VK Company Limited

Interim Condensed
Consolidated Financial Statements

For the three and six months ended June 30, 2023

Contents

NEW CHALLENGES
NEW SOLUTIONS

ООО «ЦАТР – аудиторские услуги»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 495 705 9700
+7 495 755 9700
Факс: +7 495 755 9701
ОГРН: 1027739707203
ИНН: 7709383532
ОКПО: 59002827

TSATR – Audit Services LLC
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 495 705 9700
+7 495 755 9700
Fax: +7 495 755 9701
www.b1.ru

Report on Review of Interim Financial Information

To the shareholders and Board of directors of
VK Company Limited

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of VK Company Limited and its subsidiaries (the Group), which comprise the interim condensed consolidated statement of financial position as at June 30, 2023, interim condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the six-month period then ended, and selected explanatory notes (interim financial information). Management of VK Company Limited is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Emphasis of matter

We draw attention to Note 2.1 "Going concern" in the interim condensed consolidated financial statements, which indicates that for the six-month period ended June 30, 2023 the Group incurred net loss in amount of 11,374 million Russian Rubles. As stated in Note 2.1 "Going concern" to the interim condensed 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 conclusion is not modified in respect of this matter.

A.S. Ustimenko
Partner
TSATR – Audit Services Limited Liability Company

August 9, 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 entity

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

Interim Condensed Consolidated Statement of Financial Position

As of June 30, 2023
(in millions of Russian Roubles)

	Notes	As of June 30, 2023 (unaudited)	As of December 31, 2022 (restated, Note 6)
ASSETS			
Non-current assets			
Investments in equity accounted associates and joint ventures	8	1,629	4,585
Goodwill	6	161,227	156,451
Right-of-use assets	19	11,594	9,519
Other intangible assets	6	27,849	22,249
Property and equipment	7	45,459	39,250
Financial assets at fair value through profit or loss	15.2	230	350
Deferred income tax assets	12	2,040	2,293
Long-term loans issued	10, 19	3,380	2,158
Advance under office lease contracts		411	437
Total non-current assets		253,819	237,292
Current assets			
Trade and other accounts receivable	15	68,333	64,272
Prepaid income tax		240	262
Prepaid expenses and advances to suppliers		2,503	1,965
Loans issued	15	3,148	2,982
Inventories		725	226
Other current assets	10	5,564	4,865
Cash and cash equivalents	15	81,236	48,759
Assets held for sale	18.3	41	292
Total current assets		161,790	123,623
Total assets		415,609	360,915
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital		–	–
Share premium		81,409	81,872
Treasury shares		(1,039)	(1,039)
Retained earnings		75,549	86,841
Foreign currency translation reserve		5,164	2,585
Total equity attributable to equity holders of the parent		161,083	170,259
Non-controlling interests		(2,228)	(2,147)
Total equity		158,855	168,112
Non-current liabilities			
Deferred income tax liabilities	12	2,197	2,107
Deferred revenue		716	793
Non-current lease liabilities	15.2	7,470	7,292
Non-current financial liabilities at fair value through profit or loss	15.2	4,929	3,982
Long-term interest-bearing loans and bonds	15.3	128,600	35,775
Deffered income on loan commitments		14,003	–
Other non-current liabilities		677	572
Total non-current liabilities		158,592	50,521
Current liabilities			
Trade accounts payable	15	16,651	17,121
Income tax payable		2,863	2,689
VAT and other taxes payable		7,156	5,183
Deferred revenue and customer advances		9,037	8,428
Short-term portion of long-term interest-bearing loans and bonds	15.3	44,182	88,742
Current lease liabilities	15	3,610	3,216
Current financial liabilities at fair value through profit or loss	15.2	1,125	4,806
Other payables and accrued expenses	10	13,538	11,810
Liabilities directly associated with assets held for sale	18.3	–	287
Total current liabilities		98,162	142,282
Total liabilities		256,754	192,803
Total equity and liabilities		415,609	360,915

Interim Condensed Consolidated Statement of Comprehensive Income

For the three and six months ended June 30, 2023
(in millions of Russian Roubles)

	Notes	Three months ended June 30 2023 (unaudited)	Three months ended June 30 2022 (unaudited)	Six months ended June 30 2023 (unaudited)	Six months ended June 30 2022 (unaudited)
Continuing operations					
Online advertising		18,712	13,353	35,059	23,142
Community IVAS		4,511	4,019	9,151	8,728
Education technology services		3,568	2,578	7,000	5,400
Other revenue		3,187	2,501	6,040	4,733
Total revenue	11	29,978	22,451	57,250	42,003
Personnel expenses	16	(13,462)	(8,891)	(25,333)	(20,617)
Agent/partner fees		(8,264)	(5,592)	(15,389)	(11,383)
Marketing expenses		(6,110)	(2,962)	(9,896)	(4,876)
Server hosting expenses		(278)	(145)	(501)	(273)
Professional services		(305)	(283)	(592)	(488)
Other operating income		72	204	145	430
Other operating expenses	17	(1,283)	(1,057)	(2,816)	(2,451)
Total operating expenses, net		(29,630)	(18,726)	(54,382)	(39,658)
Depreciation and amortisation		(6,034)	(4,731)	(11,437)	(8,889)
Impairment of intangible assets	6.2	–	–	–	(1,009)
Share of loss of equity accounted associates and joint ventures	8	(8)	(3,906)	11	(14,474)
Finance income		1,893	303	3,135	520
Finance expenses	15.3	(3,999)	(1,549)	(7,098)	(8,301)
Other non-operating gain/(loss)		50	128	(60)	45
Goodwill impairment	6.1	–	–	–	(9,256)
Net loss on financial assets and liabilities at fair value through profit or loss	15	(281)	(3,339)	(1,116)	(7,477)
Net gain on disposal of subsidiaries		–	–	8	–
Impairment of equity accounted associates and joint ventures	8	–	–	–	(12,825)
(Loss)/gain on remeasurement of financial instruments		(34)	20	(38)	(25)
Expected credit loss allowance on restricted cash	15	(12)	(274)	(34)	(2,065)
Net foreign exchange gain		1,176	15,026	2,349	13,088
(Loss)/profit before income tax expense from continuing operations		(6,901)	5,403	(11,412)	(48,323)
Income tax benefit/(expense)	12	95	(3,981)	38	(2,099)
Net profit/(loss) from continuing operations		(6,806)	1,422	(11,374)	(50,422)
Discontinued operations					
Net profit/(loss) from discontinued operations	18	–	2,194	–	(869)
Net (loss)/profit		(6,806)	3,616	(11,374)	(51,291)
Other comprehensive income					
Other comprehensive income that may be reclassified to profit or loss in subsequent periods					
Effect of translation to presentation currency of Group's joint ventures		–	–	–	1,002
Exchange difference on translation of foreign operations		1,425	(5,791)	2,588	(3,189)
Total other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		1,425	(5,791)	2,588	(2,187)
Total other comprehensive income/(loss) net of tax effect of 0		1,425	(5,791)	2,588	(2,187)
Total comprehensive loss, net of tax		(5,381)	(2,175)	(8,786)	(53,478)

