	254,715
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital			
Share premium	6	76,686	60,286
Treasury shares		(1,084)	(1,152)
Retained earnings		113,465	125,351
Foreign currency translation reserve		298	170
Total equity attributable to equity holders of the parent		189,365	184,655
Non-controlling interests		309	809
Total equity		189,674	185,464
Non-current liabilities			
Deferred income tax liabilities		1,626	2,181
Deferred revenue		2,466	1,737
Non-current lease liabilities	7, 16	7,825	1,568
Long-term interest-bearing loans and borrowings	16	14,158	19,474
Total non-current liabilities		26,075	24,960
Current liabilities			
Trade accounts payable	16	10,432	7,863
Income tax payable		1,501	481
VAT and other taxes payable		1,807	1,939
Deferred revenue and customer advances		14,622	10,920
Short-term portion of long-term interest-bearing loans	16	7,393	4,044
Current lease liabilities	7, 16	3,353	3,153
Other payables, accrued expenses and contingent consideration liabilities	11, 16	13,967	15,348
Liabilities directly associated with assets held for sale	17	469	543
Total current liabilities		53,544	44,291
Total liabilities		79,619	69,251
Total equity and liabilities		269,293	254,715

Interim Condensed Consolidated Statement of Comprehensive Income

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

	Notes	Three months ended September 30, 2020 (unaudited)	Three months ended September 30, 2019 (unaudited)	Nine months ended September 30, 2020 (unaudited)	Nine months ended September 30, 2019 (unaudited)
Online advertising		9,543	8,925	26,230	25,267
MMO games		8,514	18,714	23,527	29,098
Community IVAS		4,109	3,949	13,086	11,567
Other revenue		2,351	1,996	6,383	4,837
Total revenue	4, 12	24,517	33,584	69,226	70,769
Net (loss)/gain on venture capital investments	16	(12)	71	(96)	394
Personnel expenses		(6,515)	(5,204)	(18,653)	(15,074)
Office rent and maintenance		(155)	(53)	(276)	(177)
Agent/partner fees		(7,002)	(6,457)	(19,549)	(17,185)
Marketing expenses		(4,709)	(4,658)	(13,093)	(13,205)
Server hosting expenses		(202)	(189)	(567)	(532)
Professional services		(238)	(186)	(637)	(558)
Other operating expenses		(784)	(854)	(2,506)	(2,555)
Total operating expenses		(19,605)	(17,601)	(55,281)	(49,286)
EBITDA		4,900	16,054	13,849	21,877
Depreciation and amortisation		(3,578)	(3,367)	(10,526)	(9,505)
Impairment of intangible assets	8	–	–	–	(630)
Share of loss of equity accounted associates and joint ventures	10	(4,986)	(29)	(10,327)	(580)
Finance income		76	154	280	466
Finance expenses		(627)	(337)	(1,868)	(864)
Other non-operating loss		(68)	(15)	(207)	(132)
Goodwill impairment	8	–	–	(6,430)	–
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	16	3,951	(244)	3,621	(560)
(Impairment)/reversal of impairment of equity accounted associates		–	(51)	(260)	60
Net gain on disposal of intangible assets		–	–		400
Gain on re-measurement of previously held interest in equity accounted associates	5	–	163	46	324
Net foreign exchange gain/(loss)		331	(214)	425	(1,148)
(Loss)/profit before income tax expense		(1)	12,114	(11,397)	9,708
Income tax expense	13	(261)	(1,628)	(754)	(2,378)
Net (loss)/profit		(262)	10,486	(12,151)	7,330
Attributable to:					
Equity holders of the parent		(141)	10,279	(11,886)	7,128
Non-controlling interest		(121)	207	(265)	202
Other comprehensive income that may be reclassified to profit or loss in subsequent periods					
Exchange differences on translation of foreign operations:					
Differences arising during the period		244	192	128	496
Total other comprehensive income net of tax effect of 0		244	192	128	496
Total comprehensive (loss)/income, net of tax		(18)	10,678	(12,023)	7,826
Attributable to:					
Equity holders of the parent		103	10,471	(11,758)	7,624
Non-controlling interest		(121)	207	(265)	202
(Loss)/earnings per share, in RUR:					
Basic (loss)/earnings per share attributable to ordinary equity holders of the parent		(0.65)	47.37	(54.59)	32.91
Diluted earnings per share attributable to ordinary equity holders of the parent		n/a	46.27	n/a	31.78

Interim Condensed Consolidated Statement of Cash Flows

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

	Notes	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Cash flows from operating activities			
(Loss)/profit before income tax		(11,397)	9,708
Adjustments to reconcile (loss)/profit before income tax to cash flows:			
Depreciation and amortisation		10,526	9,505
Impairment losses on financial assets at amortized cost		540	165
Net loss/(gain) on venture capital investments		96	(394)
Net (gain)/loss on financial assets and liabilities at fair value through profit or loss	16	(3,621)	560
Goodwill impairment	8	6,430	–
Gain on remeasurement of previously held interest in equity accounted associate	5.1, 5.3	(46)	(324)
Finance income		(280)	(466)
Finance expenses		1,868	864
Share of loss of equity accounted associates and joint ventures	10	10,327	580
Net foreign exchange (gain)/loss		(425)	1,148
Cash settled and equity settled share based payments		1,380	1,177
Other non-cash items		29	(14)
Net loss/(gain) on disposal of intangible assets		11	(400)
Dividend revenue from venture capital investments		–	(8)
Impairment/(reversal of impairment) of equity accounted associates	10	260	(60)
Impairment of intangible assets	8	56	630
Change in operating assets and liabilities:			
Decrease/(increase) in accounts receivable		556	(1,402)
Decrease/(increase) in prepaid expenses and advances to suppliers		37	(333)
Decrease in inventories and other assets		384	164
Increase in accounts payable and accrued expenses		102	1,731
(Increase)/decrease in other non-current assets		(103)	67
Increase/(decrease) in deferred revenue and customer advances		4,213	(8,872)
Increase in financial assets at fair value through profit or loss	16	(375)	(2,906)
Operating cash flows before interest, income taxes and contingent consideration settlement		20,568	11,120
Dividends received from venture capital investments		–	7
Settlement of contingent consideration of business combinations		–	(688)
Interest received		355	415
Interest paid		(1,868)	(864)
Income tax paid		(2,535)	(2,972)
Net cash provided by operating activities		16,520	7,018
Cash flows from investing activities			
Cash paid for property and equipment		(4,432)	(3,360)
Cash paid for intangible assets		(2,399)	(2,181)
Dividends received from equity accounted associates	10	29	71
Loans issued		(408)	(246)
Loans collected		507	482
Cash paid for acquisitions of subsidiaries, net of cash acquired	5.5	(19)	(7,900)
Settlement of initial fair value of the contingent consideration at acquisition date			(1,132)
Cash paid for investments in equity accounted associates and joint ventures	5.8, 10	(6,577)	(1,242)
Net cash used in investing activities		(13,299)	(15,508)
Cash flows from financing activities			
Payment of lease liabilities		(2,956)	(2,657)
Loans received, net of bank commission			8,474
Loans repaid		(1,969)	–
Proceeds from issuance of GDRs, net of transaction costs paid	6	15,209	
Dividends paid by subsidiaries to non-controlling shareholders		(235)	–
Cash paid for treasury shares		–	(896)
Net cash provided by financing activities		10,049	4,921
Net increase/(decrease) in cash and cash equivalents		13,270	(3,569)
Effect of exchange differences on cash balances		1,578	(328)
Cash and cash equivalents at the beginning of the period		9,782	11,723
Change in cash related to asset held for sale	17	(130)	(1,006)
Cash and cash equivalents at the end of the period		24,500	6,820

