



Press Release

March 21, 2024

VK IPJSC (MOEX: VKCO, hereinafter referred to as "VK" or "the Company") releases audited results under IFRS and segment financial information for FY 2023.

VK HIGHLIGHTS FOR 2023

VK Key Financial Results for FY 2023

+36%

Revenue growth

+40%

Online advertising growth

+42%

SME revenue growth

VK revenue for 2023 increased 36% YoY to reach RUB 132.8 bn:

- The main contributor to growth was online advertising revenue, which increased by 40% YoY to RUB 79.7 bn.
- Revenue from online advertising of small and medium enterprises grew by 42%, while revenue from ad integrations in original content, partner and blogger shows grew 2.5-fold.
- Revenue in the EdTech and VK Tech segments grew by 42% and 68% YoY, respectively.

VK revenue for Q4 2023 increased by 34% YoY to reach RUB 42.5 bn.

VK Key Audience Indicators for 2023¹

76 mn

+13% YoY

DAU

3.4 bn

+6% YoY

Minutes per day
Time spent

>95%

Monthly audience reach
within the Russian internet
segment

VK expanded platform audiences and increased user engagement rates:

- In 2023, the average daily audience (DAU) of VK services increased **by 13%** compared to 2022, reaching 76 mn users¹, while in Q4 2023 the average daily audience of VK services grew by 6% YoY to 78 mn users².
- On average, in 2023 users spent **6%** more time in VK services compared to the previous year. The time spent metric amounted to 3.4 bn minutes per day¹ on average. In Q4 2023, users spent an average of 3.5 bn minutes per day in VK services, which is 3% more than in the same period of 2022².

¹ Source: Mediascope 2023, Russia 0+, age 12+, desktop and mobile. The calculation of audience metrics for Dzen was adjusted in December 2023.

² Source: Mediascope Q4 2023, Russia 0+, age 12+, desktop and mobile. The calculation of audience metrics for Dzen was adjusted in Q4 2023.

VK Adjusted EBITDA in 2023 reached RUB 495 mn.

In 2023, VK invested in product development, content creation and promotion, talent recruitment, technical equipment, and implementation of advanced technologies. The investments contributed to the growth of audience metrics, accelerated development of services and form the foundation for strengthening the holding's leadership in strategic business areas.

VKontakte, Odnoklassniki and Dzen released more than 300 product and tech updates:

- Launched global updates of key elements of user interface: newsfeeds and home pages.
- Improved recommendation algorithms for in-depth audience engagement.
- Launched VK Video as a standalone mobile app with more than 5 mn users downloading it from September to December 2023.
- Expanded functions when working with videos and photos across all VK platforms.
- Updated partner programs, creator profiles and monetization instruments.

VK social networks and content services expanded cooperation with authors, content creators, bloggers, and opinion leaders:

- VK platforms released more than 1,500 exclusive shows and projects, including sports streams, science & education programs, music and travel shows.
- Vertical video platform VK Clips topped popularity ratings in Russia according to Mediascope, with more than 30.5 mn viewers watching videos on it daily.
- VKontakte strengthened its position as Russia's leading social network in terms of content volumes and active creators, with the number of new communities on the social network increasing by 20% YoY in Q4 2023.

VK invested in team development:

- The number of VK employees rose by 33% to 15,000 from January to December 2023. The share of IT specialists and product developers increased to 63%.
- The holding boosted cooperation with 30 Russian universities and schools.
- VK launched internships and scholarships for IT specialists.
- VK has become a top-3 Russian technology company on the list of the most attractive employers for developers and young people, according to a survey by ECOPSY, HABR and FutureToday.

The Company accumulated reserves of network and server hardware:

- VK proceeded with building its own data centers to scale up, as well as to improve security and fault tolerance of its infrastructure.
- The company implemented a series of technical upgrades and programs to boost information security and protect the personal data of its users.

VK invested in projects with non-ad-based monetization:

- VK consolidated Russia's largest educational platform Uchi.ru and Tetrika online school taking the lead in vocational education and education for children³.
- VK launched Russia's first digital college based on Skillbox and Akademika platform, offering programs from the country's leading universities and industry partners.
- VK Tech became the fastest-growing segment with the revenue growth of 68% YoY in 2023.
- VK's non-ad-based revenue increased by 30% in 2023.

