

# Mail.Ru Group Limited

## Interim Condensed Consolidated Financial Statements

For the nine months ended September 30, 2017

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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

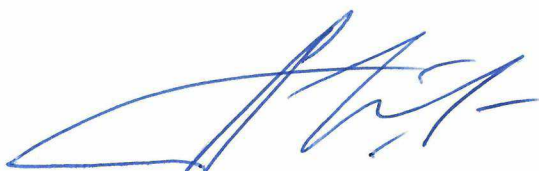
We have reviewed the accompanying interim condensed consolidated financial statements of Mail.ru Group Limited and its subsidiaries (the Group), which comprise the interim condensed consolidated statement of financial position as at September 30, 2017, the interim condensed consolidated statement of 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 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 26, 2017

#### Details of the entity

Name: Mail.ru Group Limited  
Record made in the State Register of Legal Entities on May 4, 2005.  
Address: 232 28th October Street, Office 501, 3035 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-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

# Interim Condensed Consolidated Statement of Financial Position

As of September 30, 2017

(in millions of Russian Roubles)

	Notes	As at September 30, 2017 (unaudited)	As at December 31, 2016 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in equity accounted associates	5.4	1,013	649
Goodwill		133,239	132,309
Other intangible assets	6	26,322	29,894
Property and equipment	7	4,485	3,840
Financial assets at fair value through profit or loss	15	308	403
Deferred income tax assets		3,224	2,600
Other non-current assets	8	1,632	2,265
<b>Total non-current assets</b>		<b>170,223</b>	<b>171,960</b>
<b>Current assets</b>			
Trade accounts receivable	15	4,978	5,089
Prepaid income tax		551	49
Prepaid expenses and advances to suppliers		1,630	2,111
Financial assets at fair value through profit or loss	15	238	105
Other current assets	9	304	201
Cash and cash equivalents	15	9,718	5,513
<b>Total current assets</b>		<b>17,419</b>	<b>13,068</b>
<b>Total assets</b>		<b>187,642</b>	<b>185,028</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		-	-
Share premium		50,831	51,758
Treasury shares		(500)	(1,290)
Retained earnings		115,514	112,415
Accumulated other comprehensive income		188	470
<b>Total equity attributable to equity holders of the parent</b>		<b>166,033</b>	<b>163,353</b>
Non-controlling interests		77	64
<b>Total equity</b>		<b>166,110</b>	<b>163,417</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		2,724	3,265
Deferred revenue		4,230	2,710
Other non-current liabilities	15	169	748
<b>Total non-current liabilities</b>		<b>7,123</b>	<b>6,723</b>
<b>Current liabilities</b>			
Trade accounts payable	15	4,177	3,355
Income tax payable		277	389
Financial liabilities at fair value through profit or loss	15	-	195
VAT and other taxes payable		1,439	2,231
Deferred revenue and customer advances		5,854	4,893
Short-term interest-bearing loans	15	-	122
Other payables and accrued expenses	10	2,662	3,703
<b>Total current liabilities</b>		<b>14,409</b>	<b>14,888</b>
<b>Total liabilities</b>		<b>21,532</b>	<b>21,611</b>
<b>Total equity and liabilities</b>		<b>187,642</b>	<b>185,028</b>

# Interim Condensed Consolidated Statement of Comprehensive Income

For the three and nine months ended September 30, 2017

(in millions of Russian Roubles)

Notes	Three months ended September 30,		Nine months ended September 30,	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Online advertising	5,829	4,449	16,108	12,593
MMO games	3,427	1,684	9,407	5,839
Community IVAS	3,793	2,623	10,070	8,599
Other revenue	11.1	495	1,454	754
<b>Total revenue</b>	<b>13,544</b>	<b>8,871</b>	<b>37,039</b>	<b>27,785</b>
Other operating gain	11.2	-	565	-
Net loss on venture capital investments	15	-	(27)	(782)
Personnel expenses	(3,064)	(2,477)	(8,974)	(7,709)
Office rent and maintenance	(538)	(493)	(1,586)	(1,498)
Agent/partner fees	(2,702)	(1,460)	(7,498)	(4,201)
Marketing expenses	(2,406)	(388)	(6,340)	(1,314)
Server hosting expenses	(462)	(435)	(1,339)	(1,424)
Professional services	(73)	(87)	(236)	(308)
Other operating expenses	11.3	(529)	(1,541)	(576)
<b>Total operating expenses</b>	<b>(9,774)</b>	<b>(5,518)</b>	<b>(27,514)</b>	<b>(17,030)</b>
<b>EBITDA</b>	<b>3,770</b>	<b>2,787</b>	<b>10,063</b>	<b>9,973</b>
Depreciation and amortisation	(2,281)	(1,841)	(6,641)	(5,609)
Share of (loss)/profit of equity accounted associates	-	-	16	42
Finance income	115	175	349	738
Finance expenses	-	-	(15)	(718)
Other non-operating income/(loss)	35	2	(7)	40
Net (loss)/gain on derivative financial assets and liabilities at fair value through profit or loss	15	(102)	(20)	11
Impairment losses related to equity accounted associates	(28)	-	(273)	-
Net (loss)/gain on disposal of shares in subsidiaries	5.1	-	(15)	8,712
Net foreign exchange gain/(loss)	97	41	673	(576)
<b>Profit before income tax expense</b>	<b>1,606</b>	<b>996</b>	<b>4,130</b>	<b>12,613</b>
Income tax expense	12	(173)	(1,018)	(743)
<b>Net profit</b>	<b>1,433</b>	<b>489</b>	<b>3,112</b>	<b>11,870</b>
<b>Attributable to:</b>				
Equity holders of the parent	1,425	485	3,099	11,861
Non-controlling interest	8	4	13	9
<b>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods</b>				
<i>Exchange differences on translation of foreign operations</i>				
Differences arising during the period	(59)	3	(295)	86
<i>Available-for-sale financial assets</i>				
Loss arising during the period (net of tax effect of zero)	-	59	-	(273)
<b>Total other comprehensive loss net of tax effect of 0</b>	<b>(59)</b>	<b>62</b>	<b>(295)</b>	<b>(187)</b>
<b>Total comprehensive income, net of tax</b>	<b>1,374</b>	<b>551</b>	<b>2,817</b>	<b>11,683</b>
<b>Attributable to:</b>				
Equity holders of the parent	1,366	547	2,804	11,674
Non-controlling interest	8	4	13	9
<b>Earnings per share, in RUR:</b>				
Basic earnings per share attributable to ordinary equity holders of the parent	6.75	2.32	14.72	56.90
Diluted earnings per share attributable to ordinary equity holders of the parent	6.66	2.08	14.49	54.60