Interim Condensed Consolidated Statement of Comprehensive Income (continued)

		Three months ended June 30		Six months ended June 30	
	Notes	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Net (loss)/profit, attributable to:					
Equity holders of the parent		(6,842)	3,772	(11,292)	(50,934)
Non-controlling interests		36	(156)	(82)	(357)
Total comprehensive loss, net of tax, attributable to:					
Equity holders of the parent		(5,417)	(2,019)	(8,704)	(53,121)
Non-controlling interests		36	(156)	(82)	(357)
(Loss)/profit per share, in RUB:					
Basic (loss)/profit per share attributable to ordinary equity holders of the parent		(30)	17	(50)	(225)
Diluted earnings per share attributable to ordinary equity holders of the parent		n/a	17	n/a	n/a
(Loss)/profit per share from continuing operations, in RUB:					
Basic (loss)/profit per share attributable to ordinary equity holders of the parent		(30)	8	(50)	(221)
Diluted earnings per share attributable to ordinary equity holders of the parent		n/a	8	n/a	n/a
(Loss)/profit per share from discontinued operations, in RUB:					
Basic (loss)/profit per share attributable to ordinary equity holders of the parent		–	9	–	(4)
Diluted earnings per share attributable to ordinary equity holders of the parent		n/a	9	n/a	n/a

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023
(in millions of Russian Roubles)

	Notes	Six months ended June 30 2023 (unaudited)	2022 (unaudited)
Cash flows from operating activities			
Loss before income tax from continuing operations		(11,412)	(48,323)
Loss before income tax from discontinued operations		–	(1,884)
Loss before income tax		(11,412)	(50,207)
Adjustments to reconcile loss before income tax to cash flows			
Depreciation and amortisation		11,437	10,087
Impairment of intangible assets		–	1,009
Share of loss of equity accounted associates and joint ventures		(11)	14,474
Finance income		(3,135)	(597)
Finance expenses		7,098	8,309
Expected credit loss allowance on trade receivables		91	261
Expected credit loss allowance on restricted cash		(30)	3,378
Goodwill impairment		–	9,256
Net loss on financial assets and liabilities at fair value through profit or loss		1,116	8,116
Net gain on disposal of subsidiaries		(8)	–
Impairment of equity accounted associates and joint ventures		–	12,825
Loss on remeasurement of financial instruments		38	151
Net foreign exchange gain		(2,349)	(12,712)
Cash settled and equity settled share-based payments		(463)	1,475
Other non-cash items		(16)	(80)
Change in operating assets and liabilities			
Decrease/(increase) in accounts receivable		5,575	(1,134)
Increase in prepaid expenses and advances to suppliers		(491)	(1,047)
Increase in inventories and other assets		(1,119)	(1,496)
(Decrease)/increase in accounts payable and accrued expense		(3,151)	6,357
Decrease/(increase) in other non-current assets		26	(13)
Decrease in deferred revenue and customer advances		(857)	(1,253)
Increase in financial assets at fair value through profit or loss		(188)	(532)
Operating cash flows before interest and income taxes		2,151	6,627
Interest received		774	527
Interest paid		(2,656)	(2,357)
Income tax paid		(154)	(884)
Net cash provided by operating activities		115	3,913
Cash flows from investing activities			
Cash paid for property and equipment from continuing operations		(10,933)	(6,194)
Cash paid for intangible assets from continuing operations		(4,811)	(2,099)
Cash paid for property and equipment from discontinued operations		–	(148)
Cash paid for intangible assets from discontinued operations		–	(925)
Dividends received from equity accounted associates		56	–
Loans issued		(337)	(5,336)
Loans collected		56	78
Cash paid for acquisitions of subsidiaries, net of cash acquired	9	(7,175)	–
Cash paid for the acquisition of long-term leasehold rights, net of cash acquired	19	(2,423)	–
Cash outflow from sale of subsidiary		(49)	–
Cash paid for investments in equity accounted associates and joint ventures		–	(2,600)
Net cash used in investing activities		(25,616)	(17,224)

Interim Condensed Consolidated Statement of Cash Flows (continued)

	Notes	Six months ended June 30 2023 (unaudited)	2022 (unaudited)
Cash flows from financing activities			
Payment of lease liabilities		(1,833)	(2,315)
Loans received		63,630	10,014
Loans repaid		(4,074)	(3,532)
Dividends paid by subsidiaries to non-controlling shareholders		–	(85)
Net cash provided by financing activities		57,723	4,082
Net increase/(decrease) in cash and cash equivalents		32,222	(9,229)
Effect of exchange differences on cash balances		105	(398)
Change in expected credit loss allowance on restricted cash		30	(1,725)
Change in cash related to asset held for sale		120	–
Cash and cash equivalents at the beginning of the period		48,759	23,737
Cash and cash equivalents at the end of the period		81,236	12,385

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022
(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, 2022	226,130,707	–	79,397	(1,044)	89,985	1,578	169,916	346	170,262
Loss for the year	–	–	–	–	(50,934)	–	(50,934)	(357)	(51,291)
Other comprehensive income									
Foreign currency translation	–	–	–	–	–	(2,187)	(2,187)	–	(2,187)
Total other comprehensive income	–	–	–	–	–	(2,187)	(2,187)	–	(2,187)
Total comprehensive loss	–	–	–	–	(50,934)	(2,187)	(53,121)	(357)	(53,478)
Share-based payment transactions	–	–	2,075	–	–	–	2,075	–	2,075
Exercise of PSUs/RSUs and options over the shares of the Company	20,000	–	(5)	5	–	–	–	–	–
Dividends by subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	(85)	(85)
Modification of PSU/RSU programmes	–	–	(600)	–	–	–	(600)	–	(600)
Balance at June 30, 2022 (unaudited)	226,150,707	–	80,867	(1,039)	39,051	(609)	118,270	(96)	118,174

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023
(in millions of Russian Roubles)