Investment in 2023 was aimed at developing technologies and products to ensure future operating efficiency, sustainability, and business growth.

³ Source: Smart Ranking data.

RESULTS OF OPERATING SEGMENTS FOR 2023

Segment performance for 2023

RUB bn, unless otherwise stated	Social platforms and media content	EdTech	VK Tech	Ecosystem services and other business lines	Elimination of intragroup transactions and non-allocated costs	Group
Revenue	84.6	15.9	9.7	23.0	(0.4)	132.8
<i>YoY</i>	<i>35.3%</i>	<i>41.7%</i>	<i>67.5%</i>	<i>21.2%</i>	-	<i>35.8%</i>
Operating expenses	(77.1)	(15.7)	(7.0)	(26.5)	(7.0)	(133.4)
Share-based payments	-	-	-	-	1.1	1.1
Adjusted EBITDA	7.5	0.2	2.6	(3.5)	(6.3)	0.5
<i>EBITDA margin</i>	<i>8.9%</i>	<i>1.1%</i>	<i>27.2%</i>	-	-	<i>0.4%</i>

- VK has aligned its segment financial information with its updated organizational structure starting from Q4 2023 to reflect the significant transformation of the business.
- The Social networks and content services segment was reorganized into Social platforms and media content due to VK's increased focus on media and content projects. The segment's revenue increased by 35.3% to RUB 84.6 bn in 2023. In the reporting period, the segment's EBITDA margin amounted to 8.9%. The main drivers of the segment's revenue growth were:
 - Growth of the VKontakte social network. In 2023, VKontakte's average daily audience (DAU) in Russia grew by 10% to 54.1 mn users compared to 2022. In 2023, the average monthly audience (MAU) in Russia grew by 11% to 84.7 mn users compared to 2022⁴. Audience and engagement growth led to a 23% increase in VKontakte's revenue in 2023.
 - Acquisition of the Dzen platform in September 2022. Dzen's average daily audience for 2023 was 31.9 mn users⁵.
- The EdTech segment showed revenue growth of 41.7% to RUB 15.9 bn in 2023. The segment's revenue growth was driven by strong demand for courses at educational platforms Skillbox Holding Limited and Uchi.ru, as well as the consolidation of the Uchi.ru online platform for schoolchildren from February 17, 2023 and Tetrika from September 1, 2023.
- The VK Tech segment saw revenue growth of 67.5% to RUB 9.7 bn in 2023. The main growth drivers of the segment were cloud services of the VK Cloud platform and VK WorkSpace communication solutions. The segment's EBITDA margin increased by 7.1 p.p. YoY to 27.2% in 2023.
- The New business lines segment was reorganized into Ecosystem services and other business lines and includes, among others, Mail.ru Mail and Cloud services. The segment's revenue grew by 21.2% to RUB 23 bn in 2023, driven by a 45%YoY increase in Mail.ru Mail and Cloud revenue. The segment also includes VK Play gaming platform, RuStore application store, voice technologies and smart devices. The segment is in an active investment phase.

Co-developed with Russia's largest technology companies, RuStore became the undisputed leader among Russian mobile app stores in terms of audience and ranked second in the Russian market of app stores for Android. RuStore saw its monthly audience reach 26 mn people by the end of 2023⁶.


⁴ Source: internal company data, unless otherwise stated.


⁵ Audience of dzen.ru and mobile apps. Source: Mediascope Cross Web, March-December 2023, Russia 0+, age 12+, desktop and mobile devices. Dzen audience data for 2023 was calculated based on March-December 2023 data due to changes in calculation methodology since March 2023. The calculation of audience metrics for Dzen was also adjusted in Q4 2023.


⁶ Source: Mediascope Cross Web, December 2023, Russia, age 12+, desktop and mobile devices, Android-only approach.