# Interim Condensed Consolidated Statement of Cash Flows

For the nine months ended September 30, 2017

(in millions of Russian Roubles)

	Notes	Nine months ended September 30, 2017 (unaudited)	Nine months ended September 30, 2016 (unaudited)
<b>Cash flows from operating activities</b>			
Profit before income tax		4,130	12,613
<i>Adjustments to reconcile profit before income tax to cash flows</i>			
Depreciation and amortisation		6,641	5,609
Bad debt expense/(reversal)		44	(4)
Net loss/(gain) on financial assets and liabilities at fair value through profit or loss	15	20	(11)
Net loss/(gain) on disposal of shares in subsidiaries	5	15	(8,712)
Net loss on venture capital investments	15	27	782
Loss on disposal of property and equipment and intangible assets		2	-
Finance income		(349)	(738)
Finance expenses		15	718
Dividend revenue from venture capital investments	11.1	(9)	(28)
Share of profit of equity accounted associates		(16)	(42)
Impairment losses related to equity accounted associates		273	-
Net foreign exchange (gain)/loss		(673)	576
Share-based payment expense		1,686	1,586
Other non-cash items		(44)	20
<i>Working capital adjustments</i>			
Decrease in accounts receivable		110	511
Decrease/(increase) in prepaid expenses and advances to suppliers		628	(651)
Increase in other assets		(66)	(44)
Decrease in accounts payable and accrued expenses		(124)	(646)
Decrease/(increase) in non-current prepaid expenses and advances		534	(1,694)
Increase in deferred revenue and customers advances		2,472	933
Increase in financial assets at fair value through profit or loss	15	(193)	(59)
<b>Operating cash flows before interest and income taxes</b>		<b>15,123</b>	<b>10,719</b>
Dividends received from financial investments		8	25
Interest received		324	674
Interest paid		(15)	(728)
Income tax paid		(2,743)	(1,926)
<b>Net cash provided by operating activities</b>		<b>12,697</b>	<b>8,764</b>
<b>Cash flows from investing activities</b>			
Cash paid for property and equipment		(2,074)	(1,414)
Cash paid for intangible assets		(1,399)	(660)
Dividends received from equity accounted associates		18	64
Cash paid for investments in equity accounted associates	5.4	(640)	-
Cash paid for acquisitions of subsidiaries, net of cash acquired	5, 10	(2,769)	(306)
Proceeds from disposal of subsidiaries, net of cash disposed	5.1	(43)	9,709
Collection of short-term and long term deposits		-	16
Issuance of loans receivable		(3)	-
<b>Net cash (used in)/provided by investing activities</b>		<b>(6,910)</b>	<b>7,409</b>
<b>Cash flows from financing activities</b>			
Loans repaid		(122)	(15,299)
Cash paid for treasury shares		(1,430)	-
Dividends paid by subsidiaries to non-controlling shareholders		-	(2)
<b>Net cash used in financing activities</b>		<b>(1,552)</b>	<b>(15,301)</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,235</b>	<b>872</b>
Effect of exchange differences on cash balances		(30)	-
Cash and cash equivalents at the beginning of the period		5,513	8,676
<b>Cash and cash equivalents at the end of the period</b>		<b>9,718</b>	<b>9,548</b>

## Interim Condensed Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2016

(in millions of Russian Roubles)

	Share capital			Treasury shares	Retained earnings	Accumulated other comprehensive income (net of tax effect of 0)	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	Number of shares issued and outstanding	Amount	Share premium						
Balance at January 1, 2016 (audited)	208,127,372	–	49,328	(1,293)	100,602	(205)	148,432	15	148,447
Profit for the period	–	–	–	–	11,861	–	11,861	9	11,870
<i>Other comprehensive income</i>									
Foreign currency translation	–	–	–	–	–	86	86	–	86
Net change in cumulative holding gains on available-for-sale investments	–	–	–	–	–	(273)	(273)	–	(273)
<i>Total other comprehensive income</i>	–	–	–	–	–	(187)	(187)	–	(187)
<i>Total comprehensive income</i>	–	–	–	–	11,861	(187)	11,674	9	11,683
Share-based payment transactions	–	–	1,822	–	–	–	1,822	–	1,822
Exercise of RSUs and options over the shares of the Company	485,732	–	(3)	3	–	–	–	–	–
Effect of disposal of subsidiary	–	–	–	–	–	280	280	(18)	262
Effect of acquisition of subsidiary	–	–	–	–	–	–	–	52	52
Dividends paid by subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	(2)	(2)
Balance at September 30, 2016 (unaudited)	208,613,104	–	51,147	(1,290)	112,463	(112)	162,208	56	162,264

