

**VK Company Limited**

**Consolidated Financial Statements**

For the year ended December 31, 2022



# Contents

Independent Auditor's Report .....	3
Consolidated Financial Statements	
Consolidated Statement of Financial Position .....	7
Consolidated Statement of Comprehensive Income .....	8
Consolidated Statement of Cash Flows.....	10
Consolidated Statement of Changes in Equity.....	12
Notes to the Consolidated Financial Statements	
1 Corporate information and description of business .....	14
2 Basis of preparation .....	14
3 Summary of significant accounting policies.....	17
4 Significant accounting judgments, estimates and assumptions .....	31
5 Operating segments .....	34
6 Lease contracts .....	36
7 Intangible assets.....	37
8 Goodwill .....	38
9 Property and equipment .....	39
10 Consolidated subsidiaries .....	40
11 Investments in equity accounted associates and joint ventures.....	41
12 Business combinations and disposals.....	43
13 Non-current assets held for sale and discontinued operations.....	48
14 Trade accounts receivable .....	50
15 Cash and cash equivalents and short-term deposits.....	51
16 Other payables and accrued expenses .....	51
17 Share capital .....	52
18 Revenue .....	53
19 Finance expenses.....	53
20 Income tax .....	53
21 EPS.....	55
22 Commitments, contingencies and operating risks .....	55
23 Balances and transactions with related parties .....	58
24 Financial instruments .....	60
25 Personnel expenses .....	64
26 Other operating expenses.....	64
27 Financial risk management objectives and policies.....	64
28 Share-based payments .....	66
29 Events after the reporting period.....	69

## Independent auditor's report

To the shareholders and Board of Directors of  
VK Company Limited

### *Opinion*

We have audited the consolidated financial statements of VK Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Material uncertainty related to going concern*

We draw attention to Note 2.1 "Going concern" in the consolidated financial statements, which indicates that as at December 31, 2022 the Group's current liabilities exceeded its current assets by 19,319 millions of Russian Roubles. As stated in Note 2.1 "Going concern" to the consolidated financial statements, these events or conditions, along with other matters as set forth in Note 2.1 "Going concern", indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matters described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

#### **Key audit matter**

#### **How our audit addressed the key audit matter**

##### ***Annual goodwill impairment analysis***

Under IFRSs, the Group is required to test the amount of goodwill for impairment annually by assessing the recoverable amounts of each cash-generating unit (CGU) or a group of CGU comprising operating segments of the Group, and comparing it with the carrying amount of relevant CGU or groups of CGU. This annual impairment test was a key audit matter because the balance of goodwill of 157,111 millions of Russian Roubles as of December 31, 2022 is material to the consolidated financial statements. In addition, the management's process to assess the recoverable amounts is complex and highly judgmental and is based on assumptions, specifically cash flow projections from financial budgets approved by management. These assumptions are affected by expectations about future market or economic conditions, particularly those expectations related to Russian internet market.

Information about goodwill impairment is disclosed in Note 8 to the consolidated financial statements.

Our audit procedures included, among others, examining the amounts of goodwill allocated to each operating segment, involving our specialists in the evaluation of the significant assumptions and methodologies used by the Group, in particular those relating to the forecasted revenue growth and earnings before interest, taxes, depreciation and amortization (EBITDA) and profit margins for operating segments. In addition, we tested mathematical accuracy of the impairment models and analysed the sensitivity of the recoverable amount to the changes in key assumptions. We also focused on the disclosures in the Group consolidated financial statements about those assumptions to which the outcome of the impairment test is the most sensitive, that is, those that have the most significant effect on determination of the recoverable amount of goodwill.

##### ***Revenue recognition***

We identified two aspects of the Group's revenue recognition as key audit matters:

- 1) The Group's online advertising revenues, community IVAS as well as revenues from other services is a complex automated process. It involves volume discounts and third-party commissions that require judgment in recognizing them as expenses or a reduction in revenue.
- 2) Education technology services revenues involve complex and judgmental calculations of material amounts of deferred revenues over the customers' period of studying, which is determined, based on the program duration or on historical customer activity patterns and studying behavior.

Selecting and applying revenue recognition policies requires management judgment, therefore, this matter was a key audit matter.

Information about revenue is disclosed in Notes 5 and 18 to the consolidated financial statements.

- 1) We tested application and IT-dependent manual controls over revenue recognition process. We examined and tested, on a sample basis, significant standard and non-standard revenue arrangements. We considered revenue recognition policy in respect of specific revenue streams (including various incentives and volume rebates) and relevant disclosures. We tested the Group's reconciliation of the amount of revenues recognized in the accounting systems to the relevant automated IT systems.
- 2) We analysed the calculation of deferred revenue, including the assessment of the program duration or of the historical customer activity patterns and studying behavior.

We involved our IT specialist to assist us with the above-mentioned audit procedures. We reviewed respective disclosures in the consolidated financial statements.

##### ***Other information included in the Annual report 2022***

Other information consists of the information included in the Annual report 2022, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual report 2022 is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

***Responsibilities of management and the Audit, Risk, Compliance and Sustainable Development Committee of the Board of Directors for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit, Risk, Compliance and Sustainable Development Committee of the Board of Directors is responsible for overseeing the Group's financial reporting process.

***Auditor's responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit, Risk, Compliance and Sustainable Development Committee of the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit, Risk, Compliance and Sustainable Development Committee of the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit, Risk, Compliance and Sustainable Development Committee of the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is A.S. Ustimenko.



A.S. Ustimenko,  
acting on behalf of TSATR – Audit Services Limited Liability Company  
on the basis of power of attorney dated April 18, 2022,  
partner in charge of the audit resulting in this independent auditor's report  
(main registration number 21906110496)

March 15, 2023

#### ***Details of the auditor***

Name: TSATR – Audit Services Limited Liability Company  
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.  
TSATR – Audit Services Limited Liability Company is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". TSATR – Audit Services Limited Liability Company is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

#### ***Details of the audited entity***

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

# Consolidated Statement of Financial Position

As of December 31, 2022

(in millions of Russian Roubles)

	Notes	As of December 31, 2022	As of December 31, 2021 (restated) Note 12.6
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in equity accounted associates and joint ventures	11	4,585	48,921
Goodwill	8	157,111	138,414
Right-of-use assets	6	9,519	14,843
Other intangible assets	7	22,249	18,324
Property and equipment	9	39,250	15,798
Financial assets at fair value through profit or loss	24	350	6,903
Deferred income tax assets	20	2,293	5,157
Other financial assets	24	2,158	69
Advance under office lease contracts		437	462
<b>Total non-current assets</b>		<b>237,952</b>	<b>248,891</b>
<b>Current assets</b>			
Trade accounts receivable	14	20,533	20,688
Accounts receivable from the sale of a subsidiary	13.1	43,739	–
Prepaid income tax		262	359
Prepaid expenses and advances to suppliers		1,965	2,353
Loans issued	24	2,982	109
Inventories		226	157
Other current assets	16	4,205	1,445
Cash and cash equivalents	15	48,759	23,737
Assets held for sale	13.3	292	–
<b>Total current assets</b>		<b>122,963</b>	<b>48,848</b>
<b>Total assets</b>		<b>360,915</b>	<b>297,739</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		–	–
Share premium		81,872	79,397
Treasury shares		(1,039)	(1,044)
Retained earnings		86,841	89,985
Foreign currency translation reserve		2,585	1,578
<b>Total equity attributable to equity holders of the parent</b>		<b>170,259</b>	<b>169,916</b>
Non-controlling interests	17.4	(2,147)	346
<b>Total equity</b>		<b>168,112</b>	<b>170,262</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities	20	2,107	1,228
Deferred revenue		793	1,455
Non-current lease liabilities	6	7,292	11,327
Non-current financial liabilities at fair value through profit or loss	24	3,982	879
Long-term interest-bearing loans and bonds	24	35,775	50,810
Other non-current liabilities		572	522
<b>Total non-current liabilities</b>		<b>50,521</b>	<b>66,221</b>
<b>Current liabilities</b>			
Trade accounts payable	24	17,121	14,541
Income tax payable		2,689	3,208
VAT and other taxes payable		5,183	4,391
Deferred revenue and customer advances		8,428	17,794
Short-term portion of long-term interest-bearing loans and bonds	24	88,742	7,078
Current lease liabilities	6	3,216	4,121
Current financial liabilities at fair value through profit or loss	24	4,806	–
Other payables and accrued expenses	16	11,810	10,123
Liabilities directly associated with assets held for sale	13.3	287	–
<b>Total current liabilities</b>		<b>142,282</b>	<b>61,256</b>
<b>Total liabilities</b>		<b>192,803</b>	<b>127,477</b>
<b>Total equity and liabilities</b>		<b>360,915</b>	<b>297,739</b>

# Consolidated Statement of Comprehensive Income

For the year ended December 31, 2022

(in millions of Russian Roubles)

	Notes	2022	2021
<b>Continuing operations</b>			
Online advertising		56,917	44,066
Community IVAS		17,008	17,924
Education technology services		11,190	10,651
Other revenue		12,655	9,341
<b>Total revenue</b>	<b>18</b>	<b>97,770</b>	<b>81,982</b>
Personnel expenses	25	(38,847)	(27,928)
Agent/partner fees		(23,988)	(22,943)
Marketing expenses		(14,018)	(8,903)
Server hosting expenses		(636)	(520)
Professional services		(1,229)	(1,135)
Other operating income		792	570
Other operating expenses	26	(5,055)	(4,879)
<b>Total operating expenses, net</b>		<b>(82,981)</b>	<b>(65,738)</b>
Depreciation and amortisation	6, 7, 9	(18,113)	(16,131)
Impairment of intangible assets	7	(1,052)	(1,714)
Share of loss of equity accounted associates and joint ventures	11	(16,994)	(21,167)
Finance income	24.3	6,561	951
Finance expenses	19	(12,379)	(4,229)
Other non-operating gain/loss	6	187	(182)
Goodwill impairment	8	(9,681)	-
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	24	(10,486)	2,755
Net gain on disposal of subsidiaries	13.2	13	-
Impairment of equity accounted associates and joint ventures	11	(13,973)	(559)
Loss on remeasurement of assets held for sale	13.3	(283)	-
Gain on remeasurement of previously held interest in joint ventures and equity accounted associate	11.2	24,360	305
Loss on remeasurement of financial instruments		(123)	(819)
Expected credit loss allowance on restricted cash		(2,190)	-
Net foreign exchange gain/(loss)		9,867	(1,042)
<b>Loss before income tax expense from continuing operations</b>		<b>(29,497)</b>	<b>(25,588)</b>
Income tax expense	20	(3,149)	(757)
<b>Loss from continuing operations</b>		<b>(32,646)</b>	<b>(26,345)</b>
<b>Discontinued operations</b>			
Profit from discontinued operations	13	28,736	10,648
<b>Net loss</b>		<b>(3,910)</b>	<b>(15,697)</b>
<b>Other comprehensive income</b>			
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>			
Effect of translation to presentation currency of Group's joint ventures		1,002	132
Exchange difference on translation of foreign operations		(26)	251
<b>Total other comprehensive loss that may be reclassified to profit or loss in subsequent periods</b>		<b>976</b>	<b>383</b>
<b>Total other comprehensive loss net of tax effect of 0</b>		<b>976</b>	<b>383</b>
<b>Total comprehensive loss, net of tax</b>		<b>(2,934)</b>	<b>(15,314)</b>



## Consolidated Statement of Comprehensive Income (continued)

	Notes	2022	2021
<b>Net loss, attributable to:</b>			
Equity holders of the parent		(3,144)	(15,493)
Non-controlling interests		(766)	(204)
<b>Total comprehensive loss, net of tax, attributable to:</b>			
Equity holders of the parent		(2,168)	(15,110)
Non-controlling interests		(766)	(204)
<b>Loss per share, in RUB:</b>			
Basic loss per share attributable to ordinary equity holders of the parent		(14)	(69)
Diluted earnings per share attributable to ordinary equity holders of the parent		n/a	n/a
<b>Loss per share from continuing operations, in RUB:</b>			
Basic loss per share attributable to ordinary equity holders of the parent		(116)	(115)
Diluted earnings per share attributable to ordinary equity holders of the parent		n/a	n/a
<b>Profit per share from discontinued operations, in RUB:</b>			
Basic profit per share attributable to ordinary equity holders of the parent		102	47
Diluted earnings per share attributable to ordinary equity holders of the parent		100	45

# Consolidated Statement of Cash Flows

For the year ended December 31, 2022

(in millions of Russian Roubles)

	Notes	2022	2021
<b>Cash flows from operating activities</b>			
Loss before income tax from continuing operations		(29,497)	(25,588)
Profit before income tax from discontinued operations		27,858	10,962
<b>Loss before income tax</b>		<b>(1,639)</b>	<b>(14,626)</b>
<i>Adjustments to reconcile loss before income tax to cash flows</i>			
Depreciation and amortisation	6, 7, 9	20,074	18,371
Impairment of intangible assets	7	1,052	1,714
Share of loss of equity accounted associates and joint ventures	11	16,994	21,167
Finance income		(6,668)	(969)
Finance expenses	19	12,388	4,253
Expected credit loss allowance on trade receivables	14, 26	89	418
Expected credit loss allowance on restricted cash		2,911	–
Goodwill impairment	8	9,681	–
Net loss/(gain) on financial assets and liabilities at fair value through profit or loss	24	11,067	(2,700)
Net gain on disposal of subsidiaries	13	(27,143)	–
Impairment of equity accounted associates and joint ventures	11	13,973	559
Loss on remeasurement of assets held for sale		283	–
Gain on remeasurement of previously held interest in equity accounted associates	11.2	(24,360)	(305)
Loss on remeasurement of financial instruments		420	843
Net foreign exchange (gain)/loss		(9,391)	943
Cash settled and equity settled share-based payments	28	2,480	2,091
Other non-cash items		(82)	227
<i>Change in operating assets and liabilities</i>			
Increase in accounts receivable		(5,792)	(3,912)
Increase in prepaid expenses and advances to suppliers		(3,462)	(1,512)
Increase in inventories and other assets		(2,863)	(960)
Increase in accounts payable and accrued expense		9,604	5,700
Decrease in other non-current assets		25	205
(Decrease)/increase in deferred revenue and customer advances		(285)	86
Increase in financial assets at fair value through profit or loss		(570)	(5,129)
<b>Operating cash flows before interest and income taxes</b>		<b>18,786</b>	<b>26,464</b>
Interest received		724	393
Interest paid	6, 24.3	(4,969)	(2,977)
Income tax paid	20	(1,992)	(2,968)
<b>Net cash provided by operating activities</b>		<b>12,549</b>	<b>20,912</b>
<b>Cash flows from investing activities</b>			
Cash paid for property and equipment from continuing operations	9	(14,143)	(8,640)
Cash paid for intangible assets from continuing operations	7	(6,189)	(4,017)
Cash paid for property and equipment from discontinued operations		(126)	(127)
Cash paid for intangible assets from discontinued operations		(2,132)	(2,329)
Dividends received from equity accounted associates	11	76	891
Loans issued		(8,713)	(15,959)
Loans collected		165	348
Cash paid for acquisitions of subsidiaries, net of cash acquired	12	3,302	(3,503)
Cash outflow from sale of subsidiary	13	(1,743)	–
Cash paid for investments in equity accounted associates and joint ventures	11	(2,834)	(11,767)
<b>Net cash used in investing activities</b>		<b>(32,337)</b>	<b>(45,103)</b>

## Consolidated Statement of Cash Flows (continued)

	Notes	2022	2021
<b>Cash flows from financing activities</b>			
Payment of lease liabilities	6	(4,628)	(3,783)
Loans received	24.3	82,226	21
Loans repaid	24.3	(30,198)	(3,718)
Proceeds from bonds issued		–	15,000
Cash received from disposal of non-controlling interests in subsidiaries		–	1,486
Cash paid for non-controlling interests in subsidiaries		–	(20)
Dividends paid by subsidiaries to non-controlling shareholders		(86)	(215)
<b>Net cash provided by financing activities</b>		<b>47,314</b>	<b>8,771</b>
<b>Net decrease in cash and cash equivalents</b>			
Effect of exchange differences on cash balances		(664)	(140)
Change in expected credit loss allowance on restricted cash		(1,679)	–
Change in cash related to asset held for sale		(161)	–
Cash and cash equivalents at the beginning of the period		23,737	39,297
<b>Cash and cash equivalents at the end of the period</b>		<b>48,759</b>	<b>23,737</b>

## Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

(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, 2021	225,474,333	–	77,101	(1,071)	103,103	1,195	180,328	1,663	181,991
Loss for the year	–	–	–	–	(15,493)	–	(15,493)	(204)	(15,697)
<i>Other comprehensive income</i>									
Foreign currency translation	–	–	–	–	–	383	383	–	383
<i>Total other comprehensive loss</i>	–	–	–	–	–	383	383	–	383
<i>Total comprehensive loss</i>	–	–	–	–	(15,493)	383	(15,110)	(204)	(15,314)
Share-based payment transactions	–	–	2,323	–	–	–	2,323	–	2,323
Exercise of PSUs/RSUs and options over the shares of the Company	656,374	–	(27)	27	–	–	–	–	–
Dividends by subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	(215)	(215)
Non-controlling interests arising from business combinations	–	–	–	–	–	–	–	11	11
Acquisitions of non-controlling interests	–	–	–	–	–	–	–	(20)	(20)
Disposal of non-controlling interests*	–	–	–	–	2,375	–	2,375	(889)	1,486
Balance at December 31, 2021	226,130,707	–	79,397	(1,044)	89,985	1,578	169,916	346	170,262

\* In July 2021, the Group sold a 49% stake in its subsidiary GeekBrains for a total cash consideration of RUB 655. As a result of the transaction, the Group's effective share in GeekBrains was reduced to 51%. The Group retained control of GeekBrains.

\* In October 2021, the Group sold a 5.705% stake in its subsidiary Skillbox Holding for a total cash consideration of RUB 831. As a result of the transaction, the Group's effective share in Skillbox Holding was reduced to 57.54%. The Group retained control of Skillbox Holding.

## Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

(in millions of Russian Roubles)

	Share capital								
	Number of shares issued and outstanding	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, 2022	226,130,707	–	79,397	(1,044)	89,985	1,578	169,916	346	170,262
Loss for the year	–	–	–	–	(3,144)	–	(3,144)	(766)	(3,910)
<i>Other comprehensive income</i>									
Foreign currency translation	–	–	–	–	–	976	976	–	976
<i>Total other comprehensive loss</i>	–	–	–	–	–	976	976	–	976
<i>Total comprehensive loss</i>	–	–	–	–	(3,144)	976	(2,168)	(766)	(2,934)
Share-based payment transactions (Note 25)	–	–	3,080	–	–	–	3,080	–	3,080
Exercise of PSUs/RSUs and options over the shares of the Company	20,000	–	(5)	5	–	–	–	–	–
Dividends by subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	(86)	(86)
Modification of PSU/RSU programmes (Note 25)	–	–	(600)	–	–	–	(600)	–	(600)
Acquisitions of non-controlling interests	–	–	–	–	–	–	–	22	22
Disposal of non-controlling interests (Note 13)	–	–	–	–	–	31	31	(1,663)	(1,632)
Balance at December 31, 2022	226,150,707	–	81,872	(1,039)	86,841	2,585	170,259	(2,147)	168,112

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(in millions of Russian Roubles)

## 1 Corporate information and description of business

These consolidated financial statements of VK Company Limited (hereinafter "the Company") and its subsidiaries (collectively – "the Group" or "VK") for the year ended December 31, 2022 were authorised for issue by the directors of the Company on March 15, 2023.