SOCIAL PLATFORMS AND MEDIA CONTENT SEGMENT

Audience performance of key segment assets in Q4 2023, Russia


87.7 mn
 VKontakte, MAU


35 mn
 Odnoklassniki, MAU


32.3 mn
 Dzen, DAU
Social platforms and media content segment performance

RUB bn, unless otherwise stated	FY 2022	FY 2023	YoY
Revenue	62.5	84.6	35.3%
Operating costs	(40.2)	(77.1)	91.5%
Adjusted EBITDA	22.3	7.5	(66.3%)
<i>EBITDA margin</i>	<i>35.6%</i>	<i>8.9%</i>	<i>(26.8 p.p.)</i>

Main projects: VKontakte, Odnoklassniki, Dzen, VK Music, VK Clips, VK Video, VK Messenger

The Social platforms and media content segment's revenue for 2023 increased by 35.3% YoY to RUB 84.6 bn. The main driver of growth was the increase in online advertising revenue. Revenue growth of the largest asset, the VKontakte social network, amounted to 23%. The segment's revenue includes revenue from the Dzen and News projects. The segment's active product development aimed at boosting audience and engagement growth led to higher spending on attracting authors, content creation, marketing, and personnel. The segment's adjusted EBITDA amounted to RUB 7.5 bn in 2023.

- In Q4 2023, **VKontakte's** average monthly audience in Russia grew by 10% YoY to 87.7 mn users. The average daily audience in Russia increased by 10% to 56.1 mn users compared to Q4 2022⁷. In Q4 2023, VKontakte's average monthly reach was to 87% of the Russian internet audience, with the daily reach amounting to 54% of the Russian internet audience⁸.
- In Q4 2023, the average monthly audience of **Odnoklassniki (OK)** in Russia amounted to 35 mn users. In Q4 2023, OK's audience continued to demonstrate high engagement on the platform. Users sent 10.8 bn virtual gifts, up by 30% YoY, 686 mn postcards, up by 12% YoY, and 480 mn stickers.

In Q4 2023, OK continued to work intensively on improving the quality of the product and the content of its platform. The social network updated its Hobbies service. The service now features a search for hobby-related content, sharing publications, asking experts in the Questions and Answers section, and finding information in the Knowledge Base. The total number of groups with original content at OK reached 95,000 by the end of Q4 2023, increasing by 35% YoY, while creators' revenues from monetization programs tripled.

- In Q4 2023, **Dzen's** average daily audience reached 32.3 mn users⁹. During Q4 2023, the platform launched automated subtitles for videos, updated the interface of channels for authors, and allowed users to erase their video viewing history on the platform.

⁷ Source: internal company data.

⁸ Data source: Mediascope, Q4 2023, Russia 0+, age 12+, desktop and mobile devices.

⁹ Audience of dzen.ru and mobile apps. Source: Mediascope Cross Web, Q4 2023, Russia 0+, age 12+, desktop and mobile devices. Dzen DAU is indicated as an average value for October–December 2023, taking into account adjustments to the calculation methodology on the Mediascope side.

The number of views and subscribers of content services in Q4 2023

 **2.3 bn**
+18% YoY

VK Video, views
(sans VK Clips)

 **1.2 bn**
+47% YoY

VK Clips, views

 **43 mn**

VK Music, global MAU

- In Q4 2023, the average daily number of views of **VK Video** reached 2.3 bn, which is 18% higher than in the same period the previous year. Since its official launch in September 2023, VK Video app was installed on mobile devices and Android TV 4.8 mn times. In December 2023, the total time that viewers spent watching VK Video increased by 38% compared to December 2022. Viewers of the Smart TV app had the longest viewing time of an average of 125 minutes per day. VK Video became one of the main platforms for native advertising in content: since the launch of the standalone app in September 2023, the volume of native business integrations in blogger content and original shows amounted to over RUB 1 bn.
- In Q4 2023, daily views of **VK Clips** increased by 47% YoY to 1.2 bn. Time spent in VK Clips in Q4 2023 increased by 123% compared to Q4 2022, boosted partly by a new recommendation system. The number of published clips increased by 73% and the number of content creators grew by 59% over the same period.
- In Q4 2023, the average monthly global audience of **VK Music** amounted to 43 mn users. Its global subscriber base expanded by 44% YoY as of the end of 2023. In Russia, VK Music's audience amounted to 39 mn users. The service added two new features: Snippets, a separate section where users can quickly select a playlist or track using its highlighted fragment, and Long Tap, a long-press pre-listen to the track's highlighted fragment. With these features, users will be able to find even more music and select and add their favorite tracks faster.
- In Q4 2023, the average monthly audience of **VK Messenger** reached 66.6 mn users. The number of installations of the standalone VK Messenger app reached 25.6 mn by the end of 2023. In Q4 2023, users sent more than 1 bn animated reactions to messages. VK Messenger introduced a possibility to start a conversation with a user by a phone number in Q4 2023.