## Interim Condensed Consolidated Statement of Changes in Equity (continued)

For the nine months ended September 30, 2017

(in millions of Russian Roubles)

	Share capital		Share premium	Treasury shares	Retained earnings	Accumulated other comprehensive income (net of tax effect of 0)	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	Number of shares issued and outstanding	Amount							
Balance at January 1, 2017 (audited)	208,634,437	-	51,758	(1,290)	112,415	470	163,353	64	163,417
Profit for the period	-	-	-	-	3,099	-	3,099	13	3,112
<i>Other comprehensive income</i>									
Foreign currency translation	-	-	-	-	-	(295)	(295)	-	(295)
<i>Total other comprehensive income</i>	-	-	-	-	-	(295)	(295)	-	(295)
<i>Total comprehensive income</i>	-	-	-	-	3,099	(295)	2,804	13	2,817
Share-based payment transactions	-	-	1,293	-	-	-	1,293	-	1,293
Exercise of RSUs and options over the shares of the Company	4,553,693	-	(2,220)	2,220	-	-	-	-	-
Acquisition of treasury shares	(857,736)	-	-	(1,430)	-	-	(1,430)	-	(1,430)
Effect of disposal of subsidiary	-	-	-	-	-	13	13	-	13
Balance at September 30, 2017 (unaudited)	212,330,394	-	50,831	(500)	115,514	188	166,033	77	166,110



# Notes to the Interim Condensed Consolidated Financial Statements

For the nine months ended September 30, 2017

(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, 2017 were authorised for issue by the directors of the Company on October 26, 2017.

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 232 28th October Street, Office 501, 3035 Limassol, Cyprus.

The Company consolidates or participates in businesses that operate in the Internet segment, including portals, social networking and communications, e-payment solutions, e-commerce, online marketplaces, massively multiplayer online games (“MMO games”), social and mobile games. The Group and its associates have leading positions in Russia and other CIS states where they are present.

## 2 Basis of preparation

The interim condensed consolidated financial statements for the nine months ended September 30, 2017 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 financial statements for the year ended December 31, 2016 prepared in accordance with IFRS.

### 2.1 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, 2016, except for the adoption of new standards as of January 1, 2017 listed below applicable to the Group:

#### *Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending December 31, 2017.

#### *Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group has applied the amendments retrospectively. However, their application has had no effect on the Group’s financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

IFRS 9 and 15 are effective for annual periods beginning on or after January 1, 2018 and IFRS 16 on or after January 1, 2019. The Group is currently assessing the impact of mentioned standards and plans to adopt the new standards on the required effective dates.

### 2.2 Change in estimate

In Q3 2017, the Group made changes to certain estimates used in the calculation of deferred revenue from the Social Network Odnoklassniki. The changes resulted from new information becoming available. The changes in estimates were recorded prospectively starting from July 1, 2017 and resulted in an increase in revenue and a decrease in deferred revenue estimated at RUR 888.

# Notes to the Interim Condensed Consolidated Financial Statements (continued)

## 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 six months. 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, 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 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 three months and nine months ended September 30, 2017 and the respective comparative segment financial information has been retrospectively adjusted, as applicable, to include the financial information of Pixonic, Delivery Club, ZakaZaka and Am.ru and exclude the financial information of HeadHunter (Note 5.1) all starting from January 1, 2016.

The Group has identified its operating segments based on the types of products and services the Group offers. The Group has identified the following reportable segments on this basis:

- Email, Portal and IM;
- VK (Vkontakte);
- Social Networks (excluding VK);
- Online Games; and
- E-Commerce, Search and Other Services.

The Email, Portal and IM segment includes email, instant messaging and portal (main page and media projects). It earns substantially all revenues from display and context advertising.

The VK segment includes the Group's social network Vkontakte (VK.com) and earns revenues from (i) commission from application developers based on the respective applications' revenue, (ii) user payments for virtual gifts and stickers and (iii) online advertising, including display and context advertising.

The Social Networks (excluding VK) segment includes the Group's two other social networks (OK and My World) and earns revenues from (i) user payments for virtual gifts, (ii) commission from application developers based on the respective applications' revenue, and (iii) online advertising, including display and context advertising. OK and My World have been aggregated into a single operating segment as they have similar economic characteristics and provide similar services to similar customers in similar markets.

The Online Games segment includes online gaming services, including MMO, social and mobile games. It earns substantially all revenues from (i) sale of virtual in-game items to users and (ii) royalties for games licensed to third-party online game operators.

The E-Commerce, Search and Other Services reportable segment represents separate operating segments aggregated in one reportable segment for presentation purposes only and primarily consists of search engine services earning substantially all revenues from context advertising and e-commerce services (including O2O). This segment also includes a variety of 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.