	Share capital								
	Number of shares issued and outstanding	Amount	Share premium	Treasury shares	Retained earnings (restated)	Accumulated other comprehen-sive 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, 2023	226,150,707	–	81,872	(1,039)	86,841	2,585	170,259	(2,147)	168,112
Loss for the year	–	–	–	–	(11,292)	–	(11,292)	(82)	(11,374)
Other comprehensive income									
Foreign currency translation	–	–	–	–	–	2,588	2,588	–	2,588
Total other comprehensive income	–	–	–	–	–	2,588	2,588	–	2,588
Total comprehensive loss	–	–	–	–	(11,292)	2,588	(8,704)	(82)	(8,786)
Share-based payment transactions	–	–	(463)	–	–	–	(463)	–	(463)
Change of non-controlling interests	–	–	–	–	–	–	–	1	1
Disposal of non-controlling interests	–	–	–	–	–	(9)	(9)	–	(9)
Balance at June 30, 2023 (unaudited)	226,150,707	–	81,409	(1,039)	75,549	5,164	161,083	(2,228)	158,855

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2023
(in millions of Russian Roubles)

1 Corporate information and description of business

These interim condensed financial statements of VK Company Limited (hereinafter "the Company") and its subsidiaries (collectively – "the Group" or "VK") for the three and six months ended June 30, 2023 were authorised for issue by the directors of the Company on August 9, 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. 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.

2 Basis of preparation

The interim condensed consolidated financial statements for the three and six months ended June 30, 2023 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2022

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 credit resources and other cash available to the Group to assess the Group's ability to operate as a going concern.

Operating results and liquidity position

As of June 30, 2023, the Group had cash and cash equivalents of RUB 81,236. Notwithstanding the net loss under IFRS for the 1st half of 2023 of RUB 11,374 (for the 1st half of 2022: RUB 51,291) and positive working capital (current assets exceeding current liabilities) as of June 30, 2023 of RUB 63,628 (December 31, 2022: negative RUB 18,659), the Group generates positive cash flows from operating activities: cash provided by operating activities for the 1st half ended June 30, 2023 were RUB 115 (for the 1st half ended June 30, 2022: RUB 3,913).

Positive working capital was generated mainly due to the reclassification of debt under a credit line with a related party bank (hereinafter referred to as the "Related Party Bank") from "Current liabilities" to "Long-term liabilities", as well as due to the placement of long-term bonds. As of June 30, 2023, the related party bank confirmed the absence of intentions to claim the debt ahead of schedule due to default of the restrictive conditions stipulated by the agreements.As of June 30, 2023, the debt/equity ratio (total liabilities to total equity) was 1.62. About 50% of the debt balance to the related Party Bank will become short-term until the end of 2023, which will significantly reduce the positive working capital formed on June 30, 2023. The projected cash flow from operating activities for 2023 will not cover the working capital deficit, if it occurs.The Group's management carefully assesses the Group's liquidity position and expects to successfully reach agreements with a Related Party on restructuring or refinancing payments on credit liabilities. The loan received will be used to finance and develop new projects.The probability and sources of repayment by the Group of the existing debt burden, as well as the probability of obtaining a positive operating cash flow to cover the Group's loss indicate the presence of significant uncertainty, which may cause significant doubts about the ability of the Group to continue its activities continuously.

2.2 Presentation of comparative information

Certain comparative figures have been reclassified and/or regrouped to conform to the current presentation. This fact does not have an impact of net loss for the reporting periods reflected in these interim condensed consolidated statements.

3 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of new standards effective as of January 1, 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

3. Changes in accounting policies and disclosures (continued)

Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 17 Insurance Contracts including amendments

IFRS 17 *Insurance Contracts* covers issues of recognition and measurement, presentation and disclosure of insurance contracts and replaces IFRS 4 *Insurance Contracts*. IFRS 17 applies to all types of insurance contracts regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. However, the standard contains a number of exceptions to the scope of its application. In particular, it does not apply to the following transactions to which the Group is a party:

- To the guarantees provided by the manufacturer, dealer or retailer in connection with the sale of their goods or services to the buyer;
- To the assets and liabilities of employers under employee benefit programs;
- To contractual rights or contractual liabilities that depend on the future use or right to use a non-financial item (for example, for certain license fees, royalties, variable and other contingent lease payments, and similar items);
- To the residual value guarantees provided by the manufacturer, dealer or retailer, and residual value guarantees provided by the lessee if they are built into the terms of the lease;
- To financial guarantee contracts, unless the issuer has previously explicitly stated that it treats such contracts as insurance contracts and has accounted for them in the manner applicable to insurance contracts. That party must elect to apply to such contracts a financial guarantee in either IFRS 17 or IAS 32 *Financial Instruments: Presentation*, IFRS 7 *Financial Instruments: Disclosures*, and IFRS 9 *Financial Instruments*. The issuing party of a treaty may make such a decision on a treaty-by-treaty basis, but a decision made on a treaty-by-treaty basis cannot be subsequently reviewed. In the past, the Group has not issued financial guarantee contracts. The first such contracts were issued in the current reporting period and the Group applies the requirements of IAS 32 *Financial Instruments: Presentation*, IFRS 7 *Financial Instruments: Disclosures* and IFRS 9 *Financial Instruments* (see below the subsection "New types of transactions and accounting policies applied to them for the first time");
- To contingent consideration payable or receivable in a business combination;
- To insurance contracts for which the organization is the holder of the policy, except where such contracts are reinsurance contracts held.

Therefore, this standard is not applicable to the Group.

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policy Information

These amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments had no impact on the Group's interim condensed consolidated financial statements, but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

The Group expects that the adoption of these amendments will result in insignificant changes in the amount and composition of information about accounting policies it discloses in its annual consolidated financial statements, as its current practice is generally consistent with the new requirements.

Amendments to IAS 8 – Definition of Accounting Estimates

These amendments introduced the definition of "accounting estimates", and also clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors, and how organizations use measurement methods and input data to develop accounting estimates.

These amendments did not have a material impact on the Group's financial statements.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

According to these amendments, the exception at initial recognition does not apply to transactions that, at their initial recognition, result in the recognition of taxable and deductible differences in equal amounts. The application of the exception according to the amendments is limited to situations when, upon initial recognition of an asset in the form of a right of use and a lease obligation or an obligation for the costs of decommissioning the asset and a corresponding increase in the value of the asset, there are different amounts of taxable and deductible differences. However, even if the transaction results in equal taxable and deductible differences, it is possible to recognize deferred tax liabilities and deferred tax assets in unequal amounts, with the difference recognized in profit or loss for the period. In particular, this may be the result of the non-recovery of a deferred tax asset or different tax rates applied to deductible and taxable differences.

As the Group's current accounting policy already complies with these amendments, their first application did not have an impact on its financial statements.