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

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

The parent of the Company is MF Technologies. MF Technologies does not have a single controlling shareholder.

Information on the Company's main subsidiaries is disclosed in Note 10.

## 2 Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis, except for financial assets and liabilities designated as at fair value through profit or loss and derivative financial instruments that have been measured at fair value.

### 2.1 Going concern

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

The management has considered all relevant facts, including the Group's liquidity position, events after the reporting date, expected operating results, as well as the amount of debt facilities and other funds available to the Group to assess the Group's ability to operate as a going concern.

#### Operating results and liquidity position

As of December 31, 2022, the Group had cash and cash equivalents of RUB 48,759 equivalent to USD 693 million, of which the equivalent of USD 10 million was held in foreign currency, mainly in USD and EUR.

Notwithstanding the net loss under IFRS for the year ended December 31, 2022 of RUB 3,910 (for the year ended December 31, 2021: RUB 15,697) and negative working capital (current liabilities exceeding current assets) as of December 31, 2022 of RUB 19,319 (December 31, 2021: negative RUB 12,408), the Group generates positive cash flows from operating activities: cash provided by operating activities for the year ended December 31, 2022 were RUB 12,549 (for the year ended December 31, 2021: RUB 20,912).

#### Credit resources and other cash

On March 3, 2022 trading of VK's GDRs on the London Stock Exchange ("LSE") was suspended by the LSE, and remains suspended as of the date of signing of these consolidated financial statements.

The Group initiated discussions with bondholders aimed at finding mutually acceptable solutions for both the Group and bondholders, pursuant to which since July 2022 to December 31, 2022 the Group has purchased about 66% of the Bonds at a discount to par, details of which are set out in Note 24.3.

The Group has entered into credit facilities with one of the related party banks with a maturity period of 2024-2029 to finance the repurchase of bonds from holders and to finance the operating and investment activities of the Company. See Note 24.3 for details. The Group breached the loan covenants in 2022.

In accordance with IAS 1 *Presentation of Financial Statements* as of December 31, 2022, the remaining liabilities related to these Bonds (34%) in the amount of RUB 9,841 and loans from a related party were included in short-term liabilities in the consolidated statement of financial position.

The Group's management considers that it will be able to refinance its liabilities to continue operating as a going concern.

Approval of the alternatives proposed by the Group and availability of external financing for (i) settle payments due as a result of the exercise if the proposals are not approved by the bondholders and (ii) refinance short-term portion of loans represent a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

### 2.2 Presentation of comparative information

Certain comparative figures have been reclassified and/or regrouped to conform to the current presentation. This does not have an impact on the reported amounts of net loss for the reporting periods.

# Notes to the Consolidated Financial Statements (continued)

## 2 Basis of preparation (continued)

### 2.3 Statement of compliance

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS").

The Group maintains its accounting records and prepares its statutory accounting reports in accordance with domestic accounting legislation and instructions for each of its subsidiaries. These consolidated financial statements are based on the underlying accounting records, appropriately adjusted and reclassified for fair presentation in accordance with the standards and interpretations issued by the International Accounting Standards Board ("IASB"). IFRS adjustments include and affect such major areas as consolidation, revenue recognition, accruals, deferred taxation, fair value adjustments, business combinations, impairment, share-based payments etc.

### 2.4 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, 2021, except for the adoption of new and amended IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations effective as of January 1, 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In 2022, the Group first applied the following amendments, but they had no impact on its consolidated financial statements.

#### *Amendments to IAS 37 Onerous Contracts – Costs of Fulfilling a Contract*

An onerous contract is a contract under which the unavoidable cost of meeting the obligations under the contract exceeds the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

This amendment had no impact on the Group's consolidated financial statements.

#### *Amendments to IFRS 3 Reference to the Conceptual Framework*

The amendments replace a reference to a previous version of the IASB's *Conceptual Framework* with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Leases*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the *Conceptual Framework*, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

#### *Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use*

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

#### *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

# Notes to the Consolidated Financial Statements (continued)

## 2 Basis of preparation (continued)

### 2.4 Application of new and amended IFRS and IFRIC (continued)

#### *Amendments to IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. IAS 39 *Financial Instruments: Recognition and Measurement* does not include a similar amendment.

This amendment had no impact on the Group's consolidated financial statements, as there were no modifications to the Group's financial instruments during the period under review.

#### *Amendments to IAS 41 Agriculture – Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the consolidated financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

### 2.5 Standards issued but not yet effective

#### *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Disclosure of Accounting Policies*

In February 2021 the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments will be effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted.

The amendments are not expected to have a material impact on the Group.

#### *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*

In February 2021 the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

#### *Amendments to IAS 12 Income Taxes*

In May 2021, the IASB issued amendments to IAS 12 *Income Taxes*, named *Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction*. The amendments clarify that initial recognition exception under IAS 12 does not apply to such transactions as recognition of leases and decommissioning obligations. The amendments are effective on or after January 1, 2023. The Group is currently assessing the potential impact.

#### *IFRS 17 Insurance Contracts*

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. In addition, IASB issued Amendments to IFRS 17 *Insurance Contracts: Initial Application of IFRS 17* and IFRS 9 *Comparative Information* on December 9, 2021.

These standard and amendments are not applicable to the Group.



# Notes to the Consolidated Financial Statements (continued)

## 2 Basis of preparation (continued)

### 2.5 Standards issued but not yet effective (continued)

#### *Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback*

On September 22, 2022, the Board issued *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16). The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, that qualifies for the transfer of control of an asset in IFRS 15 *Revenue from Contracts with Customers*.

In applying this amendments, the sellerlessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by IFRS 16.

The IASB noted that organizations should use IFRS (IAS) 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to develop accounting policies to determine the approach to assessing lease payments for such transactions.

The IASB has updated the illustrative examples to IFRS 16 *Leases* in terms of sale and leaseback transactions, adding to them an example of a leaseback agreement with fully variable payments. The example considers two approaches to determining lease payments for a sale with a leaseback transaction for subsequent accounting of a leaseback agreement: an approach based on expected lease payments at the start date of the leaseback period and an approach based on equal payments for the lease term. In both approaches, the difference between the actual payments for a specific period and the payments originally included in the lease liability is recognized in profit or loss.

The amendments are not expected to have a material impact on the Group's financial statements.

#### *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- If an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. That a right to defer must exist at the end of the reporting period;
- The right to defer settlement of the liabilities must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- Clarified the concept of "settlement of a liability" when it is settled by transferring own equity instruments.

In June 2022, the IASB decided to finalize the proposed amendments to IAS 1 published in the preliminary draft "Non-current liabilities with covenants" with some modifications ("Amendments 2022").

This draft proposes the following main amendments:

- The classification of a liability as current or non-current is affected by an analysis of the covenants that the company must comply on or before the reporting date;
- A company should disclose separately information about non-current liabilities covenants in the notes to the financial statements.
- It is necessary to disclose information sufficient for the user to understand the risks associated with the possible requirement of creditors for the repayment by the enterprise of the non-current liabilities specified in paragraph above, within twelve months after the reporting date.

The Group is currently assessing the potential impact the amendments.

## 3 Summary of significant accounting policies

### 3.1 Principles of consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2022 and for the year then ended.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

## Notes to the Consolidated Financial Statements (continued)

### 3 Summary of significant accounting policies (continued)

#### 3.1 Principles of consolidation (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

#### 3.2 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed and included in operating expenses.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and vested share-based payment awards of the acquiree that are replaced in the business combination.

If control is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

A contingent liability of the acquiree is recognised in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Only components of non-controlling interest constituting a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are measured at their acquisition date fair value.

The Group accounts for a change in the ownership interest of a subsidiary (without loss of control) as a transaction with owners in their capacity as owners. Therefore, such transactions do not give rise to goodwill, nor do they give rise to a gain or loss and are accounted for as an equity transaction.

# Notes to the Consolidated Financial Statements (continued)

## 3 Summary of significant accounting policies (continued)

### 3.2 Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

If the Group reorganises its reporting structure in a way that changes the composition of one or more cash-generating units to which goodwill has been allocated, the goodwill is reallocated to the units affected. The reallocation is performed using a relative value approach similar to that used in connection with the disposal of an operation within a cash-generating unit, unless some other method better reflects the goodwill associated with the reorganised units.

### 3.3 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 3.4 Fair value measurement

The Group measures financial instruments such as derivatives, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

# Notes to the Consolidated Financial Statements (continued)

## 3 Summary of significant accounting policies (continued)

### 3.4 Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements 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.

The Group determines the policies and procedures for both recurring fair value measurement, such as financial derivatives and unquoted financial assets, and for non-recurring measurement, such as assets held for sale in discontinued operations.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

### 3.5 Investments in associates and joint ventures

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of associates and joint ventures. Where there has been a change recognised directly in the equity of the associates or joint ventures, the Group recognises its share of any changes in the investment balance and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate or joint venture.

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

The share of profit and other comprehensive income of equity accounted associates and joint ventures is shown on the face of the consolidated statement of comprehensive income. This is the profit attributable to equity holders of the associates and joint ventures and therefore is profit after tax of the associates and joint ventures and after non-controlling interests in the subsidiaries of the associates or joint ventures. The Group's share of movements in reserves is recognised in equity. However, when the Group's share of accumulated losses in a equity accounted associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate or joint venture.

The financial statements of equity accounted associates and joint ventures are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on the Group's investment in its associates and joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. Determining whether the investment is impaired is based on the guidance of IFRS 9 discussed under 3.15.6.

If there is objective evidence that an associate or joint venture is impaired, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value in accordance with IAS 36 (as discussed under 3.17) and recognises the amount of impairment in earnings under '*Impairment losses related to equity accounted associates or joint ventures*'. If the recoverable amount of the impaired investment subsequently increases, the related impairment is reversed to the extent of such increase.

# Notes to the Consolidated Financial Statements (continued)

## 3 Summary of significant accounting policies (continued)

### 3.5 Investments in associates and joint ventures (continued)

Step acquisitions of significant influence in equity accounted associates previously classified as available-for-sale financial assets are accounted for using a cost-based approach whereby the investment in associate is recognised at the aggregate of (a) the historical cost of the available-for-sale investment and (b) the consideration transferred by the Group upon acquisition of significant influence. Any changes in the fair value of the available-for-sale investment are reversed through other comprehensive income upon acquisition of significant influence. Goodwill is calculated as a difference between (c) the cost of the investment so determined and (d) the Group's share in the fair value of the investee's net assets at the date significant influence is attained.

Upon acquisition of an additional stake in an existing associate where control is not obtained, the fair value of the consideration transferred for the additional stake is allocated to the acquired share of the fair value of associate's assets and liabilities, and the excess is recognised as goodwill as part of the investment in equity accounted associates.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### 3.6 The Group as a lessee

#### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are amortised on a straight-line basis over the shorter of its estimated useful life and the lease term as follows:

Premises	1 to 10 years
Racks in data centers and optic fibre channels	1 to 10 years

Right-of-use assets are tested for impairment.

#### *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### *Leases of low-value assets*

The Group applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### *Accounting for short-term leases*

The Group elects not to apply simplifications for short-term leases and account for them using right-of-use asset model.

### 3.6.1 The Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other operating income in the consolidated statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

# Notes to the Consolidated Financial Statements (continued)

## 3 Summary of significant accounting policies (continued)

### 3.7 Property and equipment

#### 3.7.1 Recognition and measurement

Property and equipment are recorded at purchase or construction cost less accumulated depreciation and accumulated impairment. Interest costs on borrowings to finance the construction of property and equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. Expenditures for continuing repairs and maintenance are charged to earnings as incurred.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are recognised net under '*Other non-operating gain/(loss)*' in the consolidated statement of comprehensive income.

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

#### 3.7.2 Depreciation and useful life

Depreciation is calculated on property and equipment on a straight-line basis from the time the assets are available for use, over their estimated useful lives as follows:

	Estimated useful life (in years)
Servers and computers	2-5
Furniture	7
Buildings	30
Office IT equipment	2-3
Leasehold improvements	Lesser of useful life or life of lease

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted as appropriate, at each financial year-end. The Group classifies advances paid to equipment suppliers as assets under construction in property and equipment in the consolidated statement of financial position.

### 3.8 Intangible assets other than goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

#### 3.8.1 Software development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the consolidated statement of comprehensive income when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Research and development costs that do not meet criteria for capitalisation according to IAS 38 are recognised as an expense in the consolidated statement of comprehensive income during 2022 amounted to RUB 690 (2021: RUB 859).

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

## Notes to the Consolidated Financial Statements (continued)

### 3 Summary of significant accounting policies (continued)

#### 3.8 Intangible assets other than goodwill (continued)

##### 3.8.2 Useful life and amortisation of intangible assets

The Group assesses whether the useful life of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset is regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. The Group did not have any intangible assets with an indefinite useful life in the years ended December 31, 2022 and 2021.

Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The estimated useful lives of the Group's intangible assets are as follows:

	Estimated useful life (in years)
Patents and trademarks	7-20
Capitalised software development costs	3
Domain names	10
Games	3-9
Customer base	3-15
Licenses and produced content	1-5
Purchased software	1-4
Database of authors	11
Platform	9

#### 3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, short-term deposits with an original maturity of three months or less and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. All these items are included as a component of cash and cash equivalents for the purpose of the consolidated statement of financial position and consolidated statement of cash flows.

#### 3.10 Employee benefits

Wages and salaries paid to employees are recognised as expenses in the current period or are capitalised as part of software development costs. The Group also accrues expenses for future vacation payments.

Under provisions of Russian legislation, social contributions are made through social insurance payments calculated by the Group by the application of a 30% rate to the portion of the annual gross remuneration of each employee not exceeding RUB 1.565 and a rate of 15.1% to the portion exceeding this threshold.

A number of subsidiaries applied the IT benefit and benefit of Skolkovo residents during 2022 on insurance premiums. For accredited IT organizations, reduced rates of 7.6% are provided, for Skolkovo resident companies, rates of 14% are provided.

#### 3.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

If the effect of discounting is material, provisions are determined by discounting the expected value of future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.



# Notes to the Consolidated Financial Statements (continued)

## 3 Summary of significant accounting policies (continued)

### 3.12 Revenue recognition

Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Revenues from services are recognised in the period when services are rendered.

#### 3.12.1 Online advertising

Promo posts in social networks, video and banner advertising space for display advertising is sold on a dynamic basis (i.e., a function of time that an advertisement lasts) or a static basis (i.e., according to the number of page views on an advertisement). The Group has standard rates for online advertisements that depend on several factors, including the specific web page on which the banner appears, the length of the contract, the season, and the format, size and position of the advertisement. Display advertising revenue is recognised as the services are provided (i.e., as per page view for dynamic banners and over the contractual term for static banners). For display advertising sold through some third party advertising agencies, revenue generally is recognised net of any portion attributable to the third parties. For arrangements related to display advertising where the Group does not control advertising services before these services are transferred to end customers, and hence, the Group is an agent rather than a principal in these contracts and recognises revenue on net basis.

The Group earns revenues for search context advertising through partnerships with third parties. Once a user carries out a search on certain of the Group's websites, search results and advertisement links are displayed on the webpage based on relevancy to the search topic and other known user parameters. When clicked on by the user, the advertisement links lead to sites owned by the third parties' advertising customers, for which the third party receives a fee, a portion of which it shares with the Group. Context advertising revenue is recognised as the services are provided (i.e., upon "click-through", which is when a user clicks on an advertiser's listing) on a net basis. This type of context advertising revenues is based on reports provided by third parties.

Context advertising also includes mobile monetization revenue related to the placement of target advertising, display advertising and advertising through integration in applications, advertising thought offers on the Group's applications. The revenue from mobile monetization is recognised on a net basis (gross revenue less advertising networks fee)

Context advertising also includes revenue related to the placement of target advertising, display advertising and advertising through integration in applications, advertising thought offers on the Group's websites and in applications, advertising via networks comprising advertising banners placement on third party websites and advertising on the Group's site communities pages. The revenue from advertising in applications, on the web pages of communities and via networks is recognised on a gross basis with costs and commissions paid to third party owners and administrators of websites, applications, platforms and communities recognised in "Agent/partner fees".

#### 3.12.2 Internet value-added services ("IVAS")

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

##### 3.12.2.1 Revenue from MMO games

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

The Group enters into licensing arrangements with overseas licensees to operate the Group's games in other countries and regions. These licensing agreements provide two separate elements, each having commercial substance: the initial non-refundable fees and the usage-based royalty fees. The initial non-refundable payment represents the license of the game and is recognised as license revenue immediately once the games are launched into commercial use by the licensees. Ongoing usage-based royalties determined based on the amount of money charged to the players' accounts or services payable by players in a given country or region to the licensees are recognised when they are earned, provided that the collection is probable.

##### 3.12.2.2 Community IVAS

The Group derives Community IVAS revenues through certain communication products, where users pay a fee for the paid content and online services, mainly through social networking web sites and through the commission from third party developers of the various applications placed on social networking web sites, including games, based on the respective applications' revenue. The fees for such services are collected from customers using various payment channels, including bank cards, online payment systems and mobile operators and from the applications developers. The mobile network operators collect fees for such services from their customers, usually through mobile short message services ("SMS"), and pass such fees to the Group. Revenue is recognised over time as the benefits are received and consumed by customers.



# Notes to the Consolidated Financial Statements (continued)

## 3 Summary of significant accounting policies (continued)

### 3.12 Revenue recognition (continued)

Revenues from third party applications and developers on the Group's platforms are recognised net of commission to mobile operators and any portion attributable to the developer of the application, at the time when customer payment is due.

Revenues from services including games developed by the Group and operated on third party platforms are reported gross as the services are provided net of commission to mobile operators. If the amount of revenue is measured based on third party data, such amounts of revenue are recorded based on the best available data at the date of issuance of the consolidated financial statements.

#### 3.12.3 Education Technology services (EdTech) revenue

The Group generates revenue from the sale of online education courses and professional training programs provided via customized in-house educational platforms directly to customers (learners). Services provided during the course may include: online educational materials, lectures and webinars, services to control the educational process (homework review and examinations revision) and other related services (job placement program, supporting services and hosting). Contracts with customers are billed in advance and require payment by the customer prior to accessing any course content without any free trial period. After the purchase and checkout, customers receive a lifetime license to access the course's digital content in addition to the unlimited access to the platform's online services and the content.

The pre-recorded courses and professional training programs are based on the pre-recorded content, which is available to a customer for unlimited period from the moment of getting access to the education platform and the purchased course or professional training program. Such courses and professional training programs do not include obligatory webinars, and customers have opportunity to study the materials in their own timeline.

Sales are made under the Group's standard terms specified in contracts. The time between the customer's payment and the receipt of funds usually does not exceed one day. Payment terms are fixed and do not include variable consideration. Revenue is recognised net of refunds, discounts and value added tax.

Performance obligations committed in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from the Group, and are distinct in the context of the contract, whereby the transfer of the services and the products is separately identifiable from other promises in the contract.

Revenue is recognised at the time the related performance obligation is satisfied by transferring the control of the promised service to a customer. Revenue is recognised in an amount that reflects the consideration that the Group expects to receive in exchange for those services. The Group has a stand-ready obligation to deliver its services continually throughout the contract period, which is unlimited in respect of the access to the content and education platforms. As such, the Group recognizes revenue on a straight-line basis as it satisfies the performance obligation over the customers' period of studying which is determined based on the program duration (for live webinar programs) or estimated based on historical customer activity patterns and studying behavior (for pre-recorded courses and professional training programs).

#### 3.12.4 Other revenue

Other revenues primarily consist of classifieds revenue, non-advertising B2B big data services, database software implementation and support services, listing fees and dividends from venture investments.