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

### 4 Operating segments (continued)

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, 2017, as presented to the CODM, are presented below:

	Email, Portal and IM	Social Networks (ex VK)	Online Games	VK	E-commerce, Search and other	Eliminations	Group
<b>Revenue</b>							
External revenue	3,511	11,607	12,630	9,248	2,909	-	39,905
Intersegment revenue	3	32	-	135	290	(460)	-
<b>Total revenue</b>	<b>3,514</b>	<b>11,639</b>	<b>12,630</b>	<b>9,383</b>	<b>3,199</b>	<b>(460)</b>	<b>39,905</b>
Total operating expenses	2,163	4,144	9,363	3,468	7,121	(460)	25,799
<b>EBITDA</b>	<b>1,351</b>	<b>7,495</b>	<b>3,267</b>	<b>5,915</b>	<b>(3,922)</b>	<b>-</b>	<b>14,106</b>
<b>Net profit</b>							<b>9,730</b>

The income statement items for each segment for the nine months ended September 30, 2016, as presented to the CODM, are presented below:

	Email, Portal and IM	Social Networks (ex VK)	Online Games	VK	E-commerce, Search and other	Eliminations	Group
<b>Revenue</b>							
External revenue	3,285	10,408	7,725	5,926	2,166	-	29,510
Intersegment revenue	3	10	-	19	288	(320)	-
<b>Total revenue</b>	<b>3,288</b>	<b>10,418</b>	<b>7,725</b>	<b>5,945</b>	<b>2,454</b>	<b>(320)</b>	<b>29,510</b>
Total operating expenses	2,257	3,262	6,483	2,561	2,322	(320)	16,565
<b>EBITDA</b>	<b>1,031</b>	<b>7,156</b>	<b>1,242</b>	<b>3,384</b>	<b>132</b>	<b>-</b>	<b>12,945</b>
<b>Net profit</b>							<b>8,684</b>

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, 2017 and 2016 is presented below:

	2017	2016
<b>Total revenue, as presented to the CODM</b>	<b>39,905</b>	<b>29,510</b>
<i>Adjustments to reconcile revenue as presented to the CODM to consolidated revenue under IFRS</i>		
Effect of difference in dates of acquisition and loss of control in subsidiaries	-	(1,022)
Differences in timing of revenue recognition	(2,335)	(778)
Barter revenue	25	47
Dividend revenue from venture capital investments	9	28
Difference in classification of revenue (Note 11.2)	(565)	-
<b>Consolidated revenue under IFRS</b>	<b>37,039</b>	<b>27,785</b>

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

### 4 Operating segments (continued)

A reconciliation of group aggregate segment EBITDA, as presented to the CODM, to IFRS consolidated profit before income tax expense of the Group for the nine months ended September 30, 2017 and 2016 is presented below:

	2017	2016
<b>Group aggregate segment EBITDA, as presented to the CODM</b>	<b>14,106</b>	<b>12,945</b>
<i>Adjustments to reconcile EBITDA as presented to the CODM to consolidated profit before income tax expenses under IFRS</i>		
Effect of difference in dates of acquisition and loss of control in subsidiaries	-	194
Differences in timing of revenue recognition	(2,335)	(778)
Net loss on venture capital investments	(27)	(782)
Dividend revenue from venture capital investments	9	28
Share-based payment transactions	(1,686)	(1,586)
Other	(4)	(48)
<b>EBITDA</b>	<b>10,063</b>	<b>9,973</b>
Depreciation and amortisation	(6,641)	(5,609)
Share of profit of equity accounted associates	16	42
Finance income	349	738
Finance expenses	(15)	(718)
Other non-operating income/(loss)	(7)	40
Net (loss)/gain on derivative financial assets and liabilities at fair value through profit or loss	(20)	11
Impairment losses related to equity accounted associates	(273)	-
Net (loss)/gain on disposal of shares in subsidiaries	(15)	8,712
Net foreign exchange gain/(loss)	673	(576)
<b>Consolidated profit before income tax expense under IFRS</b>	<b>4,130</b>	<b>12,613</b>

A reconciliation of group aggregate net profit, as presented to the CODM, to IFRS consolidated net profit of the Group for nine months ended September 30, 2017 and 2016 is presented below:

	2017	2016
<b>Total net profit, as presented to the CODM</b>	<b>9,730</b>	<b>8,684</b>
<i>Adjustments to reconcile net profit as presented to the CODM to consolidated net profit under IFRS</i>		
Share-based payment transactions	(1,686)	(1,586)
Differences in timing of revenue recognition	(2,335)	(778)
Effect of difference in dates of acquisition and loss of control in subsidiaries	-	193
Amortisation of fair value adjustments to intangible assets and impairment thereof	(4,003)	(3,550)
Net loss on financial instruments at fair value through profit or loss	(47)	(771)
Net (loss)/gain on disposal of shares in subsidiaries	(15)	8,712
Net foreign exchange gain/(loss)	673	(576)
Share of profit of equity accounted associates	16	42
Impairment losses related to equity accounted associates	(273)	-
Other	(5)	(43)
Tax effect of the adjustments, tax on unremitted earnings and non-recurring deferred tax asset reversal	1,057	1,543
<b>Consolidated net profit under IFRS</b>	<b>3,112</b>	<b>11,870</b>

The income statement items for each segment for the three months ended September 30, 2017, as presented to the CODM, are presented below:

	Email, Portal and IM	Social Networks (ex VK)	Online Games	VK	E-commerce, Search and other	Eliminations	Group
<b>Revenue</b>							
External revenue	1,174	3,531	4,450	3,403	1,019	-	13,577
Intersegment revenue	-	1	-	14	97	(112)	-
<b>Total revenue</b>	<b>1,174</b>	<b>3,532</b>	<b>4,450</b>	<b>3,417</b>	<b>1,116</b>	<b>(112)</b>	<b>13,577</b>
Total operating expenses	721	1,447	3,389	1,254	2,618	(112)	9,317
<b>EBITDA</b>	<b>453</b>	<b>2,085</b>	<b>1,061</b>	<b>2,163</b>	<b>(1,502)</b>	<b>-</b>	<b>4,260</b>
<b>Net profit</b>							<b>2,918</b>

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

### 4 Operating segments (continued)

The income statement items for each segment for the three months ended September 30, 2016, as presented to the CODM, are presented below:

	Email, Portal and IM	Social Networks (ex VK)	Online Games	VK	E-commerce, Search and other	Eliminations	Group
<b>Revenue</b>							
External revenue	1,148	3,255	2,507	2,126	724	–	9,760
Intersegment revenue	1	3	–	6	95	(105)	–
<b>Total revenue</b>	<b>1,149</b>	<b>3,258</b>	<b>2,507</b>	<b>2,132</b>	<b>819</b>	<b>(105)</b>	<b>9,760</b>
Total operating expenses	714	1,033	2,143	864	895	(105)	5,544
<b>EBITDA</b>	<b>435</b>	<b>2,225</b>	<b>364</b>	<b>1,268</b>	<b>(76)</b>	<b>–</b>	<b>4,216</b>
<b>Net profit</b>							<b>2,934</b>

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, 2017 and 2016 is presented below:

	2017	2016
<b>Total revenue, as presented to the CODM</b>	<b>13,577</b>	<b>9,760</b>
<i>Adjustments to reconcile revenue as presented to the CODM to consolidated revenue under IFRS</i>		
Effect of difference in dates of acquisition and loss of control in subsidiaries	–	(636)
Differences in timing of revenue recognition	(41)	(287)
Barter revenue	8	19
Dividend revenue from venture capital investments	–	15
<b>Consolidated revenue under IFRS</b>	<b>13,544</b>	<b>8,871</b>

A reconciliation of group aggregate segment EBITDA, as presented to the CODM, to IFRS consolidated profit before income tax expense of the Group for the three months ended September 30, 2017 and 2016 is presented below:

	2017	2016
<b>Group aggregate segment EBITDA, as presented to the CODM</b>	<b>4,260</b>	<b>4,216</b>
<i>Adjustments to reconcile EBITDA as presented to the CODM to consolidated profit before income tax expenses under IFRS</i>		
Effect of difference in dates of acquisition and loss of control in subsidiaries	–	(29)
Differences in timing of revenue recognition	(41)	(287)
Net loss on venture capital investments	–	(566)
Dividend revenue from venture capital investments	–	15
Share-based payment transactions	(450)	(571)
Other	1	9
<b>EBITDA</b>	<b>3,770</b>	<b>2,787</b>
Depreciation and amortisation	(2,281)	(1,841)
Share of loss of equity accounted associates	–	–
Finance income	115	175
Other non-operating income	35	2
Net loss on derivative financial assets and liabilities at fair value through profit or loss	(102)	(168)
Impairment losses related to equity accounted associates	(28)	–
Net foreign exchange gain	97	41
<b>Consolidated profit before income tax expense under IFRS</b>	<b>1,606</b>	<b>996</b>

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

### 4 Operating segments (continued)

A reconciliation of group aggregate net profit, as presented to the CODM, to IFRS consolidated net profit of the Group for three months ended September 30, 2017 and 2016 is presented below:

	2017	2016
<b>Total net profit, as presented to the CODM</b>	<b>2,918</b>	<b>2,934</b>
<i>Adjustments to reconcile net profit as presented to the CODM to consolidated net profit under IFRS</i>		
Share-based payment transactions	(450)	(571)
Differences in timing of revenue recognition	(41)	(287)
Effect of difference in dates of acquisition and loss of control in subsidiaries	-	(14)
Amortisation of fair value adjustments to intangible assets and impairment thereof	(1,363)	(1,126)
Net loss on financial instruments at fair value through profit or loss	(102)	(734)
Net foreign exchange gain	97	41
Share of loss of equity accounted associates	-	-
Impairment losses related to equity accounted associates	(28)	-
Other	4	2
Tax effect of the adjustments and tax on unremitted earnings	398	244
<b>Consolidated net profit under IFRS</b>	<b>1,433</b>	<b>489</b>

### 5 Business combination, other acquisitions and disposal

#### 5.1 HeadHunter

In February 2016 the Group sold 100% of HeadHunter for a cash consideration of RUR 10,130. As of the date of disposal the net assets of HeadHunter attributable to the Group were RUR 1,138, including goodwill of RUR 1,855 and cash and cash equivalents of RUR 421. Disposed liabilities of HeadHunter mostly included Deferred revenue and customer advances. In addition, currency translation reserve attributable to HeadHunter in the amount of RUR 280 was reclassified to profit or loss. As a result of the disposal the Group recognized a gain in the amount of RUR 8,712 recorded under "Net (loss)/gain from disposal of shares in subsidiaries" in the statement of comprehensive income.

#### 5.2 ZakaZaka

In May 2017 as a result of a number of transactions the Group completed the acquisition of the 100% of Site-Agregator LLC ("ZakaZaka"), the number two food delivery company in Russia, for a cash consideration of RUR 1,042 (90.09% in addition to 9.91% stake as of March 31, 2017). The main purpose of the acquisition was further expansion of the Group's food delivery business.