3 Changes in accounting policies and disclosures (continued)

Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules

The Amendments issued on May 23, 2023 introduce:

- A mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim periods ending on or before December 31, 2023.

These amendments did not have a material effect on the interim condensed consolidated financial statements of the Group.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

4 Seasonality of operations

Due to the seasonal nature of the Group's operations, increase revenues and operating profits are usually expected in the second half of the year. Historically increase sales in the second half of the year are mainly attributed to the facts that a large portion of advertising budgets is spent in the last quarter of the year.

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 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.

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 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. This segment also includes News and Zen platform (hereinafter – "Zen.Platform", News and "Zen.Platform" consolidated from September 2022), email service Mail.ru, as well as VK Music, VK Calls and VK Videos projects. The main share of revenue of content services is generated from the placement of online advertising.

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, Uchi.ru (consolidated from February 2023), 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 revenue of the respective segment net of operating expenses (excluding depreciation, amortization, impairment of intangible assets and share-based payments), but adjusted for the Group's corporate expenses allocated to the respective segment.

5 Operating segments (continued)

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 interim condensed 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 six months ended June 30, 2023, as presented to the CODM, are stated below:

Segments	Social networks & content services	EdTech	VK Tech	New business lines	Non-allocated	Elimination of intragroup transactions	Group
Revenue	45,034	7,012	3,011	2,488	33	(328)	57,250
Total operating expenses	(35,943)	(6,940)	(2,819)	(5,824)	(3,184)	328	(54,382)
Adjustments							
Share-based payment transactions	–	–	–	–	1,024	–	1,024
Adjusted EBITDA	9,091	72	192	(3,336)	(2,127)	–	3,892

The income statement items for each segment for the six months ended June 30, 2022, as presented to the CODM, are stated below (restated, Note 18.1):

Segments	Social networks & content services	EdTech	VK Tech	New business lines	Non-allocated	Elimination of intragroup transactions	Group
Revenue	32,245	5,466	1,841	2,576	15	(140)	42,003
Total operating expenses	(21,873)	(5,600)	(2,208)	(4,626)	(5,491)	140	(39,658)
Adjustments							
Share-based payment transactions	–	–	–	–	4,410	–	4,410
Adjusted EBITDA	10,372	(134)	(367)	(2,050)	(1,066)	–	6,755

A reconciliation of group adjusted EBITDA to IFRS net loss for the six months ended June 30, 2023 is presented below:

	2023	2022
Group adjusted EBITDA	3,892	6,755
Share-based payment transactions	(1,024)	(4,410)
Depreciation and amortisation	(11,437)	(8,889)
Impairment of intangible assets	–	(1,009)
Share of loss of equity accounted associates and joint ventures	11	(14,474)
Finance income	3,135	520
Finance expenses	(7,098)	(8,301)
Other non-operating (loss)/gain	(60)	45
Goodwill impairment	–	(9,256)
Net loss on financial assets and liabilities at fair value through profit or loss	(1,116)	(7,477)
Net gain on disposal of subsidiaries	8	–
Impairment of equity accounted associates and joint ventures	–	(12,825)
Loss on remeasurement of financial instruments	(38)	(25)
Expected credit loss allowance on restricted cash	(34)	(2,065)
Net foreign exchange gain	2,349	13,088
Income tax benefit/(expense)	38	(2,099)
Net loss from discontinued operations	–	(869)
Consolidated net loss under IFRS	(11,374)	(51,291)
Effect of translation to presentation currency of Group's joint ventures	–	1,002
Exchange difference on translation of foreign operations	2,588	(3,189)
Total comprehensive loss under IFRS, net of tax	(8,786)	(53,478)

Notes to the Interim Condensed Consolidated Financial Statements (continued)

5 Operating segments (continued)

The statement of comprehensive income items for each segment for the three months ended June 30, 2023, as presented to the CODM, are stated below:

Segments	Social networks & content services	EdTech	VK Tech	New business lines	Non-allocated	Elimination	Group
Revenue	23,506	3,578	1,878	1,133	–	(117)	29,978
Total operating expenses	(20,100)	(3,507)	(1,547)	(2,541)	(2,052)	117	(29,630)
Adjustments							
Share-based payment transactions	–	–	–	–	768	–	768
Adjusted EBITDA	3,406	71	331	(1,408)	(1,284)	–	1,116

The income statement items for each segment for the three months ended June 30, 2022, as presented to the CODM, are stated below (restated, Note 18):

Segments	Social networks & content services	EdTech	VK Tech	New business lines	Non-allocated	Elimination	Group
Revenue	17,572	2,618	1,112	1,232	–	(83)	22,451
Total operating expenses	(11,627)	(2,536)	(1,249)	(2,497)	(900)	83	(18,726)
Adjustments							
Share-based payment transactions	–	–	–	–	251	–	251
Adjusted EBITDA	5,945	82	(137)	(1,265)	(649)	–	3,976

A reconciliation of group adjusted EBITDA to IFRS net loss for the three months ended June 30, 2023 is presented below:

	2023	2022
Group adjusted EBITDA	1,116	3,976
Share-based payment transactions	(768)	(251)
Depreciation and amortisation	(6,034)	(4,731)
Share of loss of equity accounted associates and joint ventures	(8)	(3,906)
Finance income	1,893	303
Finance expenses	(3,999)	(1,549)
Other non-operating gain	50	128
Net loss on financial assets and liabilities at fair value through profit or loss	(281)	(3,339)
(Loss)/gain on remeasurement of financial instruments	(34)	20
Expected credit loss allowance on restricted cash	(12)	(274)
Net foreign exchange gain	1,176	15,026
Income tax benefit/(expense)	95	(3,981)
Net profit from discontinued operations	–	2,194
Consolidated net (loss)/profit under IFRS	(6,806)	3,616
Exchange difference on translation of foreign operations	1,425	(5,791)
Total comprehensive loss under IFRS, net of tax	(5,381)	(2,175)

Notes to the Interim Condensed Consolidated Financial Statements (continued)

6 Goodwill and other intangible assets

During the six months ended June 30, 2023, the Group capitalised software development costs and otherwise acquired intangible assets with a cost of RUB 6,611 (for the six months ended June 30, 2022: RUB 3,403).

The amortisation charge for the six months ended June 30, 2023 was RUB 5,565 (for the six months ended June 30, 2022: RUB 4,035).

During the six months ended June 30, 2023, the Group recognised goodwill of RUB 4,776 (including Didenok Star LLC) and intangible assets of RUB 4,292 as a result of a business combination (Note 9).