### 3.13 Income taxes

The Company as a Cypriot tax resident is not subject to tax on capital gains and withholding taxes. However, in some jurisdictions where the Company's subsidiaries and associates are incorporated (particularly in Russia), investment income is subject to withholding tax deducted at the source of the income. The Group presents the withholding tax separately from the gross dividend income in the consolidated statement of comprehensive income and the consolidated statement of cash flows.

The Group is also subject to taxation in Russia, the Netherlands and some other jurisdictions its subsidiaries operate in (see also Note 20).

#### *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income and not in profit or loss.

# Notes to the Consolidated Financial Statements (continued)

## 3 Summary of significant accounting policies (continued)

### 3.13 Income taxes (continued)

#### *Deferred income tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 3.14 Share-based payment transactions

Employees (including senior executives) of the Group and its associates (each of which a "share-based payment recipient"), may receive remuneration in the form of share-based payment transactions, whereby share-based payment recipients render services as consideration for equity instruments ("equity-settled transactions") or a cash equivalent thereof ("cash-settled share-based payments").

If the Group has a choice to settle share-based payments in cash or in equity, the entire transaction is treated either as cash-settled or as equity-settled, depending on whether or not the Group has a present obligation to settle in cash.

#### 3.14.1 Equity-settled transactions

The cost of equity-settled transactions with share-based payment recipients for awards granted is measured by reference to the fair value of the awards at the date on which they are granted. The fair value is determined using an appropriate pricing model (Black-Scholes-Merton, binomial, Monte-Carlo or other).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant share based payment recipients become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period recognised in profit or loss represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest based on estimated forfeiture rates or as actual forfeitures occur for groups of employee where we cannot make reliable estimates.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the share-based payment recipient as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the preceding paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (Note 21).

#### 3.14.2 Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model, further details of which are provided in Note 28. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognised in 'Personnel expenses' in the consolidated statement of comprehensive income.

# Notes to the Consolidated Financial Statements (continued)

## 3 Summary of significant accounting policies (continued)

### 3.14 Share-based payment transactions (continued)

#### 3.14.3 Accounting for the change in form of settlement of share-based payments

As a result of modification of share-based payment awards from equity-settled to cash-settled the Group recognises a share-based payment expense which comprises as a minimum the following elements:

- The grant date fair value of the original equity-settled award; plus
- Any incremental fair value arising from the modification of that award; plus
- Any remeasurement of the liability between its fair value at modification date and the amount finally settled.

At the date of modification a liability is recognised based on the fair value of the cash-settled award as at that date and the extent to which the vesting period has expired.

The corresponding debit is taken to equity only to the extent of the fair value of the original equity-settled award as at the date of modification. Any incremental fair value of the cash-settled award over the equity-settled award as at the modification date is expensed immediately on modification to the extent that the vesting period has expired. The remainder of any incremental value is expensed over the period from the date of modification to the date of settlement.

The total fair value of the cash-settled award is remeasured through profit or loss on an ongoing basis between the date of modification and the date of settlement.

### 3.15 Financial instruments

#### 3.15.1 Initial recognition and measurement

Financial assets within the scope of IFRS 9 are classified as financial assets at fair value through profit or loss, financial assets through other comprehensive income or financial assets at amortised cost, as appropriate.

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss and financial liabilities at amortised cost as appropriate.

The Group determines the classification of its financial assets and liabilities at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. At initial recognition, the Group measures trade receivables at their transaction price (as defined in IFRS 15) if the trade receivables do not contain a significant financing component in accordance with IFRS 15. Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, directly attributable transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Group's financial assets include cash and cash equivalents, short-term time deposits, trade and other receivables, financial investments in venture capital investees (as defined under 3.20), and derivative financial assets, mainly over equity instruments of the Group's investees. The Group's financial liabilities include trade and other payables, loans and borrowings, and derivative financial liabilities, mainly over equity instruments of the Group's associates and subsidiaries. None of the derivative financial instruments held by the Group were designated as effective hedging instruments.

#### 3.15.2 Subsequent measurement

The subsequent measurement of financial instruments depends on their classification. The Group classifies its financial assets and liabilities into the categories below in accordance with IFRS 9, as follows:

##### 3.15.2.1 Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit and loss are carried in the consolidated statement of financial position at fair value. The changes in their fair value are recognised in the consolidated statement of comprehensive income under 'Net gain on financial assets and liabilities at fair value through profit or loss'.

# Notes to the Consolidated Financial Statements (continued)

## 3 Summary of significant accounting policies (continued)

### 3.15 Financial instruments (continued)

#### 3.15.2.2 Financial assets and liabilities at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

After initial recognition, interest bearing loans and borrowings and other financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in 'Finance expenses' in the consolidated statement of comprehensive income.

#### 3.15.2.3 Contingent consideration

Contingent consideration recognised by the Group in a business combination to which IFRS 3 applies is subsequently measured at fair value with changes recognised in profit or loss under 'Net gain on financial assets and liabilities at fair value through profit or loss'.

Contingent consideration includes the liabilities shown in the consolidated statement of financial position under 'Other payables, accrued expenses and contingent consideration liabilities'.

#### 3.15.3 Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognised where:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group de-recognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

#### 3.15.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### 3.15.5 Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include: using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 24.

#### 3.15.6 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables the Group applies a simplified approach in calculating ECLs. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

# Notes to the Consolidated Financial Statements (continued)

## 3 Summary of significant accounting policies (continued)

### 3.15 Financial instruments (continued)

#### 3.15.6.1 Financial assets carried at amortised cost

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

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

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

#### 3.16 Foreign currency translation

The consolidated financial statements are presented in RUB, which is the Group's presentation currency, and all values are rounded to the nearest million (RUB '000000) except per share information and unless otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Group's Russian subsidiaries and associates as well as the Company itself is RUB.

Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the measurement currency rate of exchange ruling at the reporting date. All resulting differences are taken to the consolidated statement of comprehensive income and included in the determination of net profit as '*Net foreign exchange (losses)/gains*'. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction.

As at the reporting date, the assets and liabilities of the Company, its subsidiaries and joint venture with functional currencies other than the RUB are translated into the presentation currency of the Group (RUB) at the rate of exchange ruling at the reporting date and their operations are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income.

#### 3.17 Impairment of non-financial assets and investments in equity accounted associates and joint ventures

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognised in earnings in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in earnings.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

# Notes to the Consolidated Financial Statements (continued)

## 3 Summary of significant accounting policies (continued)

### 3.18 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary and Class A shares. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which may comprise share options granted to employees of the Group.

### 3.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Group's chief operating decision maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

### 3.20 Financial investments in venture capital investees

Financial investments in venture capital investees, are the Group's investments in start-up Internet ventures and smaller Internet companies in Russia, Ukraine and Israel with ownership ranging from 1.5% to 50% and which gives the Group significant influence in some of these investments. They form the Group's venture capital portfolio and are monitored and managed exclusively on the basis of their fair values. The Group's involvement in the operating management of the investees is limited, and the possibility of the Group maintaining a specific financial investment in its investment portfolio in the long run is remote. Financial investments in such associates are carried in the consolidated statement of financial position at fair value even though the Group may exert significant influence over those companies. This treatment is permitted by IAS 28 *Investments in Associates and Joint Ventures*, which allows investments held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IFRS 9, with changes in fair value recognised in consolidated statement of comprehensive income in the period of the change. Accounting policies of the Group with respect to financial investments in associates are discussed in more detail under Note 3.15 above as part of the Group's accounting policies with respect to financial assets.

### 3.21 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of comprehensive income.

In cases the Group ceases to classify the asset (or disposal group) as held for sale then the asset is measured at the lower of:

- Its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale; and
- Its recoverable amount at the date of the subsequent decision not to sell.



# Notes to the Consolidated Financial Statements (continued)

## 3 Summary of significant accounting policies (continued)

### 3.21 Non-current assets held for sale and discontinued operations (continued)

The Group includes any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale in profit or loss from continuing operations in the period in which the criteria of classification as asset held for sale are no longer met. Financial statements for the periods since classification as held for sale was applied are amended accordingly.

## 4 Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the reporting dates and the reported amounts of revenues and expenses during the reporting periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### 4.1 Judgments

In the process of applying the Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognised in the consolidated financial statements:

#### 4.1.1 Investments in associates and joint ventures

The Company directly or indirectly owned up to 50% in certain of its investments. Based on its voting rights and restrictions in the respective governing documents, the Group made judgments about whether it has control or significant influence over these investments. Subsequently, these entities are either accounted for as subsidiaries (consolidated) or associates (accounted for under the equity method or as financial assets at fair value through profit or loss).

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and noncontrolling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within '*Impairment of equity accounted associates*' in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

#### 4.1.2 Consolidation of a structured entity

In November 2010, the Company established, as settlor, an employee benefit trust (the "Trust") under a Trust Deed dated November 11, 2010 ("Trust Deed"), the trustee of which is Mail.ru Employee Benefit Trustees Limited (the "Trustee"). The purpose of the Trust consists in holding trust funds for present and former employees and consultants and related persons long-term incentive plans.

#### 4.1.3 Accounting treatment of share-based payments where the Group has a choice to settle in cash or equity

The Group has wide discretion over the manner of settlement of options issued and determines the accounting treatment of the options based on whether the Group has a present obligation to settle in cash. Specifically, any option holder granted an aggregate of 20,000 or more options was only allowed to exercise the respective portion options in the form of GDRs, while exercises by the optionees granted a smaller cumulative number of options can continue to be in GDRs or cash at the Group's discretion. The terms of the option plan and past exercise history make it reasonable to expect cash settlement of most of the smaller option exercises, even though the Group continues to have discretion over the way of option exercise settlement. Larger than cumulative 20,000 options per person continue to be accounted for as equity awards.

# Notes to the Consolidated Financial Statements (continued)

## 4 Significant accounting judgments, estimates and assumptions (continued)

### 4.2 Estimates and assumptions

Significant estimates and assumptions reflected in the Group's consolidated financial statements include, but are not limited to the following:

- Revenue recognition;
- Fair value of financial instruments;
- Useful lives of intangible assets;
- Software development costs;
- Impairment of goodwill and other intangible assets;
- Fair value of assets and liabilities in business combinations; and
- Recoverability of deferred tax assets.

Actual results could materially differ from those estimates.

The key assumptions concerning the future events and other key sources of estimation uncertainty at the reporting date that have a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### 4.2.1 Revenue recognition

##### *In-game items*

Deferred revenue is recognised as revenue over the estimated life span of the in-game items purchased or as the in-game items purchased with the game points are consumed. The estimated life span of in-game items is determined based on historical player usage patterns and playing behaviour. Future usage patterns may differ from the historical usage patterns on which the Group's revenue recognition policy is based. The Group monitors the operational statistics and usage patterns of its online games and modifies the expected life span when materially different.

Other significant judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers in accordance with IFRS 15 include (i) the timing of satisfaction of performance obligations and (ii) the transaction price and the amounts allocated to performance obligations.

##### *EdTech*

The pre-recorded courses and professional training programs are based on the pre-recorded content, which is available to a customer for unlimited period from the moment of getting access to the education platform and the purchased course or professional training program. Such courses and professional training programs do not include obligatory webinars, and customers have opportunity to study the materials in their own timeline.

The Group considers internally available historical data for the past 2 years to estimate the customers' period of studying. The Group analyzes the historical activity patterns of customers who purchased the pre-recorded courses and professional training programs. To assess the customers' period of studying for the pre-recorded courses and professional training programs, the Group calculates the length of the period starting from the date when the customer receives control of the education materials until the latest date the customer is active on the education platform, to arrive at the best estimate for period of studying. The Group applies stratified approach splitting the learners into strata by the period of studying based on the historical data. The Group recognizes revenue for each stratum ratably over the estimated period of studying.

#### 4.2.2 Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates and assumptions have to be made, and a degree of judgment has to be applied in establishing fair values. The judgments, estimates and assumptions include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The expected volatility in the pricing models used to measure the fair value of the derivative financial assets and liabilities is determined by reference to peer companies' historical volatility, as the issuers of the underlying equity instruments are not public. When determining risk-free rates to be used in the pricing models, regard is given to US Treasury bonds or Russian government bonds with maturities equal to the expected terms of the respective derivative financial instruments.

Detailed information on the fair values of the Group's financial instruments is available in Note 24.



# Notes to the Consolidated Financial Statements (continued)

## 4 Significant accounting judgments, estimates and assumptions (continued)

### 4.2 Estimates and assumptions (continued)

#### 4.2.3 Useful life of intangible assets

The Group estimates remaining useful lives of its intangible assets at least once a year at the reporting date. If the estimation differs from the previous estimations, the changes are accounted for in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These estimates may have a significant impact on the carrying value of intangible assets and amortisation, charged to earnings. The carrying value of intangible assets is disclosed in Note 7.

#### 4.2.4 Software development costs

Software development costs are capitalised in accordance with the accounting policy described in Note 3.8.1 Initial capitalisation of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

#### 4.2.5 Impairment of goodwill and other intangible assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from management forecast. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in Notes 7 and 8.

#### 4.2.6 Fair value of assets and liabilities in business combinations

At the acquisition date the Group recognises separately the identifiable assets, liabilities and contingent liabilities acquired or assumed in a business combination as well as contingent considerations at their fair values, which involves estimates. Such estimates are based on valuation methods that require considerable judgment in forecasting future cash flows and developing other assumptions.

#### 4.2.7 Share-based payments

Management estimates the fair value of equity-settled stock options at the date of grant and the fair value of cash-settled options at each reporting date using the Black-Scholes-Merton, binomial, Monte-Carlo or other option pricing models, as applicable. The option pricing models were originally developed for use in estimating the fair value of traded options, which have different characteristics than the Group's stock options granted by the Company. The models are also sensitive to changes in the subjective assumptions, which can materially affect the fair value estimate. These subjective assumptions include expected volatility, dividend yield, risk-free interest and forfeiture rates.

#### 4.2.8 Deferred taxes on undistributed earnings

Deferred tax is recognised based on estimated dividends distributions of Company's subsidiaries taking into account limitation of cash and cash equivalents available at the reporting date.

#### 4.2.9 Changes in estimates

##### *MMO Games revenue*

In Q4 2021, the Group enhanced the granularity of the data relating to the patterns of how the in-game items are consumed by paying game players and further refined its estimate of the performance obligation satisfaction period in relation to virtual in-game items. This update was recorded prospectively starting from October 1, 2021 and resulted in an increase in revenue and a decrease in deferred MMO Games revenue estimated at RUB 852.

In Q4 2022, the Group has performed similar update based on information received during 2022, this update was recorded prospectively starting from October 1, 2022 and resulted in an increase in revenue and a decrease in deferred MMO Games revenue estimated at RUB 191.

# Notes to the Consolidated Financial Statements (continued)

## 4 Significant accounting judgments, estimates and assumptions (continued)

### 4.2 Estimates and assumptions (continued)

#### *EdTech revenue*

In Q4 2021, the Group considered internally available historical data for the past 2 years to estimate the customers' period of studying. The Group analysed the historical activity patterns of customers who purchased the pre-recorded courses and professional training programs. To assess the customers' period of studying for the pre-recorded courses and professional training programs, the Group calculated the length of the period starting from the date when the customer receives control of the education materials until the latest date the customer is active on the education platform, to arrive at the best estimate for period of studying.

The Group applied stratified approach splitting the learners into strata by the period of studying based on the historical data. The Group recognised revenue for each stratum ratably over the estimated period of studying. This update was recorded prospectively starting from October 1, 2021 and resulted in an increase in revenue and a decrease in deferred EdTech revenue estimated at RUB 1,554 as at December 31, 2021.

#### 4.2.10 Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

#### 4.2.11 Significant judgement in determining incremental borrowing rate

For the interest rate the Group obtained estimation from banks and compared it to the interest rate swap applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Group's rating. As of December 31, 2022 the rate is close to 8.2% for weighted average lease duration. Duration for discount rate is based on weighted average lease period (6.2 years for January 1, 2022). The discount rate is applied to all lease contracts.

## 5 Operating segments

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

In our effort to further enhance our reporting quality and transparency, the Group's aggregate segment financial information previously presented in the form of management (CODM) accounts has been transformed starting from 2022. In addition to IFRS-based disclosure, we have reported adjusted metrics, which are used in the management decision making process, with a clear transition between IFRS-based results and adjusted metrics to be provided, including within segmental disclosure.

Revenue in Segments Performance correspond with revenue according to IFRS. To supplement the financial information prepared and presented in accordance with IFRS, we have presented the following non-IFRS financial measures: Adjusted EBITDA.

Additionally, since 2022 the Group has changed its approach to allocation of corporate services expenses. The Group has analyzed the functionality of key services and defined appropriate drivers to allocate expenses of each service. Previously the Group applied a single driver in allocation of all corporate services expenses, based on the share of each segment in direct costs.

Certain corporate expenses are considered non-allocated items: allocations now exclude services that are mostly related to general group issues, as well as expenses that cannot be tied to a particular business unit, such as Public Relations, Investor Relations, Government Relations, and certain other services. Comparative period numbers for each segment have also been restated in line with the current allocation approach for comparability purposes.

The "Social networks & content services" segment includes email, instant messaging services, News and Zen platform, recommendation platforms Pulse, as well as Portal (main page and media projects), VK Music, VK Calls, VK Videos, VK Mini Apps projects. The main share of revenue for this segment is generated from advertising. This segment includes the social network VKontakte, Odnoklassniki, My World and generates revenue from (1) commissions from application developers based on the respective applications' revenue, (2) user payments for virtual gifts, stickers and music subscriptions, and (3) the placement of online advertising.

## Notes to the Consolidated Financial Statements (continued)

### 5 Operating segments (continued)

The businesses within this segment have similar nature and economic characteristics as they are associated with social media, content and online communication services, offer products and services to similar customer groups, and regulated in a similar regulatory environment.

The "EdTech" segment includes the Group's online education platforms with educational courses and programs (such as GeekBrains, Skillbox, Skillfactory and others), and earns substantially all revenue from individuals paying for education courses, as well as a small share of the B2B segment.

The "VK Tech" segment includes VK Cloud platforms and data management solutions, corporate communication services, tax monitoring platform, and other corporate software.

The "New business lines" segment represents separate operating segments aggregated into one reportable segment because of their similar nature of newly acquired or newly launched and dynamically developing businesses. This segment consists primarily of Youla classifieds, which derives substantially all of its revenues consists of fees for placing and promoting user advertising, as well as displaying advertising, the VK Play gaming platform, the Marusia voice assistant and VK Capsule smart speakers, and the RuStore app store for mobile devices.