In accounting for the business combination, the Group has provisionally determined the amounts of ZakaZaka's identifiable assets and liabilities. The acquisition accounting will be finalised upon completion of the tax planning and valuation of ZakaZaka's assets and liabilities. The provisional fair values of the identifiable assets and liabilities of ZakaZaka at the date of acquisition were as follows:

	Provisional fair value
Other intangible assets	70
Trade accounts receivable	18
Prepaid expenses and advances to suppliers	13
Other current assets	18
Cash and cash equivalents	24
<b>Total assets</b>	<b>143</b>
Deferred income tax liabilities	10
Trade accounts payable	5
Other payables, provisions and accrued expenses	7
<b>Total liabilities</b>	<b>22</b>
<b>Total net assets</b>	<b>121</b>

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

### 5 Business combination (continued)

#### 5.2 ZakaZaka (continued)

Goodwill on the transaction was calculated as the excess of:

(a) the consideration transferred by the Group measured at fair values:

[1] Cash paid	1,027
[2] the acquisition date fair value of the Group's previously held equity interest	120

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Consideration transferred by the Group	1,147
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Over

(b) Financial liabilities at fair value through profit or loss – derivative over the equity of investee	246
(c) the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3R	121

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Goodwill	780
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Goodwill is mainly attributable to expected synergies and cost savings with the Group's food delivery business. Goodwill is not expected to be deductible for income tax purposes. Management is still assessing the allocation of goodwill among cash generating units.

The cash flows on acquisition were as follows:

Cash paid (included in cash flows from investing activities)	1,042
Cash acquired (included in cash flows from investing activities)	(24)

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Net cash flow on acquisition	1,018
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#### 5.3 Am.ru

In May 2017 the Group completed the acquisition of exclusive rights for Am.ru, one of the largest Russian auto classifieds websites, from Rambler&Co for cash consideration of RUR 542. The primary purpose of the acquisition of Am.ru was to establish the Group's solid presence in the auto classifieds and leverage the Group's expertise and resources by achieving substantial synergies with Youla, the Group's online classifieds product.

In accounting for the business combination, the Group has provisionally determined the amounts of Am.ru's net identifiable assets at RUR 392, mainly consisting of software and brand amortisable over 4-10 years and as a result determined the amount of goodwill at RUR 150. The acquisition accounting will be finalised upon completion of the tax planning and valuation of Am.ru's assets and liabilities. Goodwill is mainly attributable to expected synergies with the Group's classifieds business and is not expected to be deductible for income tax purposes. Management is still assessing the allocation of goodwill among cash generating units.

#### 5.4 Inplat

In the third quarter 2017 the Group acquired investments in certain associates for total cash consideration of RUR 640, including acquisition of 17.76% equity stake in Inplat Holding Limited ("Inplat") for cash consideration of RUR 561. The Group's ownership interest in Inplat represents an investment in an associate and accounted for it under the equity method. The Group concluded that it has significant influence over Inplat as the Group has a power to participate in the financial and operating policy decisions through its representation in Inplat's Board of Directors. The acquisition of investments in Inplat was accounted for based on provisional values as the Group, as of the date of authorisation of issue of the interim financial statements, has not completed allocation of purchase price over the fair values of Inplat's identifiable assets and liabilities.

### 6 Other Intangible assets

During the nine months ended September 30, 2017, the Group capitalized software development costs and otherwise acquired intangible assets with a cost of RUR 991 (2016: RUR 3,140).

### 7 Property and equipment

During the nine months ended September 30, 2017, the Group acquired property and equipment with a cost of RUR 2,090 (2016: RUR 1,363).

### 8 Other non-current assets

Other non-current assets consist of the following:

	September 30, 2017	December 31, 2016
Advance under office lease contract	339	1,075
Advances for royalties	1,078	1,012
Other non-current assets	215	178
<b>Total other non-current assets</b>	<b>1,632</b>	<b>2,265</b>

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

### 9 Other current assets

Other current assets consist of the following:

	September 30, 2017	December 31, 2016
Inventory	24	27
VAT receivable	201	111
Other current assets	79	63
<b>Total other current assets</b>	<b>304</b>	<b>201</b>

### 10 Other payables and accrued expenses

Other payables and accrued expenses consist of the following:

	September 30, 2017	December 31, 2016
Payables to personnel	1,632	1,260
Accrued vacations	723	611
Accrued professional consulting expenses	33	101
Payables under lease contract	133	156
Other current payables	141	1,575
<b>Total other payables and accrued expenses</b>	<b>2,662</b>	<b>3,703</b>

The decrease in "Other current payables" was mostly due to the repayment of RUR 1,174 in 2017 representing deferred consideration related to the acquisitions of Pixonic and Delivery Club made in 2016.

### 11 Other revenue, other operating gain and other operating expenses

#### 11.1 Other revenue

Other revenue consists of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Online recruitment services	3	-	3	473
Listing fees	4	15	12	53
Dividend revenue from venture capital investments	-	15	9	28
Food delivery	309	-	932	-
Other	179	85	498	200
<b>Total other revenue</b>	<b>495</b>	<b>115</b>	<b>1,454</b>	<b>754</b>

#### 11.2 Other operating gain

In June 2017 the Group received confirmation from Russian tax authorities that a significant part of the Russian Community IVAS revenues are eligible for exemption from VAT starting from January 1st 2017. As a result the Group recognised the portion of the VAT exemption related to Community IVAS revenues earned in Q1 2017 as "Other operating gain".