Interim Condensed Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2019
(in millions of Russian Roubles)

	Share capital: Number of shares issued and outstanding	Share capital: Amount	Share premium	Treasury shares	Retained earnings	Accumulated other comprehensive income/(loss) (net of tax effect of 0)	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at January 1, 2019	215,969,922	–	58,482	(286)	106,665	(165)	164,696	259	164,955
Income for the period	–	–	–	–	7,128	–	7,128	202	7,330
Other comprehensive income									
Foreign currency translation	–	–	–	–	–	496	496	–	496
Total other comprehensive income	–	–	–	–	–	496	496	–	496
Total comprehensive income	–	–	–	–	7,128	496	7,624	202	7,826
Share-based payment transactions	–	–	1,284	–	–	–	1,284	–	1,284
Exercise of RSUs and options over the shares of the Company	1,657,281	–	(29)	29	–	–	–	–	–
Acquisitions of treasury shares	(572,437)	–	–	(896)	–	–	(896)	–	(896)
Acquisitions of non-controlling interests in business combinations (Note 5)	–	–	–	–	–	–	–	491	491
Disposal of subsidiary	–	–	9	–	–	–	9	–	9
Balance at September 30, 2019 (unaudited)	217,054,766	–	59,746	(1,153)	113,793	331	172,717	952	173,669

Interim Condensed Consolidated Statement of Changes in Equity

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

	Share capital								
	Number of shares issued and outstanding	Amount	Share premium	Treasury shares	Retained earnings Restated	Accumulated other comprehensive income/(loss) (net of tax effect of 0)	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at January 1, 2020	217,184,316	–	60,286	(1,152)	125,351	170	184,655	809	185,464
Loss for the period	–	–	–	–	(11,886)	–	(11,886)	(265)	(12,151)
Other comprehensive income							–		–
Foreign currency translation	–	–	–	–	–	128	128	–	128
Total other comprehensive income	–	–	–	–	–	128	128	–	128
Total comprehensive loss	–	–	–	–	(11,886)	128	(11,758)	(265)	(12,023)
Share-based payment transactions	–	–	1,258	–	–	–	1,258	–	1,258
Exercise of RSUs and options over the shares of the Company	1,090,302	–	(68)	68	–	–	–	–	–
Cash capital increase, net of transaction costs (Note 6)	7,142,858	–	15,210	–	–	–	15,210	–	15,210
Dividends by subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	(235)	(235)
Balance at September 30, 2020 (unaudited)	225,417,476	–	76,686	(1,084)	113,465	298	189,365	309	189,674

Notes to the Interim Condensed Consolidated Financial Statements

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

1 Corporate information and description of business

These interim condensed consolidated financial statements of Mail.ru Group Limited (hereinafter "the Company") and its subsidiaries (collectively – "the Group") for the nine months ended September 30, 2020 were authorised for issue by the directors of the Company on October 23, 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, educational technologies, online-to-offline services, massively multiplayer online games ("MMO games"), social and mobile games.

The Group has leading positions in Russia and other CIS states where its properties are present.

2 Basis of preparation

The interim condensed consolidated financial statements for the nine months ended September 30, 2020 have been prepared in accordance with IAS 34.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2019 prepared in accordance with IFRS.

2.1 Application of new and amended IFRS and IFRIC

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of new standards effective as at January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Amendments to IFRS 3: Definition of a Business

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

Amendments to IAS 1 and IAS 8: Definition of Material

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

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

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

The Conceptual Framework for Financial Reporting

The IASB issued the Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

The Conceptual Framework is effective for annual periods beginning on or after January 1, 2020. The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. These amendments had no impact on the consolidated financial statements of the Group.

2 Basis of preparation (continued)

2.2 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 revenue estimated at RUR 13,037.

3 Seasonality of operations

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

4 Operating segments

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

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

The financial information of the key subsidiaries acquired during the reporting period or after the reporting period but prior to the date of these consolidated financial statements is included into the segment disclosure starting from the beginning of the earliest comparative period included in the 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 nine months ended September 30, 2020 and the respective comparative segment financial information has been retrospectively adjusted, as applicable, to include the financial information of new acquisitions which took place during the reporting period and up to the date of these interim condensed consolidated financial statements (Note 5) and during 2019 financial year and to exclude the information related to disposed assets and assets held for sale reclassified during the reporting period and 2019 financial year (Note 18.3).

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

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

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

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

The New initiatives reportable segment represents separate operating segments aggregated in one reportable segment for its similar nature of newly acquired or newly launched and dynamically developing businesses. This segment primarily consists of Youla classifieds earning substantially all revenues from advertising and listing fees, online education, B2B new projects including cloud as well as MRG Tech Lab initiatives along with other services, which are considered insignificant by the CODM for the purposes of performance review and resource allocation.