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

Adjusted EBITDA is not a measure of financial performance under IFRS. The calculation of adjusted 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. Adjusted 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. Adjusted 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 adjusted 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 statement of comprehensive income items for each segment for the years ended December 31, 2022, as presented to the CODM, are stated below:

Segments	Social networks & content services	EdTech	VK Tech	New business lines	Not allocated	Elimination of intragroup transactions	Group
Revenue	75,116	11,274	5,778	6,300	31	(729)	97,770
Total operating expenses	(49,847)	(10,937)	(4,618)	(10,628)	(7,680)	729	(82,981)
<i>Adjustments</i>							
Share-based payment transactions	–	–	–	–	5,186	–	5,186
Adjusted EBITDA	25,269	337	1,160	(4,328)	(2,463)	–	19,975

The statement of comprehensive income items for each segment for the year ended December 31, 2021, as presented to the CODM, are stated below (restated):

Segments	Social networks & content services	EdTech	VK Tech	New business lines	Not allocated	Elimination of intragroup transactions	Group
Revenue	61,662	10,841	3,164	6,694	–	(379)	81,982
Total operating expenses	(37,277)	(12,191)	(3,055)	(9,297)	(4,297)	379	(65,738)
<i>Adjustments</i>							
Share-based payment transactions	–	–	–	–	2,091	–	2,091
Adjusted EBITDA	24,385	(1,350)	109	(2,603)	(2,206)	–	18,335

## Notes to the Consolidated Financial Statements (continued)

### 5 Operating segments (continued)

	2022	2021
Group adjusted EBITDA	19,975	18,335
Share-based payment transactions	(5,186)	(2,091)
Depreciation and amortisation	(18,113)	(16,131)
Impairment of intangible assets	(1,052)	(1,714)
Share of loss of equity accounted associates and joint ventures	(16,994)	(21,167)
Finance income	6,561	951
Finance expenses	(12,379)	(4,229)
Other non-operating gain/(loss)	187	(182)
Goodwill impairment	(9,681)	–
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(10,486)	2,755
Net gain on disposal of subsidiaries	13	–
Impairment of equity accounted associates and joint ventures	(13,973)	(559)
Loss on remeasurement of assets held for sale	(283)	–
Gain on remeasurement of previously held interest in joint ventures and equity accounted associate	24,360	305
Loss on remeasurement of financial instruments	(123)	(819)
Expected credit loss allowance on restricted cash	(2,190)	–
Net foreign exchange gain/(loss)	9,867	(1,042)
Income tax expense	(3,149)	(757)
Net profit from discontinued operations	28,736	10,648
Other comprehensive income	976	383
Consolidated loss after income tax expense under IFRS	(2,934)	(15,314)

### 6 Lease contracts

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the financial year ending December 31, 2022 and December 31, 2021:

	Right-of-use assets			Total	Lease liability
	Premises	Racks in data centers	Other		
As at January 1, 2022	12,027	2,801	15	14,843	15,448
Additions	3,485	1,888	164	5,537	5,566
Depreciation charge	(3,599)	(1,949)	(71)	(5,619)	–
Interest expense	–	–	–	–	1,180
Payments	–	–	–	–	(5,808)
Disposals	(5,126)	(105)	(11)	(5,242)	(5,878)
As at December 31, 2022	6,787	2,635	97	9,519	10,508

In 2022, lease liabilities payments of RUB 5,808 include payment of lease liability principal amount of RUB 4,628 and interest of RUB 1,180.

Disposals include the disposal of a right-of-use asset of RUB 4,749 and lease liabilities of RUB 5,334 as a result of the acquisition of Linder JSC (Note 9.1), as well as the disposal of a right-of-use asset of RUB 226 and lease liabilities of RUB 241 as a result of the sale of subsidiaries (Note 13).

	Right-of-use assets			Total	Lease liability
	Premises	Racks in data centers	Other		
As at January 1, 2021	14,200	1,398	20	15,618	15,199
Additions	1,080	3,013	48	4,141	4,032
Depreciation charge	(3,253)	(1,610)	(53)	(4,916)	–
Interest expense	–	–	–	–	1,186
Payments	–	–	–	–	(4,969)
As at December 31, 2021	12,027	2,801	15	14,843	15,448

In 2021, lease liabilities payments of RUB 4,969 include payment of lease liability principal amount of RUB 3,783 and interest of RUB 1,186.

## Notes to the Consolidated Financial Statements (continued)

### 7 Intangible assets

	Goodwill	Trademark	Customer base	Game software and software development costs	Other software, licenses and other	Total
<b>Cost</b>						
At January 1, 2021	147,100	15,747	21,861	16,458	13,631	214,797
Additions	–	–	–	2,229	5,209	7,438
Disposals	–	–	(4)	(16)	(131)	(151)
Additions due to acquisition of subsidiaries	2,814	307	–	116	1,144	4,381
Translation adjustment	(70)	(68)	–	(112)	(17)	(267)
At December 31, 2021	149,844	15,986	21,857	18,675	19,836	226,198
Additions	–	–	–	1,847	5,731	7,578
Disposals	–	–	–	(3,967)	(997)	(4,964)
Reclassification to assets held for sale	–	–	–	–	(271)	(271)
Additions due to acquisition of subsidiaries	34,712	1,849	5,475	–	6,125	48,161
Disposal due to sale of subsidiaries	(6,334)	(598)	–	(14,257)	(96)	(21,285)
Translation adjustment	–	(313)	–	(1,930)	(664)	(2,907)
At December 31, 2022	178,222	16,924	27,332	368	29,664	252,510
<b>Accumulated amortisation and impairment</b>						
At January 1, 2021	(11,430)	(10,826)	(17,616)	(9,437)	(10,195)	(59,504)
Charge for the year	–	(1,128)	(1,311)	(1,925)	(4,128)	(8,492)
Disposals	–	–	–	3	130	133
Impairment	–	–	–	(1,714)	–	(1,714)
Translation adjustment	–	17	–	79	21	117
At December 31, 2021	(11,430)	(11,937)	(18,927)	(12,994)	(14,172)	(69,460)
Charge for the year	–	(1,141)	(1,391)	(976)	(4,799)	(8,307)
Disposals	–	–	–	3,963	962	4,925
Disposal due to sale of subsidiaries	–	220	–	9,273	235	9,728
Impairment	(9,681)	(120)	–	–	(932)	(10,733)
Translation adjustment	–	108	–	449	140	697
At December 31, 2022	(21,111)	(12,870)	(20,318)	(285)	(18,566)	(73,150)
<b>Net book value</b>						
At January 1, 2021	135,670	4,921	4,245	7,021	3,436	155,293
At December 31, 2021	138,414	4,049	2,930	5,681	5,664	156,738
At December 31, 2022	157,111	4,054	7,014	83	11,098	179,360

#### 7.1 Analysis of indicators of impairment of other intangible assets

The Group conducted an impairment test on other intangible assets as part of its testing of CGUs disclosed in Notes 7 and 8. For other CGUs, the Group did not identify any indicators of impairment.

#### 7.2 Impairment of intangible assets

In 2022, given the significant economic uncertainty in terms of market prospects on cloud gaming markets, as well as the expected increase in operating expenses related to the further development of the project, in particular the cost of servers, the Group recognised an impairment charge of RUB 906 against intangible assets related to Playkey cloud gaming.

In 2022, given the significant economic uncertainty, the Group recognised an impairment charge of RUB 43 against intangible assets related to the CGU Native Roll.

## Notes to the Consolidated Financial Statements (continued)

### 8 Goodwill

The table below shows movements in goodwill per groups of CGUs, corresponding to the Group's operating segments for each of the years ended December 31, 2022 and 2021:

Group of CGU's	Cost at December 31, 2020 (restated)	Change in the preliminary valuation	Addition	Cost at December 31, 2021 (restated)	Disposal	Addition	Impairment	Cost at December 31, 2022
Vkontakte	98,272	–	–	98,272	–	5,197	–	103,469
Zen.Platform	–	–	–	–	–	28,806	–	28,806
Social Networks	20,989	–	–	20,989	–	709	–	21,698
Skillbox	1,757	–	–	1,757	–	–	–	1,757
Skillfactory	–	–	1,754	1,754	–	–	(636)	1,118
Geekbrains	251	–	–	251	–	–	–	251
Cube	12	–	–	12	–	–	–	12
Email, Portal and IM	4,258	–	–	4,258	–	–	(4,258)	–
Online Games	1,952	–	–	1,952	(1,952)	–	–	–
33 Slona	1,720	–	–	1,720	–	–	(1,720)	–
Pixonix	1,592	–	–	1,592	(1,592)	–	–	–
Worki	1,565	–	–	1,565	–	–	(1,565)	–
Deus Craft	910	(70)	–	840	(840)	–	–	–
Panzerdog	625	–	–	625	(625)	–	–	–
Ingame	592	–	–	592	(592)	–	–	–
Native roll	425	–	–	425	–	–	(425)	–
Relap	261	–	–	261	–	–	(261)	–
Bit Games	210	–	–	210	(210)	–	–	–
E-commerce	149	–	–	149	–	–	(149)	–
Swag Masha	130	–	–	130	(130)	–	–	–
Mamboo games	–	–	393	393	(393)	–	–	–
Mentorama	–	–	667	667	–	–	(667)	–
<b>Total</b>	<b>135,670</b>	<b>(70)</b>	<b>2,814</b>	<b>138,414</b>	<b>(6,334)</b>	<b>34,712</b>	<b>(9,681)</b>	<b>157,111</b>

The recoverable amount of goodwill has been determined based on value-in-use calculations as of October 1, 2022 and October 1, 2021.

During the year ended December 31, 2022, the Group recognised goodwill of RUB 34,712 as a result of a business combination (Note 12), and also recognised the disposal of goodwill of RUB 6,334 as a result of the sale of a subsidiary of MY.GAMES HOLDINGS LTD (Cyprus) (Note 13) and goodwill impairment of RUB 9,681.

Due to the full implementation of the subsidiary United Media Agency LLC in the VKontakte and Social Networks CGUs, the goodwill related to the UMA of CGUs was allocated between the VKontakte and Social Networks CGUs.

#### 8.1 Impairment testing of goodwill

At October 1, 2021, value in use was determined using cash flow projections from financial budgets and forecasts approved by senior management covering a five-year period.

The major assumptions used in the DCF models at October 1, 2022 are presented below:

	Vkontakte	Zen.Platform	Social Networks	Skillbox	Skillfactory	Geekbrains
Terminal growth rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Pre-tax discount rate	19.6%	19.7%	20.2%	25.2%	25.1%	25.8%

The major assumptions used in the DCF models at October 1, 2021 are presented below:

	Email, Portal and IM	Social Networks	Online Games	Deus Craft	E-commerce and EdTech	Vkontakte	Pixonix
Terminal growth rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Pre-tax discount rate	18.4%	18.6%	18.8%	22.6%	19.7%	17.9%	17.4%

Determining value in use requires the exercise of significant judgment, including judgment about appropriate discount rates, terminal growth rates, the amount and timing of expected future cash flows. The cash flows employed in the DCF analysis are based on the Group's most recent budget and, for years beyond the budget, the Group's estimates, which are based on assumed growth rates. The discount rates used in the DCF analysis are intended to reflect the risks inherent in the future cash flows of the respective cash generating units.

## Notes to the Consolidated Financial Statements (continued)

### 8 Goodwill (continued)

#### 8.2 Impairment of goodwill

In 1Q 2022, given the challenging market environment caused by the current geopolitical situation and related sanctions, as well as the related uncertainty in particular, the Group concluded that these circumstances might significantly and adversely affect the advertising and accordingly, the Group revised its advertising revenue projections downwards. Additionally, the significant increase in market interest rates has been reflected in the discount rates used by the Group in discounted cash flow models.

As a result, the Group has recognised impairment of Goodwill for a number of CGUs. The breakdown of the impairment charge recognised by the Group for the year ended December 31, 2022 against goodwill and the major assumptions are presented below:

Group of CGU's	Discount rate, %	Revenue growth, %	Impairment charge, RUB
Email, Portal and IM	23.4%-15.5%	5%	4,258
Relap	23.4%-15.5%	5%	261
E-commerce	24.0%	5%	149
33 Siona	24.0%	5%	1,720
Worki	24.0%	5%	1,565
Skillfactory	24.9%-17.0%	5%	636
Native roll	17.5%	5%	425
Mentorama	40%	5%	667
<b>Total</b>			<b>9,681</b>

### 9 Property and equipment

	Servers and computers	Leasehold improvements	Furniture, office equipment and motor vehicles	Assets under construction	Other property and equipment	Total
<b>Cost</b>						
At January 1, 2021	21,526	1,097	630	3,540	1,456	28,249
Additions	11	–	18	9,133	3	9,165
Transfers	6,498	892	121	(8,020)	509	–
Disposals	(577)	(484)	–	(5)	(2)	(1,068)
Additions due to acquisition of subsidiaries	5	–	–	–	–	5
Translation adjustment	(54)	–	(5)	(4)	(2)	(65)
<b>At December 31, 2021</b>	<b>27,409</b>	<b>1,505</b>	<b>764</b>	<b>4,644</b>	<b>1,964</b>	<b>36,286</b>
Additions	129	–	15,069	15,292	5	30,495
Reclassification	5,620	746	98	(6,960)	496	–
Disposals	(1,307)	–	2	(2)	(10)	(1,317)
Additions due to acquisition of subsidiaries	48	–	8	–	33	89
Disposal due to sale of subsidiaries	(547)	(201)	(44)	(170)	(57)	(1,019)
Translation adjustment	(218)	–	(6)	(32)	(15)	(271)
<b>At December 31, 2022</b>	<b>31,134</b>	<b>2,050</b>	<b>15,891</b>	<b>12,772</b>	<b>2,416</b>	<b>64,263</b>
<b>Accumulated depreciation and impairment</b>						
At January 1, 2021	(14,519)	(867)	(339)	–	(873)	(16,598)
Charge for the year	(4,621)	(82)	(85)	–	(175)	(4,963)
Disposals	534	484	–	–	1	1,019
Translation adjustment	43	–	10	–	1	54
<b>At December 31, 2021</b>	<b>(18,563)</b>	<b>(465)</b>	<b>(414)</b>	<b>–</b>	<b>(1,046)</b>	<b>(20,488)</b>
Charge for the year	(5,316)	(480)	(106)	–	(231)	(6,133)
Disposals	800	–	(3)	–	3	800
Additions due to acquisition of subsidiaries	(26)	–	–	–	(4)	(30)
Disposal due to sale of subsidiaries	451	130	24	–	41	646
Translation adjustment	176	–	7	–	9	192
<b>At December 31, 2022</b>	<b>(22,478)</b>	<b>(815)</b>	<b>(492)</b>	<b>–</b>	<b>(1,228)</b>	<b>(25,013)</b>
<b>Net book value</b>						
At January 1, 2021	7,007	230	291	3,540	583	11,651
<b>At December 31, 2021</b>	<b>8,846</b>	<b>1,040</b>	<b>350</b>	<b>4,644</b>	<b>918</b>	<b>15,798</b>
<b>At December 31, 2022</b>	<b>8,656</b>	<b>1,235</b>	<b>15,399</b>	<b>12,772</b>	<b>1,188</b>	<b>39,250</b>



## Notes to the Consolidated Financial Statements (continued)

### 9 Property and equipment (continued)

#### 9.1 Acquisition of Linder JSC

In Q4 2022, the Group acquired control of Linder JSC by purchasing 100% of shares, the amount of cash consideration was determined taking into account the debt of Linder JSC to the Group and third parties.

The main purpose of the purchase is to acquire real estate, which is owned through a 100% share of Linder JSC in Achill LLC.

In accordance with IFRS 3 *Business Combinations*, the Group performed a concentration test and concluded that this acquisition constitutes an acquisition of an asset.

#### 9.2 Analysis of indicators of impairment of property and equipment

The Group conducted an impairment test for property and equipment as part of its testing of CGUs disclosed in Note 8. The Group did not identify any indicators of impairment for other CGUs.

### 10 Consolidated subsidiaries

These consolidated financial statements include the assets, liabilities and financial results of the Company and its subsidiaries, whose main activity is providing Russian-language Internet services. The significant subsidiaries as at December 31, 2022 and 2021 are listed below:

Subsidiary	Main activity	Ownership, %*	
		December 31, 2022	December 31, 2021
Mail Cooperatief UA (Netherlands)*	Holding entity	–	100.0%
MRGroup Investments Limited (Cyprus)*	Holding entity	–	100.0%
Mail.ru Internet Holdings B.V. (Netherlands)*	Holding entity	–	100.0%
Mail.ru Aggregates B.V. (Netherlands)*	Holding entity	–	100.0%
My.Games Development LLC (renamed from Mail.ru Development LLC) (Russia)*	Research and development of online products	–	100.0%
My.com B.V. (Netherlands)*	Support of online games and portal services	–	100.0%
Pixon LLC (Russia)*	Research and development of online products	–	100.0%
MY.GAMES HOLDINGS LTD (renamed from Pixonic Games Limited) (Cyprus)*	Online games operation	–	100.0%
BEINGAME LIMITED (Cyprus)*	Mobile games development	–	100%
DCGAMEPUB LIMITED (Cyprus)*	Mobile games development	–	51.2%
VK Company LLC (renamed from Mail.Ru Group LLC) (Russia)	Holding entity	100.0%	100.0%
VK LLC (renamed from Mail.Ru LLC) (Russia)	Online portal services, development and support of online games, social network	100.0%	100.0%
MGL MY.COM (CYPRUS) LIMITED (Cyprus)	Support of online games	100.0%	100.0%
Data Centre M100 LLC (Russia)	Hosting services	100.0%	100.0%
V kontakte LLC (Russia)	Social network	100.0%	100.0%
Skillbox LLC (Russia)	Education technologies	56.25%	57.54%
GeekBrains LLC (Russia)	Education technologies	56.25%	57.54%
Skillfactory LLC (Russia)	Education technologies	35.87%	36.69%
Zen.Platform LLC (Russia) (Note 12.3)	Social network, Online advertising	100.0%	–
Medium Quality Production LLC (Russia) (Note 12.6)**	Media content production	51.0%	–
Invite LLC (Russia) (Note 12.7)	Online advertising	100.0%	–
ITR LLC (Russia)	Holding entity	100.0%	–

\* These companies were deconsolidated as a result of the sale of subsidiary holding companies MY.GAMES HOLDINGS LTD and LLC "My.Games" (Note 13.1).

\*\* The Group consolidates 100% of MQP LLC on the totality of contractual relations.

The ownership percentages above represent the Company's effective indirect ownership in each subsidiary.



## Notes to the Consolidated Financial Statements (continued)

### 11 Investments in equity accounted associates and joint ventures

The Group has investments in associates and joint ventures operating popular Internet websites and providing various services over the Internet. Investments in equity accounted associates and joint ventures as of December 31, 2022 and December 31, 2021 comprised the following:

		Voting shares		Carrying value	
	Main activity	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Joint ventures					
Aliexpress Russia Holding Pte. Ltd.	E-commerce platform	18%	18%	–	10,092
O2O Holding LLC	Russian platform in mobility and food-tech	–	50%	–	33,085
Associates					
Uchi.ru LLC (Russia)	Educational portal	25%	25%	2,950	3,874
Umskul LLC	Educational portal	25%	25%	959	917
Haslop Company Limited (Cyprus) and Russian subsidiaries (collectively, "Mamba" JSC)	Provides content for www.love.mail.ru, a vertical of the www.mail.ru portal	28.10%	28.10%	230	493
Other				446	460
Total				4,585	48,921

The above entities have the same reporting date as the Company. None of the entities were listed on a public exchange as of December 31, 2022.

Movement in investments in equity accounted associates and joint ventures for the years ended December 31, 2022 is presented below:

	2022
<b>Investments in equity accounted associates and joint ventures as of January, 1</b>	<b>48,921</b>
Additional contribution to equity accounted joint ventures	2,701
Loans converted to the share capital of joint venture	5,888
Acquisition of shares in equity accounted associates	513
Disposal of shares in equity accounted associates	(380)
Disposal of equity accounted joint venture	(47,377)
Gain on remeasurement of previously held interest in joint venture	24,360
Share in net loss of equity accounted associates and joint ventures	(16,994)
Impairment of equity accounted associates and joint ventures	(13,973)
Dividends received from equity accounted associates	(76)
Foreign currency translation effect relating to joint venture	1,002
<b>Investments in equity accounted associates and joint ventures as of December, 31</b>	<b>4,585</b>

In 2022, the Group additionally contributed RUB 2,600 and converted loans receivable of RUB 5,858 and interest receivable of RUB 30 into the share capital of O2O JV. The Group's share in the JV remained unchanged as another investor also converted its loans receivable from the JV and contributed to the share capital for the same amount.