#### 11.3 Other operating expenses

The increase in "Other operating expenses" was mostly due to input VAT write-off as a result of VAT exemption related to part of Russian MMO Games and Community IVAS (Note 11.2) and requirements of Russian tax rules.

### 12 Income tax

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Current income tax expense	765	837	2,129	2,781
Deferred income tax benefit	(592)	(330)	(1,111)	(2,038)
<b>Total income tax expense</b>	<b>173</b>	<b>507</b>	<b>1,018</b>	<b>743</b>



# Notes to the Interim Condensed Consolidated Financial Statements (continued)

## 12 Income tax (continued)

The reconciliation between income tax expense and the product of accounting profit multiplied by domestic rates applicable to individual Group entities for the three and nine months ended September 30, 2017 and 2016 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Profit before income tax expense	1,606	996	4,130	12,613
Tax at domestic rates applicable to individual group entities	(151)	(286)	(377)	(1,628)
Non-taxable gain from disposal of subsidiary	-	7	-	1,022
Tax on unremitted earnings	-	-	-	345
Non-taxable foreign exchange and other gains	19	64	34	64
Deferred tax assets reversal	-	-	(507)	-
Non-deductible expenses	(53)	(179)	(245)	(681)
Effect of changes in tax rates	-	-	-	301
Other	12	(113)	77	(166)
<b>Total income tax expense</b>	<b>(173)</b>	<b>(507)</b>	<b>(1,018)</b>	<b>(743)</b>

The Group continued to bring its legal structure in line with the operating structure. As a result of this process, in Q1 2016 the Group reversed approximately RUR 345 of deferred taxes related to unremitted earnings and in Q2 2017 booked a reversal of RUR 507 related to a tax loss carry forward. Starting 2016 certain Group subsidiaries apply some income tax exemptions and related deferred tax assets and liabilities were calculated using applicable tax rates.

## 13 Commitments, contingencies and operating risks

### 13.1 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 a decline in oil prices and sanctions imposed on Russia by a number of countries. 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.

### 13.2 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.

The Group's management believes that its interpretation of the relevant legislation is appropriate and is in accordance with the current industry practice and that the Group's tax, currency and customs positions will be sustained. However, the interpretations of the relevant authorities could differ and the effect of additional taxes, fines and penalties on these consolidated financial statements, if the authorities were successful in enforcing their different interpretations, could be significant.

### 13.3 Legal proceedings

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which have 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 impact on the Group's financial position or operating results.

### 13.4 Competition

The development by domestic and large international internet companies of Russian language versions of the services competing with the services the Group provides could decrease the Group's user base and make it less attractive to advertisers.

Increased competition could result in a reduction in the number of users who buy the Group's IVAS – including games – which, in turn, would result in lower revenue and net income. Similarly, the Group may be required to spend additional resources to promote or improve its services in order to compete effectively, which could require additional capital or adversely affect the Group's profitability.

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

### 13 Commitments, contingencies and operating risks (continued)

#### 13.5 Private information

To become registered on websites 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 litigations from its users. Management believes it takes all necessary steps to reduce the related risk to an acceptable level.

#### 13.6 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, which could have a material effect on its business, results of operations and financial condition. The Group and its associates have been subject to such proceedings in the past. Although none of them was individually significant, similar potential claims may potentially subject the Group to significant losses in the future, which currently cannot be reliably estimated.

#### 13.7 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 services and, in turn, could affect advertising revenue. An inability to develop 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.

#### 13.8 Regulation

New laws and regulations, or new interpretations of existing laws and regulations, could require the Group to invest in restructuring certain services or could lead to a reduction in their take-up by users, with a resulting effect on revenue and profitability.

The Group complies with the laws in all material aspects.

#### 13.9 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.

#### 13.10 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.

### 14 Balances and transactions with related parties

The following table provides the total amount of transactions which were entered into with related parties during the three month and the nine month periods, all ending September 30, 2017 and September 30, 2016 as well as balances with related parties as of September 30, 2017 and December 31, 2016, excluding directors and key management of the Group (see below).

	Three months ended September 30,		Nine months ended September 30,		Amounts owed by related parties	Amounts owed to related parties
	Sales to related parties	Purchases from related parties	Sales to related parties	Purchases from related parties		
<b>2017</b>						
Equity accounted associates	30	–	88	–	36	46
Other entities	33	4	33	5	16	–
<b>2016</b>						
Equity accounted associates	36	–	103	15	64	2
Other entities	–	3	1	10	–	2

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

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

### 14 Balances and transactions with related parties (continued)

#### 14.1 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 94 for the nine months ended September 30, 2017 (2016: RUR 102). No options over the shares of the Company were granted to Directors for the nine months ended September 30, 2017 (2016: nil). During the nine months ended September 30, 2017, Directors did not forfeit any options (2016: nil), exercised an aggregate of 3,950,000 RSUs and options over shares of the Company (2016: nil). This includes 1,100,000 RSUs held by Directors of the Company accelerated in 2017. The corresponding share-based payment expense was RUR 777 for the nine months ended September 30, 2017 (2016: a negative RUR 64).