4 Operating segments (continued)

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

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

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

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

	Communications and Social	Games	New initiatives	Eliminations	Group
Revenue					
External revenue	36,755	29,605	7,809	–	74,169
Intersegment revenue	131	72	33	(236)	–
Total revenue	36,886	29,677	7,842	(236)	74,169
Total operating expenses	18,622	24,835	11,058	(236)	54,279
EBITDA	18,264	4,842	(3,216)	–	19,890
Net profit					8,445

The income statement items for each segment for the nine months ended September 30, 2019, as presented to the CODM, are presented below:

	Communications and Social	Games	New initiatives	Eliminations	Group
Revenue					
External revenue	35,484	22,446	3,814	–	61,744
Intersegment revenue	122	97	8	(227)	–
Total revenue	35,606	22,543	3,822	(227)	61,744
Total operating expenses	16,164	20,454	5,826	(227)	42,217
EBITDA	19,442	2,089	(2,004)	–	19,527
Net profit					9,550

A reconciliation of group aggregate segment revenue, as presented to the CODM, to IFRS consolidated revenue of the Group for the nine months ended September 30, 2020 and 2019 is presented below:

	2020	2019
Group aggregate segment revenue, as presented to the CODM	74,169	61,744
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	(643)	1,245
Differences in timing of revenue recognition	(4,305)	7,599
Barter revenue	5	173
Dividend revenue from venture capital investments	–	8
Consolidated revenue under IFRS	69,226	70,769

4 Operating segments (continued)

A reconciliation of group aggregate segment EBITDA, as presented to the CODM, to IFRS consolidated (loss)/profit before income tax expense of the Group for the nine months ended September 30, 2020 and 2019 is presented below:

	2020	2019
Group aggregate segment EBITDA, as presented to the CODM	19,890	19,527
Adjustments to reconcile EBITDA as presented to the CODM to consolidated (loss)/profit before income tax expenses under IFRS:		
Effect of difference in dates of acquisition, loss of control in subsidiaries and assets held for sale	(238)	(5,928)
Differences in timing of revenue recognition	(4,305)	8,975
Net (loss)/gain on venture capital investments	(96)	394
Share-based payment transactions	(1,380)	(1,177)
Other	(22)	86
EBITDA	13,849	21,877
Depreciation and amortisation	(10,526)	(9,505)
Impairment of intangible assets	–	(630)
Share of loss of equity accounted associates and joint ventures	(10,327)	(580)
Finance income	280	466
Finance expenses	(1,868)	(864)
Other non-operating loss	(207)	(132)
Net gain/(loss) on derivative financial assets and liabilities at fair value through profit or loss	3,621	(560)
Goodwill impairment	(6,430)	–
Gain on remeasurement of previously held interest in equity accounted associate	46	324
(Impairment)/reversal of impairment of equity accounted associates and joint ventures	(260)	60
Net gain on disposal of intangible assets	–	400
Net foreign exchange gain/(loss)	425	(1,148)
Consolidated (loss)/profit before income tax expense under IFRS	(11,397)	9,708

A reconciliation of group aggregate net profit, as presented to the CODM, to IFRS consolidated net (loss)/profit of the Group for the nine months ended September 30, 2020 and 2019 is presented below:

	2020	2019
Group aggregate segment net profit, as presented to the CODM	8,445	9,550
Adjustments to reconcile net profit as presented to the CODM to consolidated net (loss)/profit under IFRS:		
Share-based payment transactions	(1,380)	(1,177)
Differences in timing of revenue recognition	(4,305)	8,975
Effect of difference in dates of acquisition, loss of control in subsidiaries and assets held for sale	(204)	(5,139)
Amortisation of fair value adjustments to intangible assets	(2,399)	(2,404)
Net gain/(loss) on financial instruments at fair value through profit or loss	3,525	(166)
Goodwill impairment	(6,430)	–
Gain on remeasurement of previously held interest in equity accounted associate	46	324
Net gain on disposal of intangible assets	–	400
Net foreign exchange gain/(loss)	425	(1,148)
Share of loss of equity accounted associates and joint ventures	(10,327)	(580)
(Impairment)/reversal of impairment of equity accounted associates and joint ventures	(260)	60
Other non-operating loss	(235)	(59)
Other	(6)	(5)
Tax effect of the adjustments	954	(1,300)
Consolidated net (loss)/profit under IFRS	(12,151)	7,330

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

	Communications and Social	Games	New initiatives	Eliminations	Group
Revenue					
External revenue	12,563	10,642	3,167	–	26,372
Intersegment revenue	59	30	6	(95)	–
Total revenue	12,622	10,672	3,173	(95)	26,372
Total operating expenses	6,776	8,661	4,296	(95)	19,638
EBITDA	5,846	2,011	(1,123)	–	6,734
Net profit					2,839

4 Operating segments (continued)

The income statement items for each segment for the three months ended September 30, 2019, as presented to the CODM, are presented below:

	Communications and Social	Games	New initiatives	Eliminations	Group
Revenue					
External revenue	12,384	8,019	1,588	–	21,991
Intersegment revenue	57	20	6	(83)	–
Total revenue	12,441	8,039	1,594	(83)	21,991
Total operating expenses	5,760	7,158	2,327	(83)	15,162
EBITDA	6,681	881	(733)	–	6,829
Net profit					3,525

A reconciliation of group aggregate segment revenue, as presented to the CODM, to IFRS consolidated revenue of the Group for the three months ended September 30, 2020 and 2019 is presented below:

	2020	2019
Group aggregate segment revenue, as presented to the CODM	26,372	21,991
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	(637)	375
Differences in timing of revenue recognition	(1,220)	11,116
Barter revenue	2	102
Dividend revenue from venture capital investments	–	–
Consolidated revenue under IFRS	24,517	33,584

A reconciliation of group aggregate segment EBITDA, as presented to the CODM, to IFRS consolidated (loss)/profit before income tax expense of the Group for the three months ended September 30, 2020 and 2019 is presented below:

	2020	2019
Group aggregate segment EBITDA, as presented to the CODM	6,734	6,829
Adjustments to reconcile EBITDA as presented to the CODM to consolidated (loss)/profit before income tax expenses under IFRS:		
Effect of difference in dates of acquisition, loss of control in subsidiaries and assets held for sale	(149)	(2,268)
Differences in timing of revenue recognition	(1,222)	11,722
Net (loss)/gain on venture capital investments	(12)	71
Share-based payment transactions	(447)	(374)
Other	(4)	74
EBITDA	4,900	16,054
Depreciation and amortisation	(3,578)	(3,367)
Share of loss of equity accounted associates and joint ventures	(4,986)	(29)
Finance income	76	154
Finance expenses	(627)	(337)
Other non-operating loss	(68)	(15)
Net gain/(loss) on derivative financial assets and liabilities at fair value through profit or loss	3,951	(244)
Gain on re-measurement of previously held interest in equity accounted associate	–	163
Impairment of equity accounted associates	–	(51)
Net foreign exchange gain/(loss)	331	(214)
Consolidated (loss)/profit before income tax expense under IFRS	(1)	12,114

A reconciliation of group aggregate segment net profit, as presented to the CODM, to IFRS consolidated net (loss)/profit of the Group for three months ended September 30, 2020 and 2019 is presented below:

	2020	2019
Group aggregate segment net profit, as presented to the CODM	2,839	3,525
Adjustments to reconcile net profit as presented to the CODM to consolidated net (loss)/profit under IFRS:		
Share-based payment transactions	(447)	(374)
Differences in timing of revenue recognition	(1,222)	11,722
Effect of difference in dates of acquisition, loss of control in subsidiaries and assets held for sale	(115)	(1,807)
Amortisation of fair value adjustments to intangible assets	(800)	(838)
Net gain/(loss) on financial instruments at fair value through profit or loss	3,939	(173)
Gain on re-measurement of previously held interest in equity accounted associate	–	163
Net foreign exchange gain/(loss)	331	(214)
Share of loss of equity accounted associates and joint ventures	(4,986)	(29)
Impairment of equity accounted associates	–	(51)
Other	(50)	(6)
Tax effect of the adjustments	249	(1,433)
Consolidated net (loss)/profit under IFRS	(262)	10,486

5 Business combinations

5.1 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 a result the Group derecognized equity accounted investment in UMA. The main purpose of the acquisition is to expand the Group's presence in the market of music services.

In February 2020 the Group finalised purchase price allocation for UMA acquisition, which resulted in no change from provisional values. The fair values of the identifiable assets and liabilities of UMA at the date of acquisition were as follows:

	Fair value
Intangible assets	693
Property and equipment	3
Deferred income tax assets	111
Trade accounts receivable	356
Prepaid expenses and advances to suppliers	169
Other current assets	26
Cash and cash equivalents	1,079
Total assets	2,437
Trade accounts payable	858
Deferred income tax liabilities	31
Income tax payable	13
Other taxes payable	100
Other payables, provisions and accrued expenses	47
Total liabilities	1,049
Total net assets	1,388

Goodwill on the transaction was calculated as the excess of:	
(a) The consideration transferred by the Group measured at fair values:	
[1] Cash paid	6,391
[2] The acquisition date fair value of the Group's previously held equity interest	1,601
Consideration transferred by the Group	7,992
(b) The amount of non-controlling interest in UMA measured at the proportionate share of the identifiable net assets	14
Over	
(c) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at final fair values	1,388
Goodwill	6,618

Goodwill is mainly attributable to development of music services, cost saving and potential synergy with the Group's business. Goodwill is allocated to Vkontante and Social Networks CGUs. Goodwill is not expected to be deductible for income tax purposes. Intangible assets mainly include software and customer base, and are amortised over the period of 2 to 5 years.

The cash flows on acquisition were as follows:

Cash paid (included in cash flows from investing activities)	6,391
Cash acquired (included in cash flows from investing activities)	(1,079)
Net cash flow on acquisition	5,312

5.2 Native Roll, Worki and Relap

In April 2019 the Group acquired 50.83% in Native Media LLC ("Native Roll") – a video ad platform. The primary purpose of the acquisition of Native Roll was to enhance the Group's position on the advertising solutions market. As of December 31, 2019 the Group acquired the remaining share of 49.17%.

In May 2019 the Group acquired 51% in LLC "Iconjob" ("Worki"), a job search platform. The primary purpose of the acquisition of Worki was to leverage the Group's expertise and resources by achieving substantial synergies with Youla, the Group's general online classifieds product. As of December 31, 2019 the Group acquired the remaining share of 49%.

Also, in May 2019 the Group acquired 100% in Surfingbird LLC ("Relap"), a recommendatory platform. The primary purpose of the acquisition of Relap was to leverage the Group's expertise and resources by achieving substantial synergies with Pulse, the Group's recommendation technologies and solutions.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

5 Business combinations (continued)

5.2 Native Roll, Worki and Relap (continued)

Total cash consideration for the transactions above was RUR 2.1 bln.

In April-May 2020 the Group finalised purchase price allocation for Native Roll, Worki and Relap acquisition, which resulted in no change from provisional values.

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

	Fair value
Intangible assets	335
Property and equipment	4
Trade accounts receivable	200
Other current assets	22
Cash and cash equivalents	86
Total assets	647
Trade accounts payable	139
Loans payable	67
Deferred income tax liabilities	55
VAT and other taxes payable	13
Other payables	28
Total liabilities	302
Total net assets	345
Goodwill on the transaction was calculated as the excess of:	
(a) The consideration transferred by the Group measured at fair values:	
[1] Cash paid	2,064
[2] Contingent consideration liability	71
Consideration transferred by the Group	2,135
(b) Financial liability at fair value through profit or loss – derivative over the equity of investee (Note 15)	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

The fair value of contingent consideration liability, based on the performance of the acquired entity, is determined using present value of future expected cash flows. The estimate is based on a discount rate of 18% with a range of outcomes from RUR 0 to RUR 253, weighted on expected probabilities.

Goodwill is not expected to be deductible for income tax purposes. Goodwill is mainly attributable to enhancement the Group's position on advertising and online recruitment markets and potential synergies with the Group's businesses.