In the 1st quarter of 2023, in accordance with signed agreements with the seller, the Group adjusted the cash consideration for the acquisition of one of the subsidiaries, control of which was acquired in the 4th quarter of 2022. The Interim Condensed Consolidated Statement of Financial Position was therefore adjusted in the lines "Other current assets" and "Goodwill". The fair value adjustment period for the acquisition has not ended.

7 Property and equipment

During the six months ended June 30, 2023, the Group acquired property and equipment with a cost of RUB 10,016 (for the six months ended June 30, 2022: RUB 5,991), the depreciation charge for the six months ended June 30, 2023 was RUB 3,892 (for the six months ended June 30, 2022: RUB 2,989).

8 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 June 30, 2023 and December 31, 2022 comprised the following:

		Voting shares		Carrying value	
	Main activity	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Joint ventures					
Aliexpress Russia Holding Pte. Ltd.	E-commerce platform	18%	18%	–	–
Associates					
Uchi.ru LLC (Russia)	Educational portal	–	25%	–	2,950
Umschool LLC (Russia)	Educational portal	25%	25%	997	959
Haslop Company Limited (Cyprus) and Russian subsidiaries (collectively, "Mamba")	Provides content for www.love.mail.ru, a vertical of the www.mail.ru portal operated by the Group	28.10%	28.10%	248	230
Others				384	446
Total				1,629	4,585

The above entities have the same reporting dates as the Company. None of the entities were listed on a public exchange as of June 30, 2023.

The movement in investments in equity accounted associates and joint ventures for the six months ended June 30, 2023 is presented below:

	Six months ended June 30, 2023
Investments in equity accounted associates and joint ventures as of January 1	4,585
Share in net profit of equity accounted associates and joint ventures	11
Acquisition of shares in equity accounted associates (Note 9.1)	(2,911)
Dividends received from equity accounted associates	(56)
Investments in equity accounted associates and joint ventures as of June 30	1,629

Notes to the Interim Condensed Consolidated Financial Statements (continued)

9 Business combinations

9.1 Uchi.ru

In the 1st quarter of 2023, the Group acquired control over the online educational platform Uchi.ru LLC (hereinafter – "Uchi.ru") by increasing its shareholding to 100% (plus 75% to the 25% share as at December 31, 2022) in the equity of an associate accounted for a cash consideration of RUB 8,110. As a result of the acquisition, the written put option for a 75% stake in Uchi.ru became invalid, in accordance with IFRS 3, the fair value of this option is included in the consideration transferred.

If the Group acquired control of Uchi.ru on January 1, 2023, this would increase the consolidated revenue of the Group by RUB 449 and increase the consolidated net loss of the Group by RUB 156.

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

	Provisional fair value
Intangible assets	4,120
Right-of-use assets	26
Property and equipment	35
Other non-current assets	101
Trade accounts receivable and advances issued	85
Right to claim for reimbursement of tax risks	275
Other current assets	7
Cash and cash equivalents	1,377
Total assets	6,026
Trade accounts payable	84
VAT and other taxes payable	54
Deferred revenue	1,351
Provision for tax risks	505
Deferred tax liabilities	507
Other payables, provisions and accrued expenses	797
Total liabilities	3,298
Total net assets	2,728

Goodwill was calculated as the excess of:	
(a) The consideration transferred by the Group measured at fair value:	
[1] Cash consideration	8,110
[2] Fair value at the acquisition date of the Group's previously held equity interest	2,911
[3] The fair value of the put option to acquire 75% of the stake at the acquisition date	(3,817)
Consideration transferred by the Group	7,204
(b) The amount of non-controlling interest in Uchi.ru measured at the proportionate share of the identifiable net assets	–
over	
(c) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at provisional fair value	2,728
Goodwill	4,476

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 4 to 10 years.

The right to claim for tax risks compensation is represented by the seller's obligation to partially compensate a Group of claims of tax authorities that may occur in the foreseeable future.

The cash flows on acquisition were as follows:

Cash paid (included in cash flows from investing activities)	(8,110)
Cash acquired (included in cash flows from investing activities)	1,377
Net cash flow on acquisition	(6,733)

Notes to the Interim Condensed Consolidated Financial Statements (continued)

9 Business combinations (continued)

9.2 Didenok Star

In the 1st quarter of 2023, the Group acquired control of the creative agency Didenok Star LLC. Didenok Star LLC specializes in influencer marketing and promotion in social networks.

Goodwill relates mainly to the Vkontakte and potential synergies with the Group's business (Note 6). It is assumed that goodwill will not be deductible for income tax purposes. At the date of acquisition Didenok Star LLC had no significant assets and liabilities.

9.3 Digital education

In the 1st quarter of 2023, the Group acquired control over the software developers of Digital Education LLC (hereinafter – "Sferum") by increasing its participation share to 99.41% (plus 49.41% to the 50% share as of December 31, 2022) in the equity accounted of the joint venture, by conversion of the issued interest-bearing loan into the authorized capital of Sferum in the amount of RUB 270 (RUB 250 the amount of the principal debt of the loan and RUB 20 accrued interest at the date of acquisition).

The group will continue to develop the Sferum as part of the VK Messenger project as a single technological environment for communication between schoolchildren, teachers and parents.

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

	Provisional fair value
Intangible assets	172
Property and equipment	18
Other current assets	30
Cash and cash equivalents	68
Total assets	288
Other payables, provisions and accrued expenses	16
Total liabilities	16
Total net assets	272
Goodwill was calculated as the excess of:	
(a) The consideration transferred by the Group measured at fair value:	
[1] Fair value of the loan and accrued interest at the acquisition date	270
Consideration transferred by the Group	270
(b) The amount of non-controlling interest in Digital education measured at the proportionate share of the identifiable net assets	2
over	
(c) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed measured at final fair value	272
Goodwill	–

Intangible assets mainly include software and are amortised over 4 years.