EDTECH SEGMENT

EdTech segment performance

RUB bn, Unless otherwise stated	FY 2022	FY 2023	YoY
Revenue	11.2	15.9	41.7%
Operating costs	(10.9)	(15.7)	44.2%
Adjusted EBITDA	0.3	0.2	(43.6%)
<i>EBITDA margin</i>	<i>2.8%</i>	<i>1.1%</i>	<i>(1.7 p.p.)</i>

Main projects: Skillbox, GeekBrains, Skillfactory, Lerna, Uchi.ru, Tetrika

The **EdTech** segment's revenue for 2023 increased by 41.7% YoY to RUB 15.9 bn, driven by strong demand for educational platform courses and the consolidation of online platforms for schoolchildren Uchi.ru and Tetrika. The segment maintained positive EBITDA in 2023.

- In Q4 2023, Skillbox Holding Limited's sales of educational products increased by 8% YoY to 56,700, while in 2023 it increased by 3% to 193,000. The average check in Q4 2023 decreased by 4% YoY and amounted to RUB 65,000, driven by increased demand for discount courses and programs. The average check in 2023 increased by 7% YoY and amounted to RUB 67,000.
- The average monthly audience of Uchi.ru for Q4 2023 amounted to 5.2 mn people. In 2023, 14.5 mn students, 6.2 mn parents and 749,000 teachers were active on Uchi.ru services. During the same period, the number of paying students totaled 1.1 mn and grew by 22% YoY. From October to December 2023, the Uchi.ru platform hosted four large-scale Olympiads, including Safe Roads, Science Around Us, Culture Around Us and Safe Internet, with a total of 6.3 mn people participating.

VK TECH SEGMENT

VK Tech segment performance

RUB bn, unless otherwise stated	FY 2022	FY 2023	YoY
Revenue	5.8	9.7	67.5%
Operating costs	(4.6)	(7.0)	52.5%
Adjusted EBITDA	1.2	2.6	127.2%
<i>EBITDA margin</i>	<i>20.1%</i>	<i>27.2%</i>	<i>7.1 p.p.</i>

Main projects: VK Cloud, VK WorkSpace communication services

VK Tech's revenue in 2023 increased by 67.5% YoY to RUB 9.7. In 2023, VK Tech's adjusted EBITDA increased 2.3-fold YoY to RUB 2.6 bn, while the segment's EBITDA margin increased by 7.1 p.p. YoY to 27.2%. The key drivers of the revenue growth were the cloud services of the **VK Cloud** platform with a 75.4% YoY growth, and **VK Workspace** communication solutions with a 68% YoY growth. Revenue from sales of HR services increased 3.1-fold in 2023.

In Q4 2023, revenue from **VK Cloud** services doubled, while revenue from **VK WorkSpace** communication platform services increased by 36% YoY. Sales of **HR Tech** services quadrupled YoY, and sales of **Tarantool** data storage and processing middleware tripled YoY. In Q4 2023, **VK Teams** expanded its video conferencing capabilities.

ECOSYSTEM SERVICES AND OTHER BUSINESS LINES SEGMENT

Ecosystem services and other business lines segment performance

RUB bn, unless otherwise stated	FY 2022	FY 2023	YoY
Revenue	19.0	23.0	21.2%
Operating costs	(20.3)	(26.5)	30.6%
Adjusted EBITDA	(1.3)	(3.5)	165.5%

Main projects: Mail.ru email service, Cloud Mail.ru, Marusia, VK Capsule, VK Play, RuStore, VK Pay

Revenue of the Ecosystem services and other business lines segment amounted to RUB 23 bn in 2023. Adjusted EBITDA loss amounted to RUB 3.5 bn in 2023. The segment includes Mail.ru Mail and Cloud services, as well as products that VK launched in 2022 and continues to actively develop, namely the RuStore application store and VK Play gaming platform. The segment also includes voice technologies and smart devices. The segment is in an active investment phase.