Intangible assets mainly include software, trademark and customer base and are amortised over the period of 2 to 10 years.

The cash flows on acquisition were as follows:

Cash paid (included in cash flows from investing activities)	2,064
Cash acquired (included in cash flows from investing activities)	(86)
Net cash flow on acquisition	1,978

5.3 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 the mobile games market.

In May 2020 the Group finalised purchase price allocation for Panzerdog acquisition, which resulted in no change from provisional values.

5 Business combinations (continued)

5.3 Panzerdog (continued)

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

	Fair value
Intangible assets	654
Property and equipment	2
Trade accounts receivable	87
Other current assets	31
Cash and cash equivalents	89
Total assets	863
Deferred revenue	168
Deferred income tax liabilities	131
Trade accounts payable	215
Total liabilities	514
Total net assets	349

Goodwill on the transaction was calculated as the excess of:	
(a) The consideration transferred by the Group measured at fair values:	
[1] Cash paid	626
[2] The acquisition date fair value of the Group's previously held equity interest	317
Consideration transferred by the Group	943
(b) The amount of non-controlling interest in Panzerdog measured 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 15)	110
(d) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3	349
Goodwill	625

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

Intangible assets mainly include mobile games and are amortised over the period of 2 to 5 years.

The cash flows on acquisition were as follows:

Cash paid (included in cash flows from investing activities)	630
Cash acquired (included in cash flows from investing activities)	(89)
Net cash flow on acquisition	541

5.4 Swag Masha

On July 8, 2019 the Group acquired control over mobile games developer LLC "Swag Masha" ("Swag Masha") by increasing its share to 51% (16% in addition to 35% stake as of March 31, 2019) for a total cash consideration of RUR 79. The primary purpose of the acquisition of Swag Masha was to enhance the Group's position on the mobile games market.

In July 2020 the Group finalised purchase price allocation for Swag Masha acquisition, which resulted in no change from provisional values.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

5 Business combinations (continued)

5.4 Swag Masha (continued)

The fair values of the identifiable assets and liabilities of Swag Masha as at the date of acquisition were as follows:

	Fair value
Intangible assets	273
Property and equipment	1
Trade accounts receivable	68
Other current assets	1
Cash and cash equivalents	33
Total assets	376
Trade accounts payable	140
Other payables, provisions and accrued expenses	1
Total liabilities	141
Total net assets	235

Goodwill on the transaction was calculated as the excess of:	
(a) The consideration transferred by the Group measured at fair values:	
[1] Cash paid	79
[2] The acquisition date fair value of the Group's previously held equity interest	170
Consideration transferred by the Group	249
(b) The amount of non-controlling interest in Swag Masha measured at the proportionate share of the identifiable net assets	115
Over	
(c) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at fair 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

5.5 InGame

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

5 Business combinations (continued)

5.5 InGame (continued)

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

	Provisional fair value
Intangible assets	373
Trade accounts receivable	74
Other current assets	87
Cash and cash equivalents	292
Total assets	826
Deferred revenue	120
Deferred tax liabilities	32
Total liabilities	152
Total net assets	674
Goodwill on the transaction was calculated as the excess of:	
(a) The consideration transferred by the Group measured at fair values:	
[1] Cash paid	309
[2] The acquisition date fair value of the Group's previously held equity interest	99
[3] Effective settlement of trade payables to the Group	858
Consideration transferred by the Group	1,266
Over	
(b) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at fair provisional values	674
Goodwill	592

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

Intangible assets mainly include mobile games and are amortised over the period of 2 to 5 years.

The cash flows on acquisition were as follows:

Cash paid (included in cash flows from investing activities)	309
Cash acquired (included in cash flows from investing activities)	(292)
Net cash flow on acquisition	17

5.6 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 a RUR 120 conversion of a loan. In 2019 the Group participated in new funding rounds and contributed additionally RUR 590. As a result of a series of transactions the Group's share in Citymobil decreased to 22.69%. In 9m 2019 the Group's share in Citymobil's financial results was a RUR 548 loss. In December 2019 Citymobil was transferred to the O2O JV as a part of the Group investment.

5.7 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. On October 1, 2020 the Group completed the payment. For details please refer to Note 18.1.

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 a 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.

5 Business combinations (continued)

5.7 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

In October 2020 the Group finalised purchase price allocation for AER JV which resulted decrease in fair value of intangible assets by RUR 563. The fair values of the identifiable assets and liabilities as at the date of acquisition were as follows:

	Fair value
Intangible assets	43,674
Property and equipment	825
Other non-current assets	346
Inventories	1,075
Trade accounts receivable	12,196
Other current assets	41
Cash and cash equivalents	13,170
Total assets	71,327
Deferred tax liabilities	8,674
Trade accounts payable	969
Other payables, provisions and accrued expenses	96
Total liabilities	9,739
Total net assets	61,588
Group's effective share in equity – 15.01%	9,247
Goodwill on the transaction was calculated as the excess of:	
(a) Fair value of 15.01% retained interest in joint venture adjusted for gain related to the Group's interest	12,692
Over	
(b) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at fair values	9,247
Goodwill	3,445

Goodwill in the amount of RUR 3.4 bln is included in the carrying amount of the AER JV investment.

Intangible assets mainly include trademark and customer base and are amortised over the period of 3 to 8 years.

5.8 O2O Joint Venture

On August 19, 2020 the O2O joint venture has been provided with an additional total RUR 12 bln contribution from the Group and Sberbank equally. The additional resources will be used for scaling the O2O JV businesses and verticals.

6 Cash capital increase

On September 24, 2020 the Group announced placing of 7,142,858 newly issued Global Depository Receipts at a placement price of USD 28.00 per GDR corresponding to a capital increase of USD 200 million (RUR 15,210 net of issuance costs of RUR 154). Settlement of the placement was on September 28, 2020.

6 Cash capital increase (continued)

The proceeds raised by the Group will be used to:

- fund development and organic growth across existing verticals;
- finance and develop strategic M&A opportunities; and
- finance investments into O2O and AER JVs, including:
  - up to RUR 4.6 bln in KPI based payments to be made into the O2O JV over the next 6 months
  - remaining contribution of USD 82 million to be made into AliExpress Russia JV.