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)	68
Net cash flow on acquisition	68

Notes to the Interim Condensed Consolidated Financial Statements (continued)

10 Long-term financial assets, other payables and accrued expenses and other current assets

Long-term financial assets include:

	June 30, 2023	December 31, 2022
Long-term accounts receivable	2,096	1,694
Long-term net investment in the lease (Note 19)	819	–
Long-term loans issued	465	464
Total non-current financial assets	3,380	2,158

Other payables and accrued expenses include:

	June 30, 2023	December 31, 2022
Accrued vacations	2,871	2,357
Payables to personnel	4,775	4,396
Contingent consideration liabilities (Note 15)	526	576
Liabilities of payment systems	1,143	1,945
Liabilities under the contract of assignment of debt*	–	984
Liabilities under cash pooling agreements	676	941
Deferred income on loan commitments (Note 15.3)	3,000	46
Other current liabilities	547	565
Total other payables and accrued expenses	13,538	11,810

Other current assets consist of the following:

	June 30, 2023	December 31, 2022
VAT recoverable	4,638	2,493
Other taxes recoverable	–	630
Assets under a debt assignment agreement*	–	984
Right to claim for reimbursement of tax risks (Note 9.1, 19)	389	–
Acquisition settlements	330	660
Short-term net investment in the lease (Note 19)	58	–
Other accounts receivable	149	98
Total other current assets	5,564	4,865

* *In the 1st quarter of 2023, the corresponding assets and liabilities under the debt assignment agreement were settled by offsetting.*

11 Revenue

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

Detailed information on revenue from contracts with customers for the six months ended June 30, 2023 is presented below in accordance with the requirements of IFRS 15:

Segments	Communications and Social	EdTech	VK Tech	New business lines	Non-allocated	Eliminations	Group
Timing of revenue recognition							
Services transferred at a point in time	38,691	–	2,548	2,373	33	(328)	43,317
Services transferred over time	6,343	7,012	463	115	–	–	13,933
Total revenue	45,034	7,012	3,011	2,488	33	(328)	57,250

Detailed information on revenue from contracts with customers for the six months ended June 30, 2022 is presented below:

Segments	Communications and Social	EdTech	VK Tech	New business lines	Non-allocated	Eliminations	Group
Timing of revenue recognition							
Services transferred at a point in time	27,422	39	1,769	2,561	15	(140)	31,666
Services transferred over time	4,823	5,427	72	15	–	–	10,337
Total revenue	32,245	5,466	1,841	2,576	15	(140)	42,003

Notes to the Interim Condensed Consolidated Financial Statements (continued)

11 Revenue (continued)

Detailed information on revenue from contracts with customers for the three months ended June 30, 2023 is presented below:

Segments	Communications and Social	EdTech	VK Tech	New business lines	Non-allocated	Eliminations	Group
Timing of revenue recognition							
Services transferred at a point in time	20,468	–	1,616	1,083	–	(117)	23,050
Services transferred over time	3,038	3,578	262	50	–	–	6,928
Total revenue	23,506	3,578	1,878	1,133	–	(117)	29,978

Detailed information on revenue from contracts with customers for the three months ended June 30, 2022 is presented below:

Segments	Communications and Social	EdTech	VK Tech	New business lines	Non-allocated	Eliminations	Group
Timing of revenue recognition							
Services transferred at a point in time	15,815	34	1,085	1,217	–	(83)	18,068
Services transferred over time	1,757	2,584	27	15	–	–	4,383
Total revenue	17,572	2,618	1,112	1,232	–	(83)	22,451

12 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 as of June 30, 2023 and expects to complete the process of assessing the effect of the benefits by the end of 2023.

The major components of income tax expense in the interim condensed consolidated statement of comprehensive income for the three and six months ended June 30, 2023 and 2022 are as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Current income tax (benefit)/expense	(95)	1,038	151	539
Deferred income tax expense/(benefit)	–	2,244	(189)	545
Total income tax (benefit)/expense	(95)	3,282	(38)	1,084

The reconciliation between theoretical income tax and the actual income tax for the three and six months ended June 30, 2023 and 2022 is as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
(Loss)/profit before income tax from continuing operations	(6,901)	5,403	(11,412)	(48,323)
Profit/(loss) before income tax from discontinued operations	–	1,495	–	(1,884)
(Loss)/profit before income tax	(6,901)	6,898	(11,412)	(50,207)
Theoretical tax at domestic rates applicable to individual group entities	(364)	(753)	(764)	9,271
Tax effect of amounts which are not deductible (taxable) in calculating taxable income				
Non-deductible expenses	53	(1,033)	3	(1,565)
Non-taxable foreign exchange and other gains	578	126	1,042	793
Adjustments in respect of current income tax of previous period	(3)	56	44	34
Tax accruals and penalties	(30)	(7)	(30)	–
Unrecognised deferred tax assets	(85)	(1,120)	(121)	(1,804)
Expected credit loss on restricted cash	(10)	191	(19)	(548)
Goodwill impairment	–	–	–	(1,811)
Impairment of equity accounted joint ventures	–	–	–	(2,566)
Share of results of equity accounted associates and joint ventures	10	(758)	8	(2,872)
Gain from the disposal of a subsidiary	–	–	(15)	–
Effect of applying tax benefits	(55)	(9)	(78)	(23)
Other	1	25	(32)	7
Total income tax benefit/(expense)	95	(3,282)	38	(1,084)
Total income tax benefit/(expense) from continuing operations	95	(3,981)	38	(2,099)
Total income tax benefit from discontinued operations	–	699	–	1,015

Notes to the Interim Condensed Consolidated Financial Statements (continued)

13 Commitments, contingencies and operating risks

13.1 Operating environment of the Group

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

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.

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 Interim condensed 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.

13.2 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 interim condensed 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.

13.3 Legal proceedings

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which 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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

13 Commitments, contingencies and operating risks (continued)

13.4 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.

13.5 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.

13.6 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. Potencial 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.

13.7 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 2023, the following laws came into force:

- Law *On the State Language of the Russian Federation* (in terms of improving the mechanisms for ensuring the status of the Russian language as the state language of the Russian Federation and monitoring compliance with the norms of the modern Russian literary language).

  The law provides for restrictions on the use of words and expressions that do not comply with the norms of the modern Russian literary language (including obscene language) in certain areas, in particular in information intended for consumers of goods and services, in advertising.

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 preventing possible abuses by persons providing programs for electronic computers in the Internet information and telecommunications network designed to conclude transactions in digital markets (the 5th antimonopoly package, in terms of "transactional platforms").

  The Law is signed by the President of the Russian Federation. The document will come into force on September 1, 2023. The ban on abuse of dominance will be extended to marketplaces and aggregators of goods (commodity markets where transactions between sellers and buyers using digital platforms are made) if they have a significant impact on adjacent markets and their revenue for the last calendar year exceeds 2 billion rubles.

- 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 Law *On Amendments to Article 12-1 of the Law On Information, Information Technologies and Information Protection* (in terms of clarifying regulation in the use of Russian computer programs and databases)".