In 2022, the Group sold its stake in O2O Holding (JV) to another investor of this JV (Note 11.2).

In 2022, the Group received the put notices from the holders of the put options in respect of its 10% of shares in Umschool LLC. In September 2022, the option agreement was canceled by agreement of the parties. The Group's share in the Umschool remained unchanged.

In 2022, the Group acquired a 25% interest in Goodt LLC (hereinafter "GoodData") for a cash consideration of RUB 133. In accordance with IAS 28, the Group accounts for the investments in GoodData as an investments in equity accounted associates.

In 2022, the Group made additional contributions in the amount of RUB 101 in Digital Education (JV). The Group's share in the JV remained unchanged as another investor made additional contributions of the same amount.

#### 11.1 Impairment of equity accounted joint ventures

In 2022, given the significant economic uncertainty particularly affecting on e-commerce markets, the Group recognised an impairment charge against AliExpress JV of RUB 9,866, including impairment of goodwill of RUB 4,468 that forms a part of the carrying value of the investments in AliExpress JV. As of December 31, 2022, the estimate has not changed

In 2022, the management of O2O JV decided to discontinue operations related to Citymobil (Taxi services). Accordingly, the Group recognised an impairment charge of RUB 2,959 including impairment of goodwill of RUB 1,574 that forms a part of the carrying value of the investments in O2O JV.

In 2022, given the significant economic uncertainty, the Group recognised an impairment charge against Haslop Company Limited (Cyprus) and Uchi.ru LLC (Russia) equity accounted associates of RUB 295 and RUB 853, respectively.

# Notes to the Consolidated Financial Statements (continued)

## 11 Investments in equity accounted associates and joint ventures (continued)

### 11.2 Disposal of equity accounted joint venture and associates

#### O2O Holding LLC (JV)

In 2022, the Group completed the acquisition of the Zen and News content platforms from Yandex ("Zen.Platform"). At the same time, the Group sold to Yandex a 100% stake in the Delivery Club, a ready-to-eat and groceries delivery service, which it acquired from O2O Holding in September.

As a result, the Group recognised the disposal of the investment in O2O Holding (JV), as well as gain on remeasurement of previously held interest in equity accounted associate:

Fair value of the Group's 50% share in O2O Holding (JV)	47,377
Carrying amount of disposed net assets	(23,017)
<b>Gain on remeasurement of previously held interest in equity accounted joint venture</b>	<b>24,360</b>

Cash paid for the acquisition of subsidiaries net of cash received in the amount of RUB 10,627, consists of a payment by a related party to exit from the joint venture O2O Holding in the amount of RUB 10,363 and other net cash flows in the amount of RUB 264, disclosed in Notes 12.1-12.3.

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

### 11.3 Uchi.ru LLC

	December 31, 2022	December 31, 2021
Current assets	1,541	942
Non-current assets	4,061	5,650
Current liabilities	(1,686)	(2,332)
Non-current liabilities	–	(61)
<b>Equity</b>	<b>3,916</b>	<b>4,199</b>
Group's share in equity – 25%	979	1,050
Goodwill	2,824	2,824
Impairment	(853)	–
<b>Group's carrying amount of the investment</b>	<b>2,950</b>	<b>3,874</b>
	2022	2021
Revenue	4,357	2,492
Cost of sales	(2,965)	(2,697)
Finance and other income/expenses	(1,667)	(814)
<b>Loss before tax</b>	<b>(275)</b>	<b>(1,019)</b>
Income tax expense	(8)	(5)
<b>Loss for the year</b>	<b>(283)</b>	<b>(1,024)</b>
<b>Group's share of loss for the period</b>	<b>(71)</b>	<b>(256)</b>

### 11.4 O2O Holding LLC

	December 31, 2022	December 31, 2021
Current assets	–	19,728
Non-current assets	–	64,322
Current liabilities	–	(18,252)
Non-current liabilities	–	(17,107)
<b>Equity</b>	<b>–</b>	<b>48,691</b>
Group's share in equity – 0% (effective share in equity adjusted by NCI – 0% (2021: 51.35%))	–	25,005
Goodwill	–	8,080
<b>Group's carrying amount of the investment</b>	<b>–</b>	<b>33,085</b>

# Notes to the Consolidated Financial Statements (continued)

## 11 Investments in equity accounted associates and joint ventures (continued)

### 11.4 O2O Holding LLC (continued)

	January-August 2022	2021
Revenue	59,753	58,227
Cost of sales	(50,702)	(57,561)
Administrative expenses	(29,542)	(35,335)
Finance and other income/expenses	(8,087)	(5,094)
Loss before tax	(28,578)	(39,763)
Income tax benefit	(5,267)	6,107
Loss for the year	(33,845)	(33,656)
Non-controlling interest share	(2,971)	(2,555)
Group's share of loss for the year	(15,437)	(15,551)

### 11.5 Umskul LLC

	December 31, 2022	December 31, 2021
Current assets	517	467
Non-current assets	334	392
Current liabilities	(2,219)	(2,365)
Non-current liabilities	(25)	-
Equity	(1,393)	(1,506)
Group's share in equity – 25%	(335)	(377)
Goodwill	1,294	1,294
Group's carrying amount of the investment	959	917

	2022	October-December 2021
Revenue	2,503	489
Cost of sales	(1,903)	(336)
Administrative expenses	(252)	(16)
Finance and other income/expenses	123	(217)
Profit/(loss) before tax	471	(80)
Income tax expense	(2)	(52)
Profit/(loss) for the year	469	(132)
Group's share of profit/(loss) for the year	118	(33)

## 12 Business combinations and disposals

### 12.1 Delivery Club

In 2022, the Group acquired control of Delivery Club LLC by purchasing 100% of the shares. At the date of acquisition of control, the Group estimated the probability of further sale of Delivery Club LLC as highly probable. Delivery Club LLC was classified as a "Disposal Group" (discontinued operation) in accordance with IFRS 5 as of the date of acquisition of control.

According to IFRS 5, if the disposal group is a newly acquired subsidiary, solely for the purpose of its further sale in the short term, that meets the criteria to be classified as held for sale on an immediate acquisition and, in respect of that acquisition, the fair value of the consideration transferred is greater than or equal to fair value of the net assets of the acquiree, then disclosure of the major classes of assets and liabilities is not required.

# Notes to the Consolidated Financial Statements (continued)

## 12 Business combinations and disposals (continued)

### 12.1 Delivery Club (continued)

The fair value of the identifiable assets and liabilities of Delivery Club LLC as of the date of acquisition were as follows:

	Fair value
Assets held for sale	42,079
Liabilities directly associated with assets held for sale	(3,462)
<b>Total identifiable net assets measured at fair value</b>	<b>38,617</b>
The consideration transferred by the Group measured at fair value:	
[1] disposal of investment in O2O Holding (JV)	46,927
[2] cash consideration transferred to non-controlling shareholders	576
[3] loans conversion to the share capital of Delivery Club LLC, including accrued interest	1,477
[4] net-settlement payment	(10,363)
<b>Fair value of the consideration transferred</b>	<b>38,617</b>
The cash flows on acquisition were as follows:	
Cash paid (included in cash flows from investing activities)	(576)
Cash acquired (included in cash flows from investing activities)	1,489
<b>Net cash flow on acquisition</b>	<b>913</b>

### 12.2 Foodplex, Interactive video technologies

In 2022, the Group acquired control of Foodplex LLC by purchasing 100% of shares and Interactive Video Technologies LLC by purchasing 80% of shares.

The gross value of accounts receivable does not differ materially from the fair value of these receivables.

The fair value of the identifiable assets and liabilities of Foodplex LLC and Interactive Video Technologies LLC as of the date of acquisition were as follows:

	Provisional fair value
Intangible assets	305
Property and equipment	18
Deferred income tax assets	29
Other non-current assets	11
Advances to suppliers	10
Trade accounts receivable	101
Other current assets	31
Cash and cash equivalents	172
<b>Total assets</b>	<b>677</b>
Deferred income tax liabilities	1
Trade accounts payable	29
Other current liabilities	147
<b>Total liabilities</b>	<b>177</b>
<b>Total identifiable net assets measured at fair value</b>	<b>500</b>
Goodwill was calculated as the excess of:	
(a) The consideration transferred by the Group measured at fair value:	
[1] disposal of investment in O2O Holding (JV)	450
<b>Fair value of the consideration transferred</b>	<b>450</b>
(b) The amount of non-controlling interest measured at the proportionate share of the identifiable net assets	50
(c) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at final fair value	500
<b>Goodwill</b>	<b>–</b>

## Notes to the Consolidated Financial Statements (continued)

### 12 Business combinations and disposals (continued)

#### 12.2 Foodplex, Interactive video technologies (continued)

The cash flows on acquisition were as follows:

Cash paid (included in cash flows from investing activities)	–
Cash acquired (included in cash flows from investing activities)	172
<b>Net cash flow on acquisition</b>	<b>172</b>

In Q4 2022, the Group acquired 7.2% shares in Interactive Video Technologies LLC for RUB 28.

#### 12.3 Zen.Platform

In 2022, the Group completed the acquisition of the Zen and News content platforms from Yandex ("Zen.Platform"). At the same time, the Group sold to Yandex a 100% stake in the Delivery Club, a ready-to-eat and groceries delivery service, which it acquired from O2O Holding in September.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the acquisition date. Right-of-use assets were valued at an amount equal to the lease liability.

The fair value of the identifiable assets and liabilities of Zen.Platform LLC as of the date of acquisition were as follows:

	Provisional fair value
Intangible assets	11 052
Property and equipment	21
Right-of-use assets	338
Deferred income tax assets	27
Prepaid expenses and advances to suppliers	74
Other current assets	87
Cash and cash equivalents	668
<b>Total assets</b>	<b>12,267</b>
Non-current lease liabilities	194
Trade accounts payable	41
Current lease liabilities	144
Deferred income tax liabilities	1,832
Other current liabilities	242
<b>Total liabilities</b>	<b>2,453</b>
<b>Total identifiable net assets measured at fair value</b>	<b>9,814</b>
Goodwill was calculated as the excess of:	
(a) The consideration transferred by the Group measured at fair value:	
[1] Fair value of the Group's disposed 100% of shares in Delivery Club LLC	38,620
<b>Fair value of the consideration transferred</b>	<b>38,620</b>
(b) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at final fair value	9,814
<b>Goodwill</b>	<b>28,806</b>

Goodwill relates mainly to advertising services and potential synergies with the Group's business. It is assumed that goodwill will not be deductible for income tax purposes.

Intangible assets are mainly represented by the authors' database, software and trademark, and are amortized over 8-11 years.

The cash flows on acquisition were as follows:

Cash paid (included in cash flows from investing activities)	(1,489)
Cash acquired (included in cash flows from investing activities)	668
<b>Net cash flow on acquisition</b>	<b>(821)</b>

## Notes to the Consolidated Financial Statements (continued)

### 12 Business combinations and disposals (continued)

#### 12.4 Medium Quality Production (MQP)

In 4 quarter 2022, the Group acquired control of Medium Quality Production LLC ("MQP") by purchasing 51% of shares. The Group also signed a number of option agreements (received call options and written put options) to acquire the remaining 49% stake. In accordance with IFRS 10, the fair value of these options is recorded as deferred consideration and no non-controlling interest is recognised.

The main activity of MQP is the production of video content. The deal will allow the Group to strengthen its position in the video content market through exclusive shows and joint projects that will be produced specifically for VK Video platforms, VK Clips and other media resources of the Group.

The fair value of the identifiable assets and liabilities of MQP as of the date of acquisition were as follows:

	Provisional fair value
Intangible assets	2,081
Right-of-use assets	25
Property and equipment	18
Deferred income tax assets	2
Trade accounts receivable	153
Other current assets	66
Cash and cash equivalents	74
<b>Total assets</b>	<b>2,419</b>
Trade accounts payable	102
VAT and other taxes payable	93
Deferred income tax liabilities	244
Customer advances	758
Other payables, accrued expenses and contingent consideration liabilities	167
<b>Total liabilities</b>	<b>1,364</b>
<b>Total identifiable net assets measured at fair value</b>	<b>1,055</b>

Goodwill relates mainly to the Vkontakte and Odnoklassniki social network and potential synergies with the Group's business. It is assumed that goodwill will not be deductible for income tax purposes.

Intangible assets are mainly represented by a trademark, software and video content, and are amortized over 1-5 years.

#### 12.5 Invite

In 2022, the Group acquired control over a number of subsidiaries by acquiring from the parent company a 100% stake in Invite LLC (hereinafter "Invite"), a 75% stake in Invite License (hereinafter "Invite License"), as well as an 80% stake in Invite Music (hereinafter "Invite Music"), respectively, together making up a full-cycle creative agency specializing in influencer marketing and social media promotion for a total cash consideration of RUB 12 million.

According to IFRS 3 *Business Combinations*, all business combinations are ultimately controlled by the same party both before and after business combinations, and are accounted for by the Group as transactions under common control.

This acquisition did not have a material impact on the Group's financial position and operating results.

# Notes to the Consolidated Financial Statements (continued)

## 12 Business combinations and disposals (continued)

### 12.6 Skillfactory

In 2021, the Group acquired control over educational online platform "Skillfactory" LLC ("Skillfactory") by increasing its share to 61.809% (43.50% in addition to 18.309% stake as of June 30, 2021 that was accounted for as an equity accounted associate) by executing a call option for a total cash consideration of RUB 1,088. As of September 30, 2021, as a result of the control acquisition the Group de-recognised the equity accounted investment in Skillfactory in the amount of RUB 153, as a result with the gain from remeasurement of previously held interest in equity accounted associates of RUB 305.

In February 2021, the Group granted a loan to Skillfactory in the amount of RUB 125. As of September 30, 2021 carrying value of the loan comprised RUB 133. In accordance with the terms of the addendum to shareholders agreement, the Group received a conversion option to acquire an additional interest of 1.92% as of the date of execution of the above mentioned call option and intends to convert the loan into the share capital of Skillfactory. This conversion option provides the Group with present access to returns associated with that ownership interest and was accounted for as if the underlying 1.92% ownership interest was acquired. As a result, total Group's ownership interest in Skillfactory is 63.73%.

The Group has also written put options over the remaining 36.27% non-controlling interests at the date of acquisitions of control in Skillfactory.

The Group treats both business combination and the written put options as a single transaction. The written put options are accounted for as a derivative financial liability with fair value of RUB 123 as the Group retains control over condition under which these put options become exercisable. The derivative financial liability is measured at fair value through profit or loss.

The primary purpose of the acquisition of Skillfactory was to expand the Group's presence in the online education market by achieving substantial synergies with Skillbox and Geekbrains, the Group's online educational platforms.

During 2022, the Group finalised the purchase price allocation for Skillfactory, which resulted in the fair value of deferred revenue decrease by RUB 186, the net effect on goodwill was RUB 186 decrease.

The fair value of the identifiable assets and liabilities of Skillfactory as of the date of acquisition were as follows:

	Fair value
Intangible assets	284
Property and equipment	5
Trade accounts receivable	5
Other current assets	17
Cash and cash equivalents	45
<b>Total assets</b>	<b>356</b>
Trade accounts payable	8
Deferred revenue	354
Other payables, provisions and accrued expenses	24
<b>Total liabilities</b>	<b>386</b>
<b>Total net assets</b>	<b>(30)</b>
Goodwill was calculated as the excess of:	
(a) The consideration transferred by the Group measured at fair value:	
[1] Cash consideration	1,088
[2] Fair value at the acquisition date of the Group's previously held equity interest	458
[3] Fair value of the written put options over 36.27% non-controlling interest	123
[4] Effective settlement of convertible loan	133
<b>Consideration transferred by the Group</b>	<b>1,802</b>
(b) The amount of non-controlling interest in Skillfactory measured at the proportionate share of the identifiable net assets over	(78)
(c) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at final fair value	(30)
<b>Goodwill</b>	<b>1,754</b>

## Notes to the Consolidated Financial Statements (continued)

### 12 Business combinations and disposals (continued)

#### 12.6 Skillfactory (continued)

Goodwill is mainly attributable to the educational services and potential synergy with the Group's business. Goodwill is not expected to be deductible for income tax purposes.

Intangible assets mainly include software and trademark and customer base and are amortised over the period of 3 to 9 years.

The cash flows on acquisition were as follows:

Cash paid (included in cash flows from investing activities)	1,088
Cash acquired (included in cash flows from investing activities)	(45)
Net cash flow on acquisition	1,043

#### 12.7 Mamboo games, Umskul

In 2021, the Group acquired control over mobile games publisher and developer Mamboo Games LLC ("Mamboo Games") by purchasing 51% of shares in form of executing a call option for a cash consideration of RUB 168 and effective settlement of convertible loans with total carrying value of RUB 202 measured at fair value through profit or loss. In addition, as of the date of acquisition a contingent consideration of RUB 39 was recognised.

Mamboo Games is a hypercasual games publisher and developer. The primary purpose of the acquisition of Mamboo Games was to enhance the Group's position on the mobile games market.

In 2022, the Group finalised the purchase price allocation for Mamboo Games, which resulted in no change from provisional values.

In October 2021, the Group acquired control of online educational platform Umskul LLC ("Umskul") by purchasing 25% of shares for a cash consideration of RUB 950. In accordance with IAS 28, the Group accounts for the investment in Umskul as an investment in equity accounted associates.

In 2022, the Group finalised the purchase price allocation for Umskul, which resulted in no change from provisional values.

### 13 Non-current assets held for sale and discontinued operations

#### 13.1 MY.GAMES (segment "Games")

In 2022, the Group signed a sale agreement and transferred control of its subsidiaries to MY.GAMES HOLDINGS LTD (Cyprus) and My.Games LLC on September 27, 2022 and December 12, 2022, respectively, for RUB 37,241.

The subsidiaries listed above belonged to the "Games" segment (Note 5). In accordance with IFRS 5:

- MY.GAMES HOLDINGS LTD (Cyprus), My.Games LLC and their subsidiaries were classified as a "Disposal Group" (discontinued operations).
- Financial results related to the Disposal Group are presented separately in the consolidated statement of comprehensive income.
- Gain from the disposal of subsidiary is recognised in the consolidated statement of comprehensive income in the amount of the difference between:
  - The sale price of the subsidiary MY.GAMES HOLDINGS LTD (Cyprus) and My.Games LLC; and
  - Carrying amount of net assets and equity relating to MY.GAMES HOLDINGS LTD (Cyprus), My.Games LLC and its subsidiaries.

Breakdown of major classes from gain from the disposal of subsidiary:

Sale price of a subsidiary of MY.GAMES HOLDINGS LTD (Cyprus) and My.Games LLC	37,241
Carrying amount of net assets relating to MY.GAMES HOLDINGS LTD (Cyprus), My.Games LLC and its subsidiaries	(11,781)
Non-controlling interests	1,663
Accumulated other comprehensive income, reclassified to profit or loss	7
Gain from the disposal of subsidiary	27,130



## Notes to the Consolidated Financial Statements (continued)

### 13 Non-current assets held for sale and discontinued operations (continued)

#### 13.1 MY.GAMES (segment "Games") (continued)

The effect of the disposal on cash and cash equivalents in 2022 is the amount of cash disposed of by the Segment.