7 Lease contracts

In the first quarter of 2020 the lease contract for Moscow headquarter premises was modified including lease payments and lease terms that were extended from 2021 to 2026. This modification resulted in the increase in right-of-use assets and lease liabilities by RUR 6,933.

8 Goodwill and other intangible assets

During the nine months ended September 30, 2020, the Group capitalised software development costs and otherwise acquired intangible assets with a cost of RUR 2,455 (2019: RUR 2,427). 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.

Given the current challenging market environment caused by the global recession and effect of COVID-19, with ongoing lockdowns and pressures around the advertising market as well as the related uncertainty in particular, the Group concluded that these circumstances might significantly and adversely affect the advertising market in Russia and accordingly, the Group revised its advertising revenue projections downward. Additionally, a pre-tax discount rate of 14.5% for Email, Portal and IM CGU and 15.1% for Search CGU (December 31, 2019: 16.8% and 16.1% respectively) was applied. All other significant assumptions remained consistent with those disclosed in the annual financial statements for the year ended December 31, 2019. As a result of this analysis in Q1 2020 management recognized an impairment charge of RUR 2,496 against goodwill related to the Search CGU and RUR 3,934 against goodwill related to the Email, Portal and IM CGU.

9 Property and equipment

During the nine months ended September 30, 2020, the Group acquired property and equipment with a cost of RUR 4,352 (2019: RUR 3,497).

10 Investments in equity accounted associates and joint ventures

Movement in investments in equity accounted associates and joint ventures for the nine months ended September 30, 2020 is presented below:

	2020
Investments in equity accounted associates at January 1	49,834
Acquisition of shares in equity accounted associates	576
Additional contribution to joint venture (Note 5.8)	6,020
(Impairment)/reversal of impairment in equity accounted associates and joint ventures	(260)
Acquisition of control over strategic associates	(48)
Share in net loss of equity accounted associates and joint ventures	(10,327)
Dividends from equity accounted associates and joint ventures	(29)
Investments in equity accounted associates and joint ventures at September 30	45,766

In 2020 the Group recorded impairment of RUR 254 with respect to investments in Tiwo.

11 Other payables and accrued expenses

Other payables and accrued expenses consist of the following:

	September 30, 2020	December 31, 2019
Payables to personnel	2,436	2,482
Accrued vacations	1,958	1,314
Accrued professional consulting expenses	56	71
Contingent consideration liabilities	2,042	5,472
Deferred consideration on formation of joint ventures	6,534	5,076
Other current payables	941	933
Total other payables and accrued expenses	13,967	15,348

Notes to the Interim Condensed Consolidated Financial Statements (continued)

11 Other payables and accrued expenses (continued)

In Q3 2020, due to current ecomomic conditions and particularly the effect of the coronavirus pandemic outbreak and related lockdowns on the ride-hailing business, the fair value of the contingent consideration liability payable to the O2O JV, based on the achievement of a number of KPIs by the contributed businesses, was decreased by RUR 3.5 bln to RUR 1.2 bln.

12 Revenue

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

As required by IFRS 15 disaggregation of revenue from contracts with customers for the nine months ended September 30, 2020, based on the Group's segment reporting (Note 4), is presented below:

	Communications and Social	Games	New initiatives	Eliminations	Group
Revenue					
External revenue	36,755	29,605	7,809	–	74,169
Intersegment revenue	131	72	33	(236)	–
Total revenue	36,886	29,677	7,842	(236)	74,169
Services transferred at a point in time	28,909	5,816	4,321	(236)	38,810
Services transferred over time	7,977	23,861	3,521	–	35,359

Disaggregation of revenue from contracts with customers for the nine months ended September 30, 2019, based on the Group's segment reporting (Note 4) is presented below:

	Communications and Social	Games	New initiatives	Eliminations	Group
Revenue					
External revenue	35,484	22,446	3,814	–	61,744
Intersegment revenue	122	97	8	(227)	–
Total revenue	35,606	22,543	3,822	(227)	61,744
Services transferred at a point in time	28,625	3,340	2,671	(227)	34,409
Services transferred over time	6,981	19,203	1,151	–	27,335

Disaggregation of revenue from contracts with customers for the three months ended September 30, 2020, based on the Group's segment reporting (Note 4), is presented below:

	Communications and Social	Games	New initiatives	Eliminations	Group
Revenue					
External revenue	12,563	10,642	3,167	–	26,372
Intersegment revenue	59	30	6	(95)	–
Total revenue	12,622	10,672	3,173	(95)	26,372
Services transferred at a point in time	10,166	2,647	1,543	(95)	14,261
Services transferred over time	2,456	8,025	1,630	–	12,111

Disaggregation of revenue from contracts with customers for the three months ended September 30, 2019, based on the Group's segment reporting (Note 4) is presented below:

	Communications and Social	Games	New initiatives	Eliminations	Group
Revenue					
External revenue	12,384	8,019	1,588	–	21,991
Intersegment revenue	57	20	6	(83)	–
Total revenue	12,441	8,039	1,594	(83)	21,991
Services transferred at a point in time	10,174	1,457	1,025	(83)	12,573
Services transferred over time	2,267	6,582	569	–	9,418

13 Income tax

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Current income tax expense	1,299	706	2,687	2,267
Deferred income tax (benefit)/expense	(1,038)	922	(1,933)	111
Total income tax expense	261	1,628	754	2,378

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by domestic rates applicable to individual Group entities for the three and nine months ended September 30, 2020 and 2019 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Profit/(loss) before income tax expense	(1)	12,114	(11,397)	9,708
Tax at domestic rates applicable to individual Group entities	(63)	(1,706)	1,980	(1,469)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non-deductible expenses	(269)	(95)	(634)	(354)
Non-taxable foreign exchange and other gains	354	229	809	315
Adjustments in respect of current income tax of previous period	(2)	14	(86)	(89)
Effect of changes in tax rates	–	–	–	(393)
Tax accruals and penalties	6	(4)	9	(45)
Unrecognised deferred tax assets	14	(83)	(152)	(206)
Share of results of equity associates and joint ventures	(997)	(7)	(2,065)	(116)
Remeasurement of contingent liability	691	–	691	–
Goodwill impairment	–	–	(1,286)	–
Other	5	24	(20)	(21)
Total income tax expense	(261)	(1,628)	(754)	(2,378)