  The Law supplements the possibility of including a new object in the Register of Domestic Software – a software-hardware complex. Requirements for software-hardware systems are established by the Government of the Russian Federation. It is also proposed to clarify the requirements for commercial organizations – applicants in the Register (owners of software, databases, software and hardware complex) in terms of corporate control, replacing the economic criterion of direct or indirect participation with the criterion of corporate control over the organization through votes attributable to voting shares (shares). In addition, it is planned to create a List of systemically important developers of Russian software, which will have the right to include their objects in the Register of domestic software without restrictions on corporate control. The conditions for including commercial organizations in such a List will be determined by the Government of the Russian Federation.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

13 Commitments, contingencies and operating risks (continued)

13.7 Regulation (continued)

- The Law *On Amendments to the Law On Information, Information Technologies and Information Protection* (in terms of establishing the specifics of providing information using recommendation technologies).

  It is supposed to establish the specific terms of providing information using recommendation technologies based on the collection, systematization and analysis of information related to the preferences of Internet users. The draft law, among other things, assumes mandatory informing of Internet users about the use of recommendation technologies on this information resource, mandatory posting of rules for the use of recommendation technologies with a description of the work of recommendation technologies, types of information collected about the preferences of Internet users. Federal Service for Supervision in the Sphere of Telecom, Information Technologies and Mass Communications has the right to request from the owner of the information resource information related to the use of recommendation technologies, as well as the right to access the software and hardware of recommendation technologies to assess the compliance of the use of recommendation technologies with the established requirements. Failure to comply with the requirements of the law may lead to restriction of access to the information resource.

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;
- The amount of fines for non-compliance with the decisions or instructions of the antimonopoly authorities is significantly increased – up to RUB 1, but not more than 2% of the turnover.

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

For social media owners:

- For failure to fulfill the obligations for the annual publication of reports, posting user documentation and informing users about changes to it, posting an electronic contact form, as well as information about the owner of the social network and contact details (email), liability for legal entities in the form of a fine in the amount of 600 thousand to 1 million rubles is envisaged.
- For failure to fulfill the obligations to monitor and take measures to restrict access to user documentation information, liability for legal entities in the form of a fine in the amount of 800 thousand to 4 million rubles is envisaged. In case of repeated violation from 4 million to 8 million rubles liability for legal entities is envisaged.
- For non-compliance with the instructions of the regulator to carry out monitoring, liability for legal entities in the form of a fine in the amount of 4 million to 6 million rubles is envisaged.

With respect to social media owners, ABC, news aggregators and classifieds services:

- For failure to provide / untimely provision / provision of deliberately false data that allows identifying the owner of the service, legal entities are liable in the form of a fine in the amount of 50 thousand to 300 thousand rubles.

13.8 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 specialists, which will have a negative impact on the Group's business and operational activities. The transition of such specialists to competitors or the creation of competing companies by them may negatively affect the results of operations and profits of the Group and lead to the loss of strategic business lines, the outflow of users, technologies and employees.

13.9 Infrastructure and capacity

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

14 Balances and transactions with related parties

The following table provides the total amount of transactions with related parties conducted during the six months ended June 30, 2023, excluding Directors and key management of the Group (see Notes 14.1 and 14.2). 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.

	June 30, 2023		December 31, 2022	
	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties
Trade accounts receivable and Trade and other payable				
Equity accounted associates	45	18	75	27
Joint ventures	492	308	587	569
Entities with significant influence over the Group including government related entities	909	245	1,115	425
Loans issued and Loans received				
Equity accounted associates	369	–	158	–
Joint ventures	–	–	231	–
Entities with significant influence over the Group including government related entities	1	153,088	–	90,284
Advance under office lease contracts				
Entities with significant influence over the Group and government related enties	29	–	92	–

	Six months ended June 30, 2023		Six months ended June 30, 2022	
	Sales to related parties	Purchases from related parties	Sales to related parties	Purchases from related parties
Sales and Purchases				
Equity accounted associates	93	30	69	10
Joint ventures	260	–	2,303	284
Entities with significant influence over the Group and government related entities	1,884	1,217	1,458	696
Interest expense				
Entities with significant influence over the Group and government related entities	2,320	5,380	–	1,121

	June 30, 2023		December 31, 2022	
	Cash balances on current accounts	Cash balances on deposit accounts	Cash balances on current accounts	Cash balances on deposit accounts
Cash balances				
Cash balances on current and deposit accounts with government related banks	60,187	18,440	28,583	15,730

	June 30, 2023		December 31, 2022	
	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
Lease				
Lease transactions with government related entities	4,147	762	2,807	1,468

As of June 30, 2023, 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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

14 Balances and transactions with related parties (continued)

14.1 Directors of the Company

For the six months ended June 30, 2023, total cash remuneration of the members of the Board of Directors (each a "Director" and collectively, "Directors") of the Company amounted to RUB 69 (for the six months ended June 30,2022: RUB 63).

For the six months ended June 30, 2023, no options over the shares of the Company were granted to Directors (for the six months ended June 30, 2022: 0).

For the six months ended June 30, 2023, Directors did not forfeit PSUs (for the six months ended June 30, 2022: 55,000), and did not exercise any PSUs/RSUs over shares of the Company (for the six months ended June 30, 2022: 0).

For the six months ended June 30, 2023, there were no corresponding share-based payment expenses (for the six months ended June 30, 2022: RUB negative amount of 29).

14.2 Key management of the Group

For the six months ended June 30, 2023 total cash remuneration of the key management of the Group (excluding Directors) amounted to RUB 1,216 (for the six months ended June 30,2022: RUB 901).

For the six months ended June 30, 2023, key management of the Group (excluding Directors) forfeited 425,650 PSUs (for the six months ended June 30, 2022: 2,036,100) and did not exercise any PSUs/RSUs and options (for the six months ended June 30, 2022: 0).

For the six months ended June 30, 2023 the corresponding share-based payment expense was negative and amounted to RUB 50 (for the six months ended June 30, 2022: RUB negative amount of 1,212).

15 Financial instruments

As of June 30, 2023 and December 31, 2022, the Group's financial instruments are presented by category in the table below:

	Category*	June 30, 2023	December 31, 2022
Financial assets at fair value through profit and loss			
Non-current			
Financial investments in venture capital investees	FAFVPL	183	118
Convertible loans	FAFVPL	47	–
Financial derivative under lease contract	FAFVPL	–	232
Financial assets at amortised cost			
Non-current			
Loans issued	FAAC	465	464
Other trade accounts receivable**	FAAC	2,096	1,694
Current			
Trade accounts receivable	FAAC	68,333	64,272
Loans issued and interest receivable	FAAC	3,148	3,029
Cash and cash equivalents	FAAC	81,236	48,759
Finance lease			
Net investment in the lease, long-term	Other	819	–
Net investment in the lease, short-term	Other	58	–
Total financial assets		156,385	118,568

15 Financial instruments (continued)

	Category*	June 30, 2023	December 31, 2022
Financial liabilities at fair value through profit and loss			
Current			
Contingent consideration payable	FLFVPL	526	576
Financial liabilities at fair value through profit or loss	FLFVPL	1,125	4,806
Non-current			
Financial liabilities at fair value through profit or loss	FLFVPL	4,929	3,982
Financial liabilities at amortised cost			
Current			
Trade accounts payable	FLAC	16,651	17,121
Other payables and accrued expenses	FLAC	13,012	11,234
Short-term portion of long-term interest-bearing loans and bonds	FLAC	44,182	88,742
Short-term lease liabilities	FLAC	3,610	3,216
Non-current			
Long-term interest-bearing loans and bonds	FLAC	128,600	35,775
Deffered income on loan commitments	FLAC	14,003	–
Non-current lease liabilities	FLAC	7,470	7,292
Total financial liabilities		234,108	172,744

* *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 18) to the Group for software.*

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.