- In Q4 2023, the average monthly audience of the **Mail.ru** email service amounted to 50.5 mn, and its average daily audience was 17.5 mn¹⁰. In Q4 2023, the Mail.ru's revenue increased by 30% YoY to RUB 1.4 bn. In December 2023, a new mobile web version of the Mail.ru email service was launched.

In November 2023, Mail.ru Calendar integrated with the YCLIENTS automation platform, adding an option to automatically create an event via the YCLIENTS online booking or the YPLACES app. Thanks to this integration, users can add a reminder about an upcoming visit to a beauty salon, fitness club or educational classes for children to the Mail.ru Calendar with a single button tap.

- In Q4 2023, the average monthly audience of the **Cloud Mail.ru** service was 21.9 mn and the average daily audience was 2.4 mn¹¹. In Q4 2023, users uploaded about 7.8 bn files to the cloud service.
- As of the end of 2023, **VK Play** had 38.5 mn registered accounts, and the average monthly audience of the project for Q4 2023 amounted to 16.4 mn users. In Q4 2023, VK Play saw the release of several major titles such as Caliber, World of Warships and Xtract. VK Play held large-scale tournaments in Dota 2, CS:GO and Standoff 2 with a total prize fund of RUB 6 mn, and the VK Play Live streaming platform became available on Smart TV devices.
- In Q4 2023, the average monthly audience of **RuStore** amounted to 24 mn users¹². The application store actively expanded its catalog: as of the end of 2023, users had access to more than 32,000 apps and games, a significant part of which were made by foreign developers. In 2023, the store expanded its presence on new devices: it became available on TVs, media centers and e-books. The store introduced new monetization tools for application developers: promotion in categories and the ability to promote in-game events in the featured lists.
- In Q4 2023, the daily audience for **Marusia** voice assistant grew by 18% YoY. VK sold 7% more **smart devices** in Q4 2023 YoY, and 40% YoY more in 2023. VK and Ozon developed their operating system for Hartens smart TVs with built-in Marusia assistant and VK services. The voice assistant's functionality also expanded in Q4 2023. VK smart speakers can now be used as a baby monitor, and Marusia learned to make calls to VK Capsula and VK Capsula Mini smart speakers.

¹⁰ Source: Mediascope Cross Web, Q4 2023, Russia 0+, age 12+, desktop and mobile devices.

¹¹ Source: Mediascope Cross Web, Q4 2023, Russia, age 12+, desktop and mobile devices.

¹² Source: Mediascope Cross Web, Q4 2023, Russia, age 12+, Data is based on Cross Web research implemented using an Android-only approach.

VK KEY CORPORATE EVENTS IN Q4 2023

- On October 19, 2023, Mail.ru Finance LLC (a VK subsidiary) placed ZO25 replacement bonds.
- On December 20, 2023, VK announced the acquisition of a 100% stake in YCLIENTS group of companies, Russia's largest appointment booking and business automation platform in the service sector.

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EBITDA

This release presents Adjusted EBITDA, which is a non-IFRS financial measure. Segment Adjusted EBITDA is calculated as revenue of the respective segment net of operating expenses (excluding depreciation, amortization, impairment of intangible assets and share-based payments), but adjusted for the Group's corporate expenses allocated to the respective segment.

Disclaimer

Investment in securities, including shares, involve substantial risk. Returns from prior periods do not guarantee future returns. References to possible future returns are not promises or even estimates of actual returns an investor may achieve. The information contained herein is for illustrative purposes only and is not to be relied upon as advice or interpreted as an investment consultation or recommendation according any legislation, including Russian legislation.

Investing in securities may be restricted by applicable law, and therefore the investor should carefully independently study the possibilities of investing in the Company's shares, applicable restrictions and tax consequences.

About VK

VK is one of the largest technology companies in Russia by the number of users. Its products help millions of people with their day-to-day needs online. More than 95% of the Russian internet audience use VK services, which enable people to keep in touch, play video games, master new skills, listen to music, watch and create video content, buy and offer goods and services and fulfill wide range of other needs. The company provides a number of solutions for digitizing business processes, from online promotion and predictive analytics to corporate social networks, cloud services and enterprise automation.