14 Commitments, contingencies and operating risks

14.1 Operating environment of the Group

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

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

First identified in December 2019, the COVID-19 or coronavirus pandemic outbreak has impacted the global macroeconomic environment and, coupled with certain other factors, caused volatility in the oil market and devaluation of the Russian Rouble. The Group has assessed the impact of the coronavirus pandemic outbreak and concluded that the lockdown restrictions have positively affected the demand for the online services and users activity. The significant adverse effect on the advertising market has resulted in a decrease of the advertising revenue and the goodwill impairment of RUR 6.4 bln (Note 8) in the quarter ended March 31, 2020. Other than the goodwill impairment in Q1 2020 the impact has been limited on the financial position of the Group by the date of this report.

Given the expected local economy decline by 4-6%+ in 2020 compared to 2019, the business of the Group may be materially affected if the Group is not able to respond to the situation promptly. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances of the global pandemic however, the full impact of the COVID-19 outbreak continues to evolve subsequent to the quarter ended September 30, 2020 and its consequences are still hard to predict.

14.2 Taxation

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

14 Commitments, contingencies and operating risks (continued)

14.2 Taxation (continued)

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.

14.3 Legal proceedings

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

14.4 Private information

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

14.5 Intellectual property rights

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

14.6 Development

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

14.7 Regulation

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

New amendments to the Federal Law *On Information, Information Technologies and the Protection of Information* have been adopted in Q2 2020 to clarify the procedure for restricting access to the information disseminated in breach of copyright or related rights provisions. In accordance with the applicable law, Internet (mobile) applications in breach of copyright and related rights provisions can be blocked following a court order. The procedure for blocking such applications is similar to the site access restriction process. The new regulations will come into force on October 1, 2020.

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 a 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.

14.8 Personnel

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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

14 Commitments, contingencies and operating risks (continued)

14.9 Infrastructure and capacity

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

14.10 Fund commitment

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

The Group does not control or exercise significant influence over the Fund according to IFRS criteria as the Group does not manage relevant activities of the Fund. Investments in the Fund are accounted for as financial assets at fair value through profit or loss. As at September 30, 2020 the total capital commitment of the Group was RUR 11,815 (USD 148.3 million net of USD 1.7 million cash contributions made in Q3 2020). Capital contributions to the Fund are made quarterly based on the capital call notices. Anticipated lifetime of the Fund is 10 years.

15 Balances and transactions with related parties

The following table provides the total amount of transactions, which have been entered into with related parties during the nine months ended September 30, 2020 and September 30, 2019 as well as balances with related parties as of September 30, 2020 and December 31, 2019, excluding Directors and key management of the Group. All related party transactions were made in accordance with contractual terms and conditions agreed between the parties.

	Three months ending September 30		Nine months ending September 30			
	Sales to related parties	Purchases from related parties	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
2020						
Equity accounted associates	43	5	180	11	27	6
Joint ventures	1,308	–	2,933	–	884	8,491
Entities with significant influence over the Group and other entities	115	52	303	157	97	15,033
2019						
Equity accounted associates	660	22	1,329	196	795	202
Joint ventures	–	–	–	–	1,040	10,651
Entities with significant influence over the Group and other entities	333	332	574	829	629	15,050

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

15.1 The ultimate controlling party

Starting October 18, 2018 the Group does not have an ultimate controlling party.

15.2 Directors of the Company

Total cash remuneration of the members of the Board of Directors (each a "Director" and collectively, "Directors") of the Company amounted to RUR 88 for the nine months ended September 30, 2020 (2019: RUR 81). No options over the shares of the Company were granted to Directors for the nine months ended September 30, 2020 (2019: nil). During the nine months ended September 30, 2020, Directors did not forfeit any RSUs or options (2019: nil), and no RSUs exercised over shares of the Company (2019: 2,500). The corresponding share-based payment expense was RUR 57 for the nine months ended September 30, 2020 (2019: negative RUR 44).

15.3 Key management of the Group

Total cash remuneration of the key management of the Group (excluding Directors) amounted to RUR 633 for the nine months ended September 30, 2020 (2019: RUR 423). In the nine months ended September 30, 2020, no RSUs or options were granted to key executive employees of the Group (excluding Directors) (2019: 1,180,000 RSUs). During the nine months ended September 30, 2020, key management of the Group (excluding Directors) did not forfeit any RSUs or options (2019: nil) and exercised 522,500 RSUs and options (2019: 1,148,750). The corresponding share-based payment expense amounted to RUR 484 for nine months ended September 30, 2020 (2019: RUR 348).

16 Financial instruments

The carrying amounts of the Group's financial instruments approximated their fair values as of September 30, 2020 and December 31, 2019 and are presented by category of financial instruments in the table below:

	Category*	September 30, 2020	December 31, 2019
Financial assets at fair value through profit and loss			
Non-current			
Financial investments in venture capital investees	FAFVPL	455	673
Derivative financial assets over the equity of investee	FAFVPL	–	110
Convertible loans	FAFVPL	644	452
Financial derivative under lease contract	FAFVPL	532	514
Current			
Derivative financial assets over the equity of investee	FAFVPL	3	3
Convertible loans	FAFVPL	644	87
Financial assets at amortised cost			
Trade accounts receivable	FAAC	13,385	12,288
Loans and interest receivable	FAAC	645	941
Cash and cash equivalents	FAAC	24,500	9,782
Total financial assets		40,808	24,850
Financial liabilities at fair value through profit and loss			
Current			
Contingent consideration liabilities	FLFVPL	2,042	5,472
Financial liabilities at amortised cost			
Current			
Trade accounts payable	FLAC	10,432	7,863
Other payables and accrued expenses	FLAC	11,925	9,876
Short-term portion of long-term interest-bearing loans	FLAC	7,393	4,044
Short-term lease liabilities	FLAC	3,353	3,153
Non-current			
Long-term interest-bearing loans and borrowings	FLAC	14,158	19,474
Non-current lease liabilities	FLAC	7,825	1,568
Total financial liabilities		57,128	51,450