Net cash flows from discontinued operations:

	2022	2021
<b>Operating activities</b>		
Discontinued operations	(253)	5,412
<b>Net cash (used)/received from financing activities</b>	<b>(253)</b>	<b>5,412</b>
<b>Investment activities</b>		
Discontinued operations	(2,497)	(3,034)
<b>Net cash used in investing activities</b>	<b>(2,497)</b>	<b>(3,034)</b>
<b>Financial activities</b>		
Discontinued operations	–	–
Intragroup operations	(1,125)	(211)
<b>Net cash used in financing activities</b>	<b>(1,125)</b>	<b>(211)</b>
<b>Net cash (outflow)/inflow from discontinued operations</b>	<b>(3,875)</b>	<b>2,167</b>

The financial results related to the Disposal Group (discontinued operations) are presented below:

	2022*	2021
Online advertising	3,039	4,620
MMO games	28,314	38,327
Community IVAS	448	463
Other revenue	454	669
<b>Total revenue</b>	<b>32,255</b>	<b>44,079</b>
Personnel expenses	(6,505)	(6,936)
Agent/partner fees	(7,941)	(10,737)
Marketing expenses	(11,395)	(11,803)
Server hosting expenses	(232)	(333)
Professional services	(207)	(366)
Other operating expenses	(768)	(701)
<b>Total operating expenses, net</b>	<b>(27,048)</b>	<b>(30,876)</b>
Depreciation and amortisation	(1,961)	(2,240)
Finance income	107	18
Finance expenses	(9)	(24)
Other non-operating gain/(loss)	23	(15)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(581)	(55)
Gain from the disposal of subsidiary	27,130	–
Loss on remeasurement of financial instruments	(297)	(24)
Expected credit loss allowance on restricted cash	(1,285)	–
Net foreign exchange gain	(476)	99
<b>Profit/(loss) before income tax expense from discontinued operations</b>	<b>27,858</b>	<b>10,962</b>
Income tax expense	878	(314)
<b>Net profit/(loss) from discontinued operations</b>	<b>28,736</b>	<b>10,648</b>

\* Income and expenses are recorded for the period from January 1, 2022 to the date of disposal of the respective subsidiaries of the Group

#### 13.2 Virtus.pro

In 4Q 2022, the Group signed a sale agreement and transferred control of the subsidiary to the organization Virtus.pro Ltd. for RUB 174. The carrying value of the disposed net assets and capital elements amounted to RUB 161. As a result, the Group recognized a gain on the disposal of the subsidiary in the amount of RUB 13.

## Notes to the Consolidated Financial Statements (continued)

### 13 Non-current assets held for sale and discontinued operations (continued)

#### 13.3 Assets held for sales

In Q1 2023, the Group signed a number of sale agreements and transferred control of its subsidiaries: EPICENTR (Cyprus) Ltd., ESFORCE AGENCY Ltd. for a cash consideration of RUB 47.

In 1Q 2023, the Group also signed a sale agreement and transferred control of a subsidiary Fudplex LLC for a cash consideration of 1 rouble. In accordance with the requirements of IFRS 5 (assets held for sale are measured at lower of their carrying amount and fair value less costs to sell), the Group recognized a loss from revaluation of assets held for sale in the amount RUB 283 in the consolidated statement of comprehensive income.

In 4Q 2022, the Group also signed a binding agreement on the sale of its subsidiary MGL Wallet (Cyprus) Ltd. The transfer of control over the entity depends on the conditions precedent, the fulfillment of which the Group expects during 2023.

As at December 31, 2022, the Group assessed the probability of the sale of the above subsidiaries as highly probable and the decision to sell them was approved in 4Q 2022. In accordance with IFRS 5, the Group classified the related assets and liabilities as "Assets held for sale" and "Liabilities directly associated with assets held for sale" and presented them separately in the consolidated statement of financial position.

The breakdown of the significant classes of assets and liabilities held for sale as at December 31, 2022 is following:

	December 31, 2022
Other non-current assets	5
Trade accounts receivable	43
Loans receivable	47
Prepaid income tax	4
Prepaid expenses and advances to suppliers	8
Other current assets	24
Cash and cash equivalents	161
<b>Total assets held for sale</b>	<b>292</b>
Trade accounts payable	(184)
VAT and other taxes payable	(2)
Deferred revenue and customer advances	(45)
Other payables, accrued expenses and contingent consideration liabilities	(56)
<b>Total liabilities directly associated with assets held for sale</b>	<b>(287)</b>

### 14 Trade accounts receivable

As of December 31, 2022 and 2021 trade receivables comprised the following:

	December 31, 2022	December 31, 2021
Trade accounts receivable, gross	20,890	21,570
Allowance for expected credit losses	(357)	(882)
<b>Total trade receivables, net</b>	<b>20,533</b>	<b>20,688</b>

The movements in the allowance for expected credit losses of trade receivables were as follows:

<b>Balance as of January 1, 2021</b>	<b>(612)</b>
Charge for the year	(418)
Accounts receivable written off	148
<b>Balance as of December 31, 2021</b>	<b>(882)</b>
Charge for the year	(89)
Disposal of provision due to sale of subsidiaries	549
Accounts receivable written off	65
<b>Balance as of December 31, 2022</b>	<b>(357)</b>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns and the likelihood of default over a given time horizon. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

## Notes to the Consolidated Financial Statements (continued)

### 14 Trade accounts receivable (continued)

Set out below is the information about the credit risk exposure on the Group's trade and other receivables as of December 31, 2022 and 2021 using a provision matrix:

	Trade accounts receivable				
	Days past due				
	<90 days	90-180	180-360	>360	Total
As of December 31, 2022					
Expected credit loss rate	0.01-2.4%	0.45-6.25%	2.34-8.02%	9.68%-100%	
Estimated total gross carrying amount at default	18,425	670	1,296	499	20,890
Expected credit loss	(7)	(11)	(27)	(312)	(357)
	Trade accounts receivable				
	Days past due				
	<90 days	90-180	180-360	>360	Total
As of December 31, 2021					
Expected credit loss rate	0.05-19.88%	0.99-54.87%	1.64-73.49%	100.00%	
Estimated total gross carrying amount at default	19,429	893	464	784	21,570
Expected credit loss	(4)	(44)	(50)	(784)	(882)

The accounts receivable balances as of December 31, 2022 and 2021 mainly represented amounts due from online electronic payment systems and advertising customers.

The trade receivables are non-interest bearing and are generally settled in RUB on a 40-90 days basis. There is no requirement for collateral to receive credit.

Management considers that the carrying amount of the receivable balances approximated their fair value as of December 31, 2022 and 2021.

### 15 Cash and cash equivalents and short-term deposits

As of December 31, 2022 and 2021 cash and cash equivalents consisted of the following:

	Currency	December 31, 2022	December 31, 2021
Current accounts and cash on hand:	USD	262	9,371
	RUB	30,547	3,786
	EUR	317	3,078
	Other	90	80
<b>Total current accounts and cash on hand</b>		<b>31,216</b>	<b>16,315</b>
Deposit accounts with an original maturity of three months or less	RUB	17,543	7,422
<b>Total deposit accounts with an original maturity of three months or less</b>		<b>17,543</b>	<b>7,422</b>
<b>Total cash and cash equivalents and short-term deposits</b>		<b>48,759</b>	<b>23,737</b>

As at December 31, 2022, restricted cash amounted to RUB 1,513 (2021: 0), the allowance for expected credit losses was formed in full. Balances are held by subsidiaries that operate in countries where exchange controls apply.

### 16 Other payables and accrued expenses

Other payables and accrued expenses consist of:

	December 31, 2022	December 31, 2021
Payables to personnel	4,396	3,818
Accrued vacations	2,357	2,643
Contingent consideration liabilities (Note 24)	576	943
Liabilities of payment systems	1,945	2,318
Liabilities under the contract of assignment of debt	984	–
Liabilities under cash pooling agreements	941	–
Other current liabilities	611	401
<b>Total other payables and accrued expenses</b>		<b>11,810</b>
		<b>10,123</b>

## Notes to the Consolidated Financial Statements (continued)

### 16 Other payables and accrued expenses (continued)

Other current assets consist of the following:

	December 31, 2022	December 31, 2021
Other taxes recoverable	630	–
VAT recoverable	2,493	1,445
Assets under a debt assignment agreement	984	–
Other accounts receivable	98	–
<b>Total other current assets</b>	<b>4,205</b>	<b>1,445</b>

### 17 Share capital

#### 17.1 Charter capital and share issues

The charter capital of the Company consisted of 227,874,940 ordinary shares and 11,500,100 Class A shares with USD 0.000005 par value each as of December 31, 2021, while the number of authorised shares of the Company as of the same date consisted of 10,000,000,000 ordinary shares and 10,000,000,000 Class A shares. GDRs representing 13,238,213 shares of the Company were held in treasury by the Group as of December 31, 2022.

The charter capital of the Company consisted of 227,874,940 ordinary shares and 11,500,100 Class A shares with USD 0.000005 par value each as of December 31, 2021, while the number of authorised shares of the Company as of the same date consisted of 10,000,000,000 ordinary shares and 10,000,000,000 Class A shares. GDRs representing 13,238,213 shares of the Company were held in treasury by the Group as of December 31, 2021.

As of December 31, 2022 and 2021 all issued shares were fully paid.

#### *Rights attached to the share classes as of December 31, 2022 and 2021*

The Class A shares and the ordinary shares rank pari passu in all respects, but constitute separate classes of shares, i.e. each and every ordinary share and Class A share has the following rights:

- (i) The right to an equal share in any dividend or other distribution paid by the Company to the holders of the shares, pari passu with all other Class A shares and ordinary shares; and, for the avoidance of doubt, any dividend or other distribution may only be declared and paid by the Company to the holders of the Class A shares and the ordinary shares together, and not to the holders of one of those classes of shares only;
- (ii) The right to an equal share in the distribution of the surplus assets of the Company pari passu with all other ordinary shares and Class A shares upon the winding up of the Company.

Each Class A share has the right to twenty five votes and each ordinary share has the right to one vote at a meeting of members of the Company or on any resolution of members of the Company.

For additional details on the options over the shares of the Company outstanding as of December 31, 2022 and 2021, refer to Note 28.

#### 17.2 GDR buying programme

Starting 2011, the Trustee commenced a GDR buying programme in order to cover a part of the employee and director options. Under the GDR buying programme, the Trustee acquires GDRs representing shares of the Company and will subsequently transfer the GDRs to the respective option holders upon the exercise of the options.

#### 17.3 Buyback and sale of own shares

In 4 quarter 2022, Prosus N.V., a shareholder of VK Company Limited (Note 1), withdrew from the shareholders by transferring shares free of charge to the Company. This transaction is accounted for as a buyback of own equity instruments for nil cash consideration.

The Company sold the received shares to Singularity Lab JSC, controlled by the Group's management, for RUB 24,895 million. The effect of this operation will be reflected in the consolidated financial statements as the actual repayment of receivables from Singularity Lab JSC.

## Notes to the Consolidated Financial Statements (continued)

### 17 Share capital (continued)

#### 17.4 Non-controlling interests

	December 31, 2022	December 31, 2021
Skillbox LLC (Russia)	(1,063)	(620)
GeekBrains LLC (Russia)	(628)	(790)
Skillfactory LLC (Russia)	(122)	(103)
Segment "Games"	–	1,838
Other	(334)	21
<b>Total</b>	<b>(2,147)</b>	<b>346</b>

### 18 Revenue

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

Detailed information on revenue from contracts with customers for the year ended December 31, 2022 is presented below in accordance with the requirements of IFRS 15:

Segments	Communications and Social	EdTech	VK Tech	New business lines	Not allocated	Eliminations	Group
<b>Timing of revenue recognition</b>							
Services transferred at a point in time	64,603	52	5,581	6,258	31	(729)	75,796
Services transferred over time	10,513	11,222	197	42	–	–	21,974
<b>Total revenue</b>	<b>75,116</b>	<b>11,274</b>	<b>5,778</b>	<b>6,300</b>	<b>31</b>	<b>(729)</b>	<b>97,770</b>

Detailed information on revenue from contracts with customers for the year ended December 31, 2021 is presented below in accordance with the requirements of IFRS 15:

Segments	Communications and Social	EdTech	VK Tech	New business lines	Not allocated	Eliminations	Group
<b>Timing of revenue recognition</b>							
Services transferred at a point in time	50,064	336	3,145	6,694	–	(379)	59,860
Services transferred over time	11,598	10,505	19	–	–	–	22,122
<b>Total revenue</b>	<b>61,662</b>	<b>10,841</b>	<b>3,164</b>	<b>6,694</b>	<b>–</b>	<b>(379)</b>	<b>81,982</b>

### 19 Finance expenses

Finance expenses consist of:

	2022	2021
Interest on loans and borrowings	10,833	2,979
Interest on lease liabilities	1,180	1,186
Bank charges and commissions	366	64
<b>Total finance expenses</b>	<b>12,379</b>	<b>4,229</b>

### 20 Income tax

On July 14, 2022, Federal Law No. 321-FZ *On Amendments to Part Two of the Tax Code of the Russian Federation* ("the Law") was adopted, which expands the list of companies entitled to apply the tax benefits for IT companies. According to this law, the quantitative criterion for the share of IT revenue is reduced from 90% to 70%, which makes it possible to receive tax benefits. The new benefits come into effect for the periods from January 1, 2022 and are enforced until the end of 2024. The Group partially applied these IT benefits in 2022 and expects to complete the process of assessing the effect of the benefits by the end of 2023.

## Notes to the Consolidated Financial Statements (continued)

### 20 Income tax (continued)

The major components of income tax expense in the consolidated statement of comprehensive income for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Current income tax expense	2,034	3,502
Deferred income tax loss/(benefit)	237	(2,431)
<b>Total income tax expense/(benefit)</b>	<b>2,271</b>	<b>1,071</b>

The reconciliation between theoretical income tax and the actual income tax for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Loss before income tax from continuing operations	(29,497)	(25,588)
Profit before income tax from discontinued operations	27,858	10,962
<b>Loss before income tax</b>	<b>(1,639)</b>	<b>(14,626)</b>
Theoretical tax at domestic rates applicable to individual group entities	5,971	3,245
<i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income</i>		
Non-deductible expenses	(2,808)	(671)
Non-taxable foreign exchange and other gains	1,998	1,281
Adjustments in respect of current income tax of previous period	(48)	(33)
Tax accruals and penalties	(1,703)	(206)
Unrecognised deferred tax assets	(1,006)	(245)
Share of results of equity accounted associates and joint ventures	(3,320)	(4,411)
Expected credit loss on restricted cash	(494)	–
Goodwill impairment	(1,933)	–
Impairment of equity accounted joint ventures	(113)	–
Effect of applying tax benefits	(1,236)	–
Effect of gain from the disposal of a subsidiary	2,467	–
Other	(46)	(31)
<b>Total income tax expense</b>	<b>(2,271)</b>	<b>(1,071)</b>
Total income tax expense from continuing operations	(3,149)	(757)
Total income tax benefit/(expense) from discontinued operations	878	(314)

Deferred income tax assets and liabilities as of December 31, 2022 and 2021 are summarised below:

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	December 31, 2022	December 31, 2021	2022	2021
<b>Deferred tax liabilities arising from:</b>				
Intangible assets book basis in excess of tax basis	(1,735)	(1,133)	1,791	1,362
Other	(406)	(848)	788	(239)
Deferred tax liabilities netting	34	753	–	–
<b>Total deferred tax liabilities</b>	<b>(2,107)</b>	<b>(1,228)</b>	<b>2,579</b>	<b>1,123</b>
<b>Deferred tax assets arising from:</b>				
Tax credit carryforwards	401	1,449	(183)	411
Deferred compensation and accrued employee benefits	149	1,060	(741)	147
Accrued expenses	281	503	(242)	80
Revenue recognition	9	1,780	(918)	530
Unrealised intercompany profit	51	105	(10)	–
Prepaid expenses	1,072	611	–	–
Other	364	402	(722)	140
Deferred tax assets netting	(34)	(753)	–	–
<b>Total deferred tax assets</b>	<b>2,293</b>	<b>5,157</b>	<b>(2,816)</b>	<b>1,308</b>
<b>Net deferred tax assets</b>	<b>186</b>	<b>3,929</b>	<b>(237)</b>	<b>2,431</b>

The temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised, aggregate to RUB 91,874 (2020: RUB 91,538).

## Notes to the Consolidated Financial Statements (continued)

### 20 Income tax (continued)

Changes in net deferred tax assets/(liabilities) from January 1, 2021 to December 31, 2022 were as follows:

	2022	2021
Total deferred income tax assets, net at January, 1	3,929	1,545
Deferred tax (expense)/benefit	(237)	2,545
Translation reserve	(83)	(114)
Effect of disposal of subsidiaries (Note 13)	(1,495)	–
Effect of acquisition of subsidiaries (Note 12)	(2,094)	(47)
Total deferred income tax assets, net at December, 31	186	3,929

### 21 EPS

#### 21.1 Basic EPS

Basic EPS amounts are calculated by dividing earnings/loss for the year attributable to equity holders of the parent by the weighted average number of ordinary and Class A shares outstanding during the year.

	2022	2021
Net loss attributable to equity holders of the Company	(3,144)	(15,493)
Weighted average number of ordinary and class A shares in issue and outstanding	226,146,782	225,888,295
Basic loss per share (RUB per share)	(14)	(69)

#### 21.2 Diluted EPS

Diluted EPS is calculated by adjusting the weighted average number of ordinary and Class A shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and RSUs granted by the Company (collectively forming the denominator for computing the diluted EPS).

For share options and RSUs, a calculation is done to determine the number of shares that would have been issued assuming the exercise of the share options and RSUs. The above number is added to the denominator as an issue of ordinary shares for no consideration. Net profit/loss attributable to equity holders of the parent (numerator) is adjusted for the charge that would arise if equity settlement took place.

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

	2022	2021
Net loss attributable to equity holders of the Company	(3,144)	(15,493)
Adjustment for the gains from cash settled option	–	(258)
Adjusted net loss attributable to equity holders of the Company	(3,144)	(15,751)
Weighted average number of ordinary and class A shares in issue and outstanding	226,146,782	225,888,295
Effect of equity-settled share based payments of the Company	5,809,355	8,957,947
Total diluted weighted average number of shares	231,956,137	234,846,242
Diluted EPS (RUB per share)	n/a	n/a

### 22 Commitments, contingencies and operating risks

#### 22.1 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.

In connection with Russia's special operation in Ukraine in 2022, the US, EU, UK and other countries have imposed broad economic and trade sanctions. The scope of these sanctions has evolved and continues to do so across various jurisdictions including among other restrictions on dealing with designated individuals and entities; blocking and asset freezing sanctions; restrictions on the Russian financial sector and imposing export controls limiting the export of a wide range of goods and technical assistance to Russia. Moreover, there is a risk that further sanctions may be introduced, such as all Russian banks will be disconnected from SWIFT. Furthermore, in response to sanctions imposed on Russia by a number of countries, Russia has implemented new countersanctions including among other restrictions on provision of debt financing by Russian creditors to foreign recipients, restrictions on transactions involving shares in Russian companies and immovable property, restrictions on transferring funds abroad and on payment of dividends and other payments on Russian securities.

# Notes to the Consolidated Financial Statements (continued)

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

### 22.1 Operating environment of the Group (continued)

On the macroeconomic side these sanctions and geopolitical situation are likely to have significant economic and financial consequences both regionally and potentially at a global scale.

As far as the Company is aware, neither the Company nor any of its subsidiaries is directly subject to any sanctions announced to date by the US, UK or EU.

As reported, trading of VK's GDRs on the London Stock Exchange ("LSE") was suspended by the LSE on March 3, 2022. Under the terms of the Bonds, a "De-listing Event" occurs if, among other things, trading of the GDRs on the LSE Main Market is suspended for a period of 10 consecutive dealing days or more. As a result, a "De-listing Event" under the Bonds occurred following the close of trading on March 16, 2022 as trading did not resume. Moreover, uncertainty around the impact of the restrictions under the enacted Russian capital control and protection measures on the ability to transfer cash funds from the Company's Russian subsidiaries to its foreign holding company, which is the issuer of the Bonds, and continuing multiple changes to the regulatory backdrop, there can be no certainty that the Issuer will have sufficient available liquidity outside Russia to effect redemption or make other payments due under the Bonds.