#### 14.2 Key management of the Group

Total cash remuneration of the key management of the Group (excluding Directors) amounted to RUR 441 for the nine months ended September 30, 2017 (2016: RUR 435). In the nine months ended September 30, 2017, key executive employees of the Group (excluding Directors) were granted 50,000 RSUs over shares of the Company (2016: nil). During the nine months ended September 30, 2017, key management of the Group (excluding Directors) did not forfeit any RSUs or options (2016: nil) and exercised 1,455,865 RSUs and options (2016: 292,500). The corresponding share-based payment expense amounted to RUR 345 for the nine months ended September 30, 2017 (2016: RUR 1,454).

#### 14.3 The ultimate controlling party

USM Holdings Ltd. ("USM") is the ultimate controlling party of the Group through USM's subsidiary MegaFon Public Joint Stock Company, which became the controlling shareholder of the Group in February 2017.

### 15 Financial instruments

The carrying amounts of the Group's financial instruments approximated their fair values as of September 30, 2017 and December 31, 2016 and are presented by category of financial instruments in the table below:

	Category*	September 30, 2017	December 31, 2016
<b>Financial assets</b>			
Financial investments in equity	FAFVPL	264	322
Financial derivatives under lease and hosting contracts	FAFVPL	238	164
Derivative financial assets over the equity of investee	FAFVPL	44	22
Trade accounts receivable	LR	4,978	5,089
Loans and interest receivable	LR	95	31
Cash and cash equivalents	LR	9,718	5,513
<b>Total financial assets</b>		<b>15,337</b>	<b>11,141</b>
Current		14,979	10,725
Non-current		358	416
<b>Total derivative financial assets</b>		<b>282</b>	<b>186</b>
Current		239	105
Non-current		43	81
<b>Financial liabilities</b>			
Short-term interest-bearing loans	FLAC	-	122
Financial liabilities at fair value through profit or loss - derivative over the equity of investee	FLFVPL	-	234
Trade accounts payable	FLAC	4,346	4,064
<b>Total financial liabilities</b>		<b>4,346</b>	<b>4,420</b>
Current		4,177	3,672
Non-current		169	748

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

- FAFVPL – financial assets at fair value through profit or loss;
- LR – loans and receivables;
- FLFVPL – financial liabilities at fair value through profit or loss; or
- FLAC – financial liabilities at amortised cost.

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

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

### 15 Financial instruments (continued)

#### 15.1 Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments based on the observability of the inputs used in measuring fair value:

- 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 September 30, 2017 and December 31, 2016 the Group held the following financial instruments measured at fair value:

	September 30, 2017	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>				
<i>Financial assets at fair value through profit or loss</i>				
Financial investments in equity	264	–	–	264
Financial derivatives under lease and hosting contracts	238	–	–	238
Derivative financial assets over the equity of subsidiary	44	–	–	44
<b>Total financial assets measured at fair value</b>	<b>546</b>	<b>–</b>	<b>–</b>	<b>546</b>

	December 31, 2016	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>				
<i>Financial assets at fair value through profit or loss</i>				
Financial investments in equity	322	–	–	322
Financial derivatives under lease and hosting contracts	164	–	–	164
Derivative financial assets over the equity of subsidiary	22	–	–	22
<b>Total financial assets measured at fair value</b>	<b>508</b>	<b>–</b>	<b>–</b>	<b>508</b>

<b>Financial liabilities measured at fair value</b>				
Financial liabilities at fair value through profit or loss – derivative over the equity of investee	(234)	–	–	(234)
<b>Total financial liabilities measured at fair value</b>	<b>(234)</b>	<b>–</b>	<b>–</b>	<b>(234)</b>

The balance of Level 3 measurements as of January 1, 2017 is reconciled to the balance of those measurements as of September 30, 2017 as follows:

	Balance as of January 1, 2017	Gains/(losses) recognized in profit and loss	Purchases/Settlement	Acquisition of control in investees	Balance as of September 30, 2017
<b>Financial assets measured at fair value</b>					
<i>Financial assets at fair value through profit or loss</i>					
Financial investments in equity	322	(27)	89	(120)	264
Derivative financial assets over the equity of investee	22	22	–	–	44
Financial derivatives under lease and hosting contracts	164	74	–	–	238
<b>Total financial assets at fair value through profit or loss</b>	<b>508</b>	<b>69</b>	<b>89</b>	<b>(120)</b>	<b>546</b>
Financial liabilities at fair value through profit or loss – derivative over the equity of investee	(234)	(56)	44	246	–
Financial liabilities at fair value through profit or loss – derivative over other agreements	–	(60)	60	–	–
<b>Total financial liabilities measured at fair value</b>	<b>(234)</b>	<b>(116)</b>	<b>104</b>	<b>246</b>	<b>–</b>

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

### 15 Financial instruments (continued)

#### 15.1 Fair value hierarchy (continued)

The balance of Level 3 measurements as of January 1, 2016 is reconciled to the balance of those measurements as of September 30, 2016 as follows:

	Balance as of January 1, 2016	Gains/(losses) recognized in profit and loss	Purchases	Sales	Acquired through business combination (Note 6)	Balance as of September 30, 2016
<b>Financial assets measured at fair value</b>						
<i>Financial assets at fair value through profit or loss</i>						
Financial investments in associates	963	(768)	48	(14)	–	229
Derivative financial assets over the equity of investee	–	–	–	–	22	22
Financial derivatives under lease and hosting contracts	280	11	–	–	–	291
<b>Total financial assets at fair value through profit or loss</b>	<b>1,243</b>	<b>(757)</b>	<b>48</b>	<b>(14)</b>	<b>22</b>	<b>542</b>

### 16 Events after the reporting period

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