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

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

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

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

16.1 Financial assets at amortised cost

The Group classifies the following financial assets at amortised cost:

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

16 Financial instruments (continued)

16.2 Fair value hierarchy

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

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

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

As at September 30, 2020 and December 31, 2019 the Group held the following financial instruments measured at fair value through profit or loss:

	September 30, 2020	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
Financial investments in venture capital investees	455	–	–	455
Convertible loans	1,288			1,288
Financial derivative under lease contract	532	–	–	532
Derivative financial assets over the equity of investee	3	–	–	3
Total financial assets measured at fair value through profit or loss	2,278	–	–	2,278
Financial liabilities measured at fair value through profit or loss				
Contingent consideration liabilities	2,042	–	–	2,042
Total financial liabilities measured at fair value through profit or loss	2,042	–	–	2,042

	December 31, 2019	Level 1	Level 2	Level 3
Financial assets measured 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 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

16 Financial instruments (continued)

16.2 Fair value hierarchy (continued)

The balance of Level 3 measurements as of January 1, 2020 is reconciled to the balance of those measurements as of September 30, 2020 as follows:

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

The balance of Level 3 measurements as of January 1, 2019 is reconciled to the balance of those measurements as of September 30, 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 and settlement	Recognition of deposit	Assets held for sale	Balance as of September 30, 2019
Financial assets measured at fair value through profit or loss								
Financial investments in venture capital investees	256	394	(20)	729	101	–	(118)	1,342
Derivative financial assets over the equity of investee	94	(7)	–	127	–	–	–	214
Convertible loans	2,237	(404)	–	2,622	(583)	–	(714)	3,158
Financial derivatives under lease contracts	500	(194)	–	–	–	256	–	562
Total financial assets at fair value through profit or loss	3,087	(211)	(20)	3,478	(482)	256	(832)	5,276
Financial liability measured at fair value through profit or loss								
Contingent consideration liabilities	(1,997)	45	132	1,820	–	–	–	–
Total financial liabilities measured at fair value	(1,997)	45	132	1,820	–	–	–	–

16.3 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 M&A activities. All loans are unsecured. The loan agreements contain restrictive financial and non-financial covenants that the Group as the borrower is obliged to fulfill. Restrictive covenants include maintaining certain financial ratios. As of September 30, 2020 all restrictive covenants are met.

The table below represents the major loans as of September 30, 2020 and as of December 31, 2019:

	Original currency	Interest rate	Maturity date	Outstanding carrying amount as of September 30, 2020	Outstanding carrying amount as of December 31, 2019
Sberbank RUR 6.5 bln loan	RUR	7.5%	October 6, 2023	6,500	6,500
Sberbank RUR 8.5 bln loan	RUR	7.0%	December 7, 2023	8,500	8,500
Raiffeisen bank loan	RUR	7.2%	June 6, 2023	6,551	8,500

Total undrawn amount under the loan agreements was RUR 18,449 as of September 30, 2020.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

17 Assets and liabilities held for sale

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

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

As at September 30, 2020, the Group keeps the intention to create a partnership around ESforce and is in discussion with the potential partners.

As at September 30, 2020, the Group classified assets related to ESforce (eSports business) in the amount of RUR 2,503 as assets held for sale and liabilities directly associated with assets held for sale in the amount of RUR 469 as the Group plans to recover its carrying value through a sale transaction or contribution to a joint venture.

The major classes of assets and liabilities of ESforce classified as held for sale as at September 30, 2020 and December 31, 2019 are as follows:

	As at September 30, 2020	As at December 31, 2019
Intangible assets	1,154	1,065
Property, plant and equipment	376	382
Deferred tax assets	401	304
Trade accounts receivable	258	370
Cash	173	43
Other assets	141	170
Assets held for sale	2,503	2,334
Trade accounts payable	142	167
VAT and other taxes payable	133	147
Deferred tax liabilities	105	105
Other payables	89	124
Liabilities directly associated with assets held for sale	469	543
Net assets directly associated with disposal group	2,034	1,791

18 Events after the reporting period

The full impact of the COVID-19 outbreak continues to evolve subsequent to the quarter ended September 30, 2020 and its consequences are still uncertain. The Group will continue to monitor the situation on the coronavirus pandemic outbreak and react immediately to mitigate any significant impacts on the operations and financial position of the Group.

18.1 Payment of deferred consideration to AER

On October 1, 2020 the Group transferred USD 82 million cash contribution (RUR 6.5 bln), according to the pre-agreed terms of the AER JV, which was finalized in October 2019.

18.2 Convertible bonds issuance

On October 1, 2020 the Group issued USD 400 million of unsecured bonds convertible into Global Depositary Receipts of the Group listed on the London Stock Exchange, each representing one ordinary share.

The bonds are issued at 100% of their principal amount with a denomination of USD 200,000 each and – unless previously converted, repurchased or redeemed – will be redeemed at par on October 1, 2025. The bonds are offered with an annual interest rate of 1.625%, payable semi-annually, and a conversion premium of 42.5% above the reference price. The bonds are subject to a cash settlement option at the discretion of the Group.

The proceeds raised from the Capital Increase and the offering of the Bonds will be used to:

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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

18 Events after the reporting period (continued)

18.3 Deus Craft acquisition

On October 8, 2020 the Group announced acquisition of control in mobile games developer DCGAMEPUB LIMITED ("Deus Craft") by obtaining 51.16% for a total cash consideration of RUR 1,101 (at the exchange rate as of the announcement date) and contingent consideration up to RUR 2,733 depending on certain KPIs. The primary purpose of the acquisition of Deus Craft is to enhance the Group's position on the mobile games market. The initial accounting for the acquisition is in progress by the date of issuance of this report.

18.4 Cube acquisition

On October 12, 2020 the Group acquired 100% in AI-based corporate dialog platform CUBE LLC ("Cube") for a total cash consideration of up to RUR 180 depending on KPI achievement. The primary purpose of the acquisition of Cube was to leverage the Group's expertise and resources by achieving substantial synergies with Group's B2B services and solutions.