As the political situation is constantly evolving, it is impossible at the moment to accurately predict the full impact of the sanctions imposed or any counter measures taken by the Russian government in response to such sanctions with further negative effect on the Russian economy and financial markets. If all Russian banks are disconnected from SWIFT, the Group may experience difficulties in conducting payments abroad. Moreover, the Group are subject to risks relating to our technology as a result of the current environment as the Group heavily relies on foreign technology infrastructure, such as servers and server equipment, and iOS and Android app stores to download our apps from. If the foreign businesses on which the Group relies for these aspects of our operations, are unable to continue to provide uninterrupted services, our operations may be disrupted.

The Group will continue to monitor and revisit its contingency plans in light of developments, including responses to any further sanctions. The events mentioned above require management of the Group to adapt to a changing operating environment characterized by a high level of uncertainty and having a significant impact on the Group and its operations.

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

### 22.2 Taxation

Tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. These changes may be significant and affect the growth of the tax burden in the countries where the Group operates. In February 2023, The European Union decided to add Russia to its blacklist of non-cooperative jurisdictions on tax matters, which may lead to an increase in the tax burden in the countries of the Group's presence. The Group monitors regulatory changes in these countries and assesses the effect of the implementation of measures.

There is a risk of increasing tax liabilities due to unfavorable changes in tax legislation for the Group, ambiguous interpretation by regulatory authorities and challenging transactions and approaches that have not been challenged before. This may lead to additional taxes, fines, penalties, as well as regulations of the tax authorities, the impact of which on the financial statements of the Group may be significant. Tax audits may cover three calendar years of activity immediately preceding the year of the audit. Under certain conditions, earlier periods may also be subject to verification.

The Group estimates that the amount of possible risks associated with the above aspects, which are not required to be recognized in accordance with IFRS, may significantly exceed the amount of income tax, VAT and other taxes payable reflected in the consolidated statement of financial position at the reporting date. This assessment is provided in accordance with the IFRS requirement to disclose information about possible taxes and should not be considered as an assessment of the Group's future tax liability.

The Group estimates that the amount of probable risks associated with the above aspects in the amount of RUB 1,536 million was stated in the line "Income tax expense" of the consolidated statement of comprehensive income.

### 22.3 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.

### 22.4 Data privacy

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.



# Notes to the Consolidated Financial Statements (continued)

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

### 22.5 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.

### 22.6 Development

Possible risks of opportunity 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. Potential difficulties in developing 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.

### 22.7 Regulation

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

During 2022, the following laws came into force:

*Law On Amendments to a Number of Legislative Acts of the Russian Federation*, including the Federal Law *On Information, Information Technologies and Information Protection*. The laws provide:

- Obligation for classifiers to prevent the dissemination of information prohibited by law, post information about the service, and in some cases (determined by the Government of the Russian Federation) connect to the ESIA;
- Prohibition for state-owned companies, for government related companies with it's share of more than 50%, as well as for subjects of the national payment system, credit and non-credit financial institutions, to use foreign programs and instant messengers to send personal data, as well as data on transfers, accounts and deposits citizens of the Russian Federation;
- Prohibition of propaganda of non-traditional sexual relations;
- Restrictions are introduced on the use of biometric personal data in the process of identification and (or) authentication of individuals in information systems.

*Law On Amendments to the Federal Law "On Advertising"*. The purpose of the law is to create a unified accounting system for advertising posted on the Internet. Persons placing advertisements on the Internet in the territory of the Russian Federation are obliged to provide with information on the placement of advertisements to the unified register of Roskomnadzor.

*Law On Amendments to the Federal Law "On Personal Data"*. Among other things, the law establishes (depending on the country) a notification or permissive procedure for the cross-border transfer of personal data of citizens of the Russian Federation, obliges to interact with state systems for preventing and eliminating the consequences of computer attacks on information resources of the Russian Federation.

The Law *On Amendments to the Code of Administrative Offenses of the Russian Federation*, which provides for:

- Introduction of administrative liability for propaganda of non-traditional sexual relations or preferences not only among minors.
- Introduction of administrative liability for non-execution of coercive measures taken against a foreign legal entity operating on the Internet in the territory of the Russian Federation, which defied the current legislation of the Russian Federation. In particular, administrative fines are introduced for non-compliance with the following restrictions and prohibitions:
- Prohibition on the dissemination of advertising by a foreign person, restriction of money transfers and acceptance of payments in favor of a foreign person, prohibition on search results, prohibition on the collection and cross-border transfer of personal data, partial and complete restriction of access to the information resource of a foreign person, as well as other forms of restrictions.

The following laws are considered in the State Duma of the Russian Federation:

The Law *On Amendments to the Federal Law "On Protection of Competition"* in terms of improving the antimonopoly regulation of digital markets.

The law is aimed at suppressing possible abuses by persons providing programs for electronic computers on the Internet information and telecommunications network designed to conclude transactions in digital markets (between sellers and buyers).

# Notes to the Consolidated Financial Statements (continued)

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

### 22.7 Regulation (continued)

The Law *On Amendments to the Federal Law "On Information, Information Technologies and Information Protection"*, according to which search engine operators are required to remove links to content that violates copyright / related rights from search results.

The Laws *On Amendments to the Code of Administrative Offenses of the Russian Federation*, which provide for:

- Strengthening administrative liability for repeated violations related to manifestations of monopolistic activity in digital commodity markets.
- Introduction of administrative responsibility of the owner of an information resource for failure to fulfill a number of obligations to interact with the operator of social advertising, as well as for refusing to measure (or incorrectly measure) the audience of the service.

### 22.8 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.

### 22.9 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.

### 22.10 Fund commitment

In April 2020 the Group entered into the venture capital fund MVOF L.P. (the Fund) as a limited partner. The purpose of the Fund is to carry on the business of investing and, in particular, of identifying, negotiating, making, monitoring the progress of and realising, exchanging or distributing investments. Main investment areas and geographic focus are the sectors of consumer internet, foodtech, EdTech, fintech, AI and modern software, and any other sectors which are generally complementary to such identified sectors in developed markets outside Russia. The Group has right to the share in the financial results of the Fund's 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 of December 31, 2022, the total remaining capital commitment of the Group was RUB 5,767 (USD 82 million). As of December 31, 2022 and December 31, 2021, the Group made contributions to the Fund's capital in the total amount of USD 68 million. There were no contributions to the Fund's capital for the year ended December 31, 2022.

As of December 31, 2021 the total capital commitment of the Group was RUB 6,091 (USD 82 million)

Capital contributions to the Fund are made quarterly based on the capital call notices. Anticipated lifetime of the Fund is 10 years.

For the purposes of estimating the fair value of an investment in the MVOF L.P. venture fund, the Group takes into account the current characteristics of the asset, as well as the possibility of exiting the asset. At the moment there is a significant uncertainty about the ability to obtain future economic benefits from holding or selling the asset, and therefore the Group has decided to estimate the fair value of the investment in the fund at 0 (Note 24).

## 23 Balances and transactions with related parties

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year, excluding Directors and key management of the Group (see Notes 15.1 and 15.2). All related party transactions were made in accordance with contractual terms and conditions agreed between the parties.

The Group applies the exemption from the disclosure requirements of IAS 24 *Related Parties*, paragraph 18, in relation to related party transactions and outstanding balances with:

- A government that has control or joint control of, or significant influence over, the reporting entity; and
- Another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

The purchase of a subsidiary from a related party is disclosed in Note 12.1.

## Notes to the Consolidated Financial Statements (continued)

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

	December 31, 2022		December 31, 2021	
	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties
<b>Trade accounts receivable and Trade and other payable</b>				
Equity accounted associates	75	27	65	6
Joint ventures	587	569	2,040	2,444
Entities with significant influence over the Group including government related entities	1,003	410	47	31
<b>Loans issued and Loans received</b>				
Equity accounted associates	109	–	–	–
Joint ventures	231	–	–	–
Entities with significant influence over the Group including government related entities	–	90,620	–	13,243
<b>Advance under office lease contracts</b>				
Entities with significant influence over the Group and government related entities	92	–	876	–

	2022		2021	
	Sales to related parties	Purchases from related parties	Sales to related parties	Purchases from related parties
<b>Sales and Purchases</b>				
Equity accounted associates	158	85	193	18
Joint ventures	3,596	382	4,784	239
Entities with significant influence over the Group including government related entities	2,215	1,294	591	109
<b>Interest expense</b>				
Entities with significant influence over the Group including government related entities	–	2,575	–	956

	2022		2021	
	Cash balances on current accounts	Cash balances on deposit accounts	Cash balances on current accounts	Cash balances on deposit accounts
<b>Cash balances</b>				
Cash balances on current and deposit accounts with government related banks	28,583	15,730	2,232	5,550

	2022		2021	
	Lease liabilities at the end of the year	Lease payments during the year	Lease liabilities at the end of the year	Lease payments during the year
<b>Lease</b>				
Lease transactions with government related entities	2,807	2,901	7,513	222

As of December 31, 2022, the Russian Federation has significant influence over Sogaz as one shareholder of MF Technologies and controls the other group of shareholders of MF Technologies.

Decisions over MF Technologies' relevant activities require consent of both groups of shareholders.

#### 23.1 Directors of the Company

For the year ended December 31, 2022, total cash remuneration of the members of the Board of Directors (each a "Director" and collectively, "Directors") of the Company amounted to RUB 131 (2021: RUB 135).

For the year ended December 31, 2022, no options over the shares of the Company were granted to Directors (2021: 55,000).

For the year ended December 31, 2022, Directors forfeited 55,000 PSUs (2021: nil), and did not exercise any PSUs/RSUs over shares of the Company (2021: 15,000 RSUs).

For the year ended December 31, 2022, the corresponding share-based payment expense was negative at RUB 29 (2021: negative RUB 96).

## Notes to the Consolidated Financial Statements (continued)

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

#### 23.2 Key management of the Group

For the year ended December 31, 2022 total cash remuneration of the key management of the Group (excluding Directors) amounted to RUB 1,959 (2021: RUB 1,136).

For the year ended December 31, 2022, no PSUs/RSUs or options were granted to key executive employees of the Group (excluding Directors) (2021: 4,696,600).

For the year ended December 31, 2022, key management of the Group (excluding Directors) forfeited 2,036,100 PSUs (2021: 230,000) and did not exercise any PSUs/RSUs and options (2021: 185,875).

For the years ended December 31, 2022 the corresponding share-based payment expense amounted to RUB 1,628 (2021: RUB 711).

### 24 Financial instruments

As of December 31, 2022 and December 31, 2021, the Group's financial instruments are presented by category in the table below:

	Category*	December 31, 2022	December 31, 2021
<b>Financial assets at fair value through profit and loss</b>			
<i>Non-current</i>			
Financial investments in venture capital investees	FAFVPL	118	5,992
Convertible loans	FAFVPL	–	585
Financial derivative under lease contract	FAFVPL	232	326
<b>Financial assets at amortised cost</b>			
<i>Non-current</i>			
Loans issued	FAAC	464	69
Other trade accounts receivable**	FAAC	1,694	–
<i>Current</i>			
Trade accounts receivable	FAAC	64,272	20,688
Loans issued and interest receivable	FAAC	3,029	109
Cash and cash equivalents	FAAC	48,759	23,737
<b>Total financial assets</b>		<b>118,568</b>	<b>51,506</b>
<b>Financial liabilities at fair value through profit and loss</b>			
<i>Current</i>			
Contingent consideration payable	FLFVPL	576	943
Financial liabilities at fair value through profit or loss	FLFVPL	4,806	–
<i>Non-current</i>			
Conversion option of bonds issued	FLFVPL	–	219
Financial liabilities at fair value through profit or loss	FLFVPL	3,982	660
<b>Financial liabilities at amortised cost</b>			
<i>Current</i>			
Trade accounts payable	FLAC	17,121	14,541
Other payables and accrued expenses	FLAC	11,234	9,180
Short-term portion of long-term interest-bearing loans and bonds	FLAC	88,742	7,078
Short-term lease liabilities	FLAC	3,216	4,121
<i>Non-current</i>			
Long-term interest-bearing loans and bonds	FLAC	35,775	50,810
Non-current lease liabilities	FLAC	7,292	11,327
<b>Total financial liabilities</b>		<b>172,744</b>	<b>98,879</b>

\* 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.

\*\* Long-term other trade accounts receivable are represented by the debt of the disposed subsidiaries of the "Games" segment (Note 13) to the Group for software.

## Notes to the Consolidated Financial Statements (continued)

### 24 Financial instruments (continued)

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

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

#### 24.1 Financial assets at amortised cost

The Group classifies the following financial assets at amortised cost:

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

#### 24.2 Fair value hierarchy

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

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

As of December 31, 2022 and December 31, 2021, the Group held the following financial instruments measured at fair value through profit or loss:

	December 31, 2022	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value through profit or loss</b>				
Financial investments in venture capital investees	118			118
Financial derivative under lease contract	232	–	–	232
<b>Total financial assets measured at fair value through profit or loss</b>	<b>350</b>	<b>–</b>	<b>–</b>	<b>350</b>
<b>Financial liabilities measured at fair value through profit or loss</b>				
Non-current financial derivative on put options over non-controlling interests of the Group's subsidiary	3,982	–	–	3,982
Current financial derivative on put options over interests of equity accounted associate	4,806	–	–	4,806
Contingent consideration payable	576	–	–	576
<b>Total financial liabilities measured at fair value through profit or loss</b>	<b>9,364</b>	<b>–</b>	<b>–</b>	<b>9,364</b>
	December 31, 2021	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value through profit or loss</b>				
Financial investments in venture capital investees	5,992	–	–	5,992
Convertible loans	585	–	–	585
Financial derivative under lease contract	326	–	–	326
<b>Total financial assets measured at fair value through profit or loss</b>	<b>6,903</b>	<b>–</b>	<b>–</b>	<b>6,903</b>
<b>Financial liabilities measured at fair value through profit or loss</b>				
Financial derivative on put options over non-controlling interests of the Group's subsidiary	660	–	–	660
Contingent consideration payable	943	–	–	943
Conversion option of bonds issued	219	–	219	–
<b>Total financial liabilities measured at fair value through profit or loss</b>	<b>1,822</b>	<b>–</b>	<b>219</b>	<b>1,603</b>

## Notes to the Consolidated Financial Statements (continued)

### 24 Financial instruments (continued)

#### 24.2 Fair value hierarchy (continued)

The balance of financial assets and liabilities at fair value through profit or loss measurements as of January 1, 2022 is reconciled to the balance of those measurements as of December 31, 2022 and as of January 1, 2021 and December 31, 2021:

	Balance as of January 1, 2022	Gains/(losses) recognised in profit and loss	Purchases/ settlement	Reclassification from non-current to current	Disposal group (Note 13)	Balance as of December 31, 2022
<b>Financial assets measured at fair value through profit or loss</b>						
Financial investments in venture capital investees	5,992	(5,842)	21	–	(53)	118
Non-current convertible loans	585	(460)	478	(147)	(456)	–
Current convertible loans	–	(90)	71	147	(128)	–
Financial assets and derivatives under lease contracts	326	(94)	–	–	–	232
<b>Total financial assets at fair value through profit or loss</b>	<b>6,903</b>	<b>(6,486)</b>	<b>570</b>	<b>–</b>	<b>(637)</b>	<b>350</b>
<b>Financial liability measured at fair value through profit or loss</b>						
Non-current financial derivative on put options over non-controlling interests of the Group's subsidiary	(660)	(1,372)	(1,950)	–	–	(3,982)
Current financial derivative on put options over interests of equity accounted associate	–	(3,795)	(1,011)	–	–	(4,806)
Contingent consideration payable	(943)	367	–	–	–	(576)
Conversion option of the bonds issued	(219)	219	–	–	–	–
<b>Total financial liabilities measured at fair value through profit or loss</b>	<b>(1,822)</b>	<b>(4,581)</b>	<b>(2,961)</b>	<b>–</b>	<b>–</b>	<b>(9,364)</b>
<b>Reconciliation to 2021 balance</b>						
	Balance as of January 1, 2021	Gains/(losses) recognised in profit and loss	Purchases/ settlement	Business combination (Note 12)		Balance as of December 31, 2021
<b>Financial assets measured at fair value through profit or loss</b>						
Financial investments in venture capital investees	1,265	567	4,160	–		5,992
Non-current convertible loans	565	(747)	1,102	(335)		585
Current convertible loans	475	(149)	–	–		326
<b>Financial assets and derivatives under lease contracts</b>	<b>2,305</b>	<b>(329)</b>	<b>5,262</b>	<b>(335)</b>		<b>6,903</b>
<b>Financial liability measured at fair value through profit or loss</b>						
Derivative financial instruments on put options in respect of non-controlling interests in the Group's subsidiaries	–	(537)	–	(123)		(660)
Contingent consideration payable	(1,604)	279	421	(39)		(943)
Conversion option of the bonds issued	(3,506)	3,287	–	–		(219)
<b>Total financial liabilities measured at fair value through profit or loss</b>	<b>(5,110)</b>	<b>3,029</b>	<b>421</b>	<b>(162)</b>		<b>(1,822)</b>

## Notes to the Consolidated Financial Statements (continued)

### 24 Financial instruments (continued)

#### 24.3 Interest-bearing loans and bonds

The table below represents the major loans and bonds as of December 31, 2022 and December 31, 2021:

Type	Original currency	Type of rate	Average nominal interest rate	Maturity date	Outstanding amount as of December 31, 2022	Outstanding amount as of December 31, 2021
Unsecured loans	RUB	Fixed	5.50%	2023-2024	10,490	16,563
Unsecured loans	RUB	Floating		2024-2029	81,454	–
Unsecured loans	USD	Fixed	2.80%	2022-2027	7,171	–
Unsecured loans	EUR	Fixed	3.00%	2027	238	–
Bonds	USD	Fixed	1.63%	On demand	9,836	25,996
Bonds	RUB	Fixed	7.90%	2026	15,328	15,329
<b>Total interest-bearing loans and bonds</b>					<b>124,517</b>	<b>57,888</b>

Movements in loans and bonds, including related interest, for the years ended December 31, 2022 are presented below:

	January 1, 2022	Principal amount, proceeds	Principal amount, repayment	Interest, accruals, discounting	Interest, repayment	Reclassification from non-current to current	Foreign exchange differences	Other	Modification of financial liabilities	Recognition of loans as a result of disposal of a subsidiary	Recognition of loans resulting from the acquisition of a subsidiary (Note 9)	December 31, 2022
<b>Current</b>												
Interest bearing loans	7,056	10,394	(18,220)	3,368	(2,601)	76,481	171	(711)	–	1,616	1,326	78,880
LSE convertible bonds	–	–	(11,425)	272	–	33,974	(7,884)	–	(5,096)	–	–	9,841
Other borrowings	22	14	(15)	6	(6)	–	–	–	–	–	–	21
<b>Non-current</b>												
Interest bearing loans	9,485	71,818	(538)	202	–	(76,481)	1,160	–	–	5,104	9,697	20,447
LSE convertible bonds*	25,996	–	–	5,813	–	(33,974)	2,165	–	–	–	–	–
MOEX bonds	15,329	–	–	1,181	(1,182)	–	–	–	–	–	–	15,328
<b>Total liabilities from financing activities</b>	<b>57,888</b>	<b>82,226</b>	<b>(30,198)</b>	<b>10,842</b>	<b>(3,789)</b>	<b>–</b>	<b>(4,388)</b>	<b>(711)</b>	<b>(5,096)</b>	<b>6,720</b>	<b>11,023</b>	<b>124,517</b>

\* Accrued interest on LSE convertible bonds includes RUB 403 interest expense and RUB 5,410 finance expense.

Due to the fact that the LSE convertible bonds liability of USD 405 million, where USD 400 million – principal amount, 5 million – interest payable, measured at amortised cost with effective interest rate of 5.5% (nominal interest rate is 1.625%) was reclassified from non-current to "on demand" category, the Group recognised finance expense of RUB 5,410.

During 2022, the Group repurchased part of the convertible bonds (nearly 66%) traded on the London Stock Exchange at a discount. As a result, the Group recognised income from modification of financial liabilities in the amount of RUB 5,096 as part of financial income.

#### 24.4 Loans issued

In January 2022, the Group granted loans to O2O JV in the amount of RUB 5,000 at the interest rate of 9.25% with maturity in February of 2022.

In February 2022, the Group converted loans receivable of RUB 5,000 and interest receivable of RUB 25 into the share capital of O2O JV.

In July 2022, the Group granted loans to O2O JV in the amount of RUB 858 at the interest rate of 12% with maturity in August of 2022.

In August 2022, the Group converted loans receivable of RUB 858 and interest receivable of RUB 5 into the share capital of O2O JV. The Group's share in the JV remained unchanged as the other investor also converted its loans receivable from the JV to the share capital in the same amount.

In August 2022, the Group granted loans to Delivery Club LLC (Note 12.1) in the amount of RUB 1,475 at the interest rate of 12% with maturity in November of 2022.

## Notes to the Consolidated Financial Statements (continued)

### 25 Personnel expenses

Personnel expenses for years ended December 31, 2022 and 2021 consist of:

	2022	2021
Salary and related taxes	25,444	20,154
Share-based payments*	5,060	2,332
Reserves and other	8,343	5,442
<b>Total personnel expenses</b>	<b>38,847</b>	<b>27,928</b>

\* In March 2022, the Group decided to make a replacement award offer to its employees holding RSUs or PSUs over the shares of the Company. The Group offered to replace RSUs/PSUs vesting in 2022 with rights to receive cash in the amount of RUB 2,581

For the year ended December 31, 2022 the Group recognized expenses in the amount of RUB 1,980 in connection with the change in the form of remuneration. In addition, for the year ended December 31, 2022 the Group recognized expenses in the amount of RUB 3,079 for share-based payments settled in equity instruments.

Based on IFRS 2 requirements, the Group has reclassified the fair value of PSUs/RSUs and options modification from equity settled to cash settled, total amount was RUB 600 for the year ended December 31, 2022 (for the year ended December 31, 2021: nil).

### 26 Other operating expenses

Other operating expenses for the years ended December 31, 2022 and 2021 consist of:

	2022	2021
VAT and other taxes*	1,716	2,227
Expected credit loss allowance on trade receivables	99	448
Cost of sales	1,102	772
Other operating expenses	2,138	1,432
<b>Other operating expenses</b>	<b>5,055</b>	<b>4,879</b>

\* As of December 31, 2022, the Group updated the assessment of tax risks and recognised provisions for VAT and other taxes of RUB 710. In addition, the Group recognised RUB 1,006 expenses related to write-off of input VAT due to 5% limit established by the Tax Code of the Russian Federation.

### 27 Financial risk management objectives and policies

#### 27.1 Introduction

The Group's principal financial liabilities mainly comprise interest-bearing loans and bonds, contingent consideration liability and trade accounts payable. The main purposes of these financial liabilities are to finance the Group's operations and, in the case of the contingent consideration, a business acquisition. The Group has short-term receivables, short-term time deposits, cash and cash equivalents and other current financial assets that arise directly from the Group's operations.

The Group also has a venture capital investment portfolio consisting of equity investments in Internet start-ups and smaller Internet companies and derivative contracts over the equity of the Group's venture capital investees.

The Group's senior management is responsible for identifying and controlling risks. These activities are supervised by the Board of Directors, the Group's governing body that is ultimately responsible for the Group's overall approach to risk management. The Board of Directors is developing risk management policies covering the following major aspects: identification and analysis of the risks the Group faces, setting appropriate risk limits and controls, and monitoring risks and adherence to limits. Risk management procedures and systems are contemplated to be reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

The Group's Audit, Risk, Compliance and Sustainable Development Committee has been established to oversee, inter alia, how management monitors compliance with the Group's risk management practices and procedures when these are approved by the Board of Directors.

#### 27.2 Liquidity and financial resources

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group monitors its risk of a shortage of funds using a liquidity planning tool. Management regularly monitors projected and actual cash flow information, analyzes the repayment schedules of the existing financial assets and liabilities and performs annual detailed budgeting procedures.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of operating cash flows, bank loans and overdrafts. Other financial liabilities of the Group are mostly represented by trade payables with maturity less than one year.



# Notes to the Consolidated Financial Statements (continued)

## 27 Financial risk management objectives and policies (continued)

### 27.2 Liquidity and financial resources (continued)

The contractual maturities of the Group's financial liabilities are presented below:

Year ended December 31, 2022	Carrying amount	Contractual cash flows	Less than 3 months	3 to 12 months	1 to 3 years	> 3 years
Short-term and long-term interest-bearing loans and bonds	124,517	154,687	4,915	10,432	79,295	60,045
Trade accounts payable	17,121	17,121	17,121	–	–	–
Current and non-current lease liabilities	10,508	13,287	1,024	2,354	5,657	4,252
Contingent consideration liabilities	576	576	576	–	–	–
Other payables, accrued expenses	11,234	11,234	11,234	–	–	–
<b>Total financial liabilities</b>	<b>163,956</b>	<b>196,905</b>	<b>34,870</b>	<b>12,786</b>	<b>84,952</b>	<b>64,297</b>

Year ended December 31, 2021	Carrying amount	Contractual cash flows	Less than 3 months	3 to 12 months	1 to 3 years	> 3 years
Short-term and long-term interest-bearing loans and bonds	57,888	73,659	2,912	6,908	16,276	47,563
Trade accounts payable	14,541	14,541	14,541	–	–	–
Current and non-current lease liabilities	15,448	17,596	1,300	2,954	7,348	5,994
Contingent consideration liabilities	943	943	788	155	–	–
Other payables, accrued expenses	9,180	9,180	9,180	–	–	–
<b>Total financial liabilities</b>	<b>98,000</b>	<b>115,919</b>	<b>28,721</b>	<b>10,017</b>	<b>23,624</b>	<b>53,557</b>

### 27.3 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

Financial assets, which potentially subject the Company and its subsidiaries and associates to credit risk, consist principally of cash and cash equivalents, short-term time deposits, short-term receivables and convertible loans. The total of these account balances represents the Group's maximum exposure to credit risk.

The Group places its cash and cash equivalents with highly rated financial institutions, which are considered at the time of deposit to have minimal risk of default. The Group does not require collateral or other security to support the financial instruments subject to credit risk.

Accounts receivable from the two largest customers collectively represented 22.7% of total trade accounts receivable of the Group as of December 31, 2022 and 8.5% as of December 31, 2021. No customer accounted for more than 10% of revenue in 2022 or 2021. The Group provides credit payment terms to its customers in accordance with market practices and based on thorough review of the customer's profile and creditworthiness. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss beyond the allowance already recorded.

### 27.4 Capital management policy

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value. The Group manages its capital structure and makes adjustments in light of changes in economic conditions.

### 27.5 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The market risks the Group is exposed to comprise two types of risk: currency risk (Note 27.6) and equity risk. The Group's financial instruments affected by market risk include payables, cash and cash equivalents, short-term time deposits, financial investments in associates and derivative financial instruments. The Group's equity risk arises from uncertainties about future values of the investment into unlisted securities.

# Notes to the Consolidated Financial Statements (continued)

## 27 Financial risk management objectives and policies (continued)

### 27.6 Foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in USD and EUR exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in USD rate	(Negative)/positive effect on profit before tax
2022	' +25%	4,853
	' -25%	(4,853)
2021	' +15%	(1,477)
	' -15%	1,477
	Change in EUR rate	(Negative)/positive effect on profit before tax
2022	' +25%	(244)
	' -25%	244
2021	' +15%	524
	' -15%	(524)

## 28 Share-based payments

### 28.1 Share-based payment arrangements of the Company and its subsidiaries

#### 28.1.1 Option/RSU/PSU plans VK Company Limited

During 2022 and 2021, the Company had the following unrealized option/RSU plans:

	2010 Option Plan	2015 RSU Plan	2017 RSU Plan	2021 PSU Plan	2021 Special PSU Plan
Adoption date	November 2010	February 2015	November 2017	March 2021	November 2021
Type of shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares
Number of options or RSU reserved	10,706,403	5,795,500	7,202,471	11,150,000	1,000,000
Exercise price	Granted: • Prior December 31, 2011 – USD 19.60 • Since December 31, 2011 – USD 17.50	0	0	• 0 • 20 USD	0
Exercise basis	Prior to November 2011 – net share basis only Since November 2011 – net share basis or cash at the Group's discretion	Shares or cash at the Group's discretion	Shares or cash at the Group's discretion	Shares or cash at the Group's discretion	Shares or cash at the Group's discretion
Expiration date	December 2022	December 2022	December 2026	December 2030	December 2030
Vesting period	Generally 4 years	Generally 4 years	Generally 4 years	Generally 4 years following the performance Year in which PSUs are granted	Expected within 5 years, but not more than 9 years
Other major terms	<ul style="list-style-type: none"> <li>The options are not transferrable</li> <li>All other terms of the options under the 2010 Option Plan are to be determined by the Company's Board of Directors or Remuneration Committee</li> </ul>	<ul style="list-style-type: none"> <li>The RSUs are not transferrable</li> <li>All other terms of the options under the 2015 RSU Plan are to be determined by the Company's Board of Directors or Remuneration Committee</li> </ul>	<ul style="list-style-type: none"> <li>The RSUs are not transferrable</li> <li>Performance conditions</li> <li>Immediate vesting due to change of ultimate controlling party</li> <li>All other terms of the options under the 2017 RSU Plan are to be determined by the Company's Board of Directors or Remuneration Committee</li> </ul>	<ul style="list-style-type: none"> <li>The PSUs are not transferrable</li> <li>Performance conditions</li> <li>Continuous employment</li> <li>All other terms of the options under the 2021 PSU Plan are to be determined by the Company's Board of Directors or Remuneration Committee</li> </ul>	<ul style="list-style-type: none"> <li>The PSUs are not transferrable</li> <li>Vesting condition is linked with increase of market price of the certain assets</li> <li>Continuous employment</li> <li>All other terms of the options under the 2021 PSU plan are to be determined by the Company's Board of Directors or Remuneration Committee</li> </ul>

## Notes to the Consolidated Financial Statements (continued)

### 28 Share-based payments (continued)

#### 28.1 Share-based payment arrangements of the Company and its subsidiaries (continued)

##### 28.1.2 Changes in outstanding options VK Company Limited

The table below summarises the number and weighted average exercise prices (WAEP) of and movements in share options and RSUs/PSUs in 2022 and 2021 for the Company:

	Number of options/RSU/PSU	WAEP
<b>Outstanding as of December 31, 2020</b>	<b>4,465,269</b>	<b>5.61</b>
Exercisable as of December 31, 2020	1,692,123	12.92
Available for grant as of December 31, 2020	204,521	20.58
PSU 2021 program	12,150,000	n/a
Granted during the year	6,888,100	7.59
Exercised during the year	696,448	1.51
Cancelled during the year	–	n/a
Forfeited during the year	391,823	0.73
<b>Outstanding as of December 31, 2021</b>	<b>10,265,098</b>	<b>2.31</b>
Exercisable as of December 31, 2021	2,101,800	12.43
Available for grant as of December 31, 2021	5,858,244	0.72
Granted during the year	209,736	0.06
Exercised during the year	20,000	27.96
Cancelled during the year	2,046,536	21.09
Forfeited during the year	2,453,975	16.07
<b>Outstanding as of December 31, 2022</b>	<b>5,954,323</b>	<b>10.56</b>
Exercisable as of December 31, 2022	2,176,267	16.76
Available for grant as of December 31, 2022	10,149,019	0.83

In 2022 and 2021, the weighted-average share price for exercised options and RSUs/PSUs was USD 3.54 and USD 22.03, respectively.

The range of exercise prices for options and RSUs/PSUs outstanding as of December 31, 2022 and 2021 is presented in the table below:

Exercise price	December 31, 2022	December 31, 2021
–	416,375	3,768,926
17.5	508,117	539,117
19.6	538,175	728,255
20	1,891,600	2,614,400

##### 28.1.3 Valuations of share-based payments VK Company Limited

The valuations of all equity-settled options and RSU/PSU granted during 2022 and 2021 are summarised in the table below:

Option plan / grant date	Number of options	Share price (USD)	Fair value, total (million RUB)	Fair value per option/RSU (RUB)
2021 RSU Plan / 2021	6,888,100	12.06–27.1	8,628	1,253
2021 PSU Plan / 2022	209,736	0.86	59	282

The valuations of all cash-settled options as of December 31, 2022 are summarised in the table below:

Number of options	Dividend yield %	Volatility, %	Risk-free interest rate, %	Expected term, years	Share price (USD)	Fair value, total (million RUB)	Fair value per option (RUB)	Valuation method
387,230	0%	32%	1.04%	n/a	11.59	0	0	Binomial model

The valuations of all cash-settled options as of December 31, 2021 are summarised in the table below:

Number of options	Dividend yield %	Volatility, %	Risk-free interest rate, %	Expected term, years	Share price (USD)	Fair value, total (million RUB)	Fair value per option (RUB)	Valuation method
387,230	0%	32%	1.04%	n/a	11.59	3	8	Binomial model

## Notes to the Consolidated Financial Statements (continued)

### 28 Share-based payments (continued)

#### 28.1 Share-based payment arrangements of the Company and its subsidiaries (continued)

The forfeiture rate used for expenses calculation in 2022 is 0.1%-15.6%. It is based on historical data and current expectations and is not necessarily indicative of forfeiture patterns that may occur.

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options/RsUs/PSUs is indicative of future trends, which may not necessarily be the actual outcome.

#### 28.2 Share-based payment arrangements of Skillbox Holding Limited

##### 28.2.1 Option plans Skillbox Holding Limited

In 2022 and 2021, Skillbox Holding Limited has the following unrealized option plans for the management and directors of the company:

	Option plan A	Option plan B	Option plan C
Adoption date	October 1, 2021	October 1, 2021	October 1, 2021
Type of shares	Ordinary shares	Ordinary shares	Ordinary shares
Number of options	2,588,235	2,588,235	2,588,236
Exercise price	0.1	254	254
Currency	EUR	RUB	RUB
Exercise basis	Shares	Shares	Shares
Expiration date	December 31, 2031	December 31, 2031	December 31, 2031
Vesting period	1 part – granting date 2 part – 1 year from granting date 3 part – 2 years from granting date 4 part – 3 years from granting date 5 part – 4 years from granting date	1 part – vesting condition is linked with increase of market price and certain operating results 2 part – 1 year from the date when vesting condition for 1 part of option plan are met 3 part – 2 years from the date when vesting condition for 1 part of option plan are met 4 part – 3 years from the date when vesting condition for 1 part of option plan are met 5 part – 4 years from the date when vesting condition for 1 part of option plan are met	1 part – vesting condition is linked with increase of market price and certain operating results 2 part – 1 year from the date when vesting condition for 1 part of option plan are met 3 part – 2 years from the date when vesting condition for 1 part of option plan are met 4 part – 3 years from the date when vesting condition for 1 part of option plan are met 5 part – 4 years from the date when vesting condition for 1 part of option plan are met

##### 28.2.2 Outstanding options Skillbox Holding Limited

The table below summarises the number and weighted average exercise prices (WAEP) of and movements in share options of Skillbox Holding Limited in 2022:

	Number of options	WAEP (EUR)	WAEP (RUB)
Outstanding as of December 31, 2021	6,748,159	0.1	254
Granted during the year	798,617	n/a	254
Forfeited during the year	(64,506)	0.1	254
Outstanding as of December 31, 2022	7,482,270	0.1	254
Exercisable as of December 31, 2022	1,024,597	0.1	n/a
Available for grant as of December 31, 2022	282,436	0.1	254

The range of exercise prices for options outstanding as of December 31, 2022 is presented in the table below:

Currency	Exercise price	December 31, 2022	December 31, 2021
EUR	0.1	2,545,448	2,588,235
RUB	254	2,348,586	1,785,048
RUB	254	2,588,236	2,374,876

## Notes to the Consolidated Financial Statements (continued)

### 28 Share-based payments (continued)

#### 28.2 Share-based payment arrangements of Skillbox Holding Limited (continued)

##### 28.2.3 Valuations of share-based payments Skillbox Holding Limited

The valuations of all equity-settled options for Skillbox Holding Limited granted in 2022 are summarised in the table below:

	Option plan 1	Option plan 2	Option plan 3
Grant date	n/a	July 1, 2022	July 1, 2022
Number of options	n/a	585,257	213,360
Exercise price	n/a	254	254
Currency	n/a	RUB	RUB
Expiration date	n/a	December 31, 2031	December 31, 2031
Option pricing model	n/a	Black-Scholes model	Black-Scholes model
Stock price	n/a	–	–
Expected volatility	n/a	52.40%	52.40%
The risk-free interest rate	n/a	8.30%	8.30%
Expected dividends	n/a	not expected	not expected
Fair value per option (RUB)	n/a	41-48	41-48
Fair value, total (RUB thousand)	n/a	25,988	9,474

The valuations of all equity-settled options for Skillbox Holding Limited granted in 2021 are summarised in the table below:

	Option plan 1	Option plan 2	Option plan 3
Grant date	November 15, 2021	November 15-25, 2021	November 15-25, 2021
Number of options	2,588,235	1,571,688	2,588,236
Exercise price	0.1	254	254
Currency	EUR	RUB	RUB
Expiration date	December 31, 2031	December 31, 2031	December 31, 2031
Option pricing model	Black-Scholes model	Black-Scholes model	Black-Scholes model
Stock price	253	253	253
Expected volatility	52.40%	52.40%	52.40%
The risk-free interest rate	8.30%	8.30%	8.30%
Expected dividends	not expected	not expected	not expected
Fair value per option (RUB)	215-249	157-182	157-182
Fair value, total (RUB thousand)	601,110	303,011	403,143

For the year ended December 31, 2022, the Group recognised RUB 378 expenses related to equity-settled share-based payment (2021: RUB 205). The expense was included in "Personnel expenses" in the consolidated statement of comprehensive income.

#### 28.3 Share-based payment expense

For the year ended December 31, 2022, the Group recognised RUB 5,186 in share-based payment expenses (2021: RUB 2,091), including expense of RUB 5,186 (2021: 2,323) related to equity-settled share-based payments and no expense related to cash-settled portion (2021 income: RUB 232).

The expense was included under "Personnel expenses" in the consolidated statement of comprehensive income.

### 29 Events after the reporting period

In 1Q 2023, the Group acquired control over Uchi.ru LLC (hereinafte – "Uchi.ru") by purchasing of 75% shares in addition to the existing 25% shares for a cash consideration of RUB 8,7 bn. (8,1 bn and 0,6 bn, respectively).

In 1Q 2023, the Group acquired control over Didenok Star LLC and its subsidiaries by purchasing of 51% shares.

The Board of Directors of VK approved the possibility of redomiciling the Company from the British Virgin Islands to the Russian Federation, subject to compliance with applicable legal and regulatory requirements.