As of June 30, 2023, restricted cash amounted to RUB 1,908 (December 31, 2022: RUB 1,553), the reserve for expected credit losses was formed in full. The balances are held by subsidiaries that operate in countries where currency control measures are applied.

15.1 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.

15.2 Fair value hierarchy

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).

Notes to the Interim Condensed Consolidated Financial Statements (continued)

15 Financial instruments (continued)

15.2 Fair value hierarchy (continued)

As of June 30, 2023 and December 31, 2022, the Group held the following financial instruments measured at fair value through profit or loss:

	June 30, 2023	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
Financial investments in venture capital investees	183	–	–	183
Convertible loans	47	–	–	47
Total financial assets measured at fair value through profit or loss	230	–	–	230
Financial liabilities measured at fair value through profit or loss				
Non-current financial derivative on put options over non-controlling interests	4,929	–	–	4,929
Current financial derivative on put options over non-controlling interests	1,125	–	–	1,125
Contingent consideration payable	526	–	–	526
Total financial liabilities measured at fair value through profit or loss	6,580	–	–	6,580

	December 31, 2022	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
Financial investments in venture capital investees	118	–	–	118
Financial derivative under lease contract	232	–	–	232
Total financial assets measured at fair value through profit or loss	350	–	–	350
Financial liabilities measured at fair value through profit or loss				
Non-current financial derivative on put options over non-controlling interests	3,982	–	–	3,982
Current financial derivative on put options over non-controlling interests	4,806	–	–	4,806
Contingent consideration payable	576	–	–	576
Total financial liabilities measured at fair value through profit or loss	9,364	–	–	9,364

The balance of financial assets and liabilities at fair value through profit or loss measurements as of January 1, 2023 is reconciled to the balance of those measurements as of June 30, 2023 and as of January 1, 2022 and June 30, 2022:

	Balance as of January 1, 2023	Gains/(losses) recognised in profit and loss	Purchases/ settlement	Business combination	Balance as of June 30, 2023
Financial assets measured at fair value through profit or loss					
Financial investments in venture capital investees	118	–	65	–	183
Non-current convertible loans	–	(10)	57	–	47
Financial assets and derivatives under lease contracts	232	–	(232)	–	–
Total financial assets at fair value through profit or loss	350	(10)	(110)	–	230
Financial liability measured at fair value through profit or loss					
Non-current financial derivative on put options over non-controlling interests	(3,982)	(947)	–	–	(4,929)
Current financial derivative on put options over non-controlling interests	(4,806)	(136)	–	3,817	(1,125)
Contingent consideration payable	(576)	(23)	73	–	(526)
Total financial liabilities measured at fair value through profit or loss	(9,364)	(1,106)	73	3,817	(6,580)

Notes to the Interim Condensed Consolidated Financial Statements (continued)

15 Financial instruments (continued)

15.2 Fair value hierarchy (continued)

	Balance as of January 1, 2022	Gains/(losses) recognised in profit and loss	Purchases/ settlement	Reclas-sification from non-current to current	Balance as of June 30, 2022
Financial assets measured at fair value through profit or loss					
Financial investments in venture capital investees	5,992	(2,533)	–	–	3,459
Non-current convertible loans	585	(600)	532	(114)	403
Current convertible loans	–	–	–	114	114
Financial assets and derivatives under lease contracts	326	(90)	–	–	236
Total financial assets at fair value through profit or loss	6,903	(3,223)	532	–	4,212
Financial liability measured at fair value through profit or loss					
Non-current financial derivative on put options over non-controlling interests	(660)	(470)	–	–	(1,130)
Current financial derivative on put options over non-controlling interests	–	(4,751)	–	–	(4,751)
Contingent consideration payable	(943)	109	–	–	(834)
Conversion option of the bonds issued	(219)	219	–	–	–
Total financial liability measured at fair value through profit or loss	(1,822)	(4,893)	–	–	(6,715)

15.3 Interest-bearing loans and bonds

The table below represents the major loans and bonds as of June 30, 2023 and December 31, 2022:

Type	Original currency	Type of rate	Average nominal interest rate	Maturity date	Outstanding amount as of June 30, 2023	Outstanding amount as of December 31, 2022
Unsecured loans	RUB	Fixed	5.64%	2023-2024	6,643	10,490
Unsecured loans	RUB	Floating		2024-2029	85,982	81,454
Unsecured loans	USD	Fixed	2.97%	2023-2027	9,051	7,171
Unsecured loans	EUR	Fixed	2.82%	2027	187	238
Bonds	USD	Fixed	1.63%	On demand	12,116	9,836
Bonds	RUB	Fixed	4.28%	2026-2028	58,803	15,328
Total interest-bearing loans and bonds					172,782	124,517

Movements in loans and bonds, including related interest, for the six months ended June 30, 2023 are presented below:

	January 1, 2023	Principal amount, proceeds	Principal amount, repayment	Interest, accruals, discounting	Interest, repayment	Reclas-sification from non-current to current	Foreign exchange differences	Deffered income on loan commit-ments	Modification of financial liabilities	June 30, 2023
Current										
Interest bearing loans	78,880	–	(3,910)	3,515	(1,537)	(44,462)	232	(1,878)	–	30,840
Bonds issued by closed subscription	–	–	–	874	–	–	–	–	–	874
LSE convertible bonds	9,841	–	(68)	79	(42)	–	2,325	–	(19)	12,116
MOEX bonds	–	–	–	591	(591)	328	–	–	–	328
Other borrowings	21	3	–	–	–	–	–	–	–	24
Non-current										
Interest bearing loans	20,447	3,666	(96)	989	–	44,462	1,531	–	–	70,999
Bonds issued by closed subscription	–	60,000	–	–	–	–	–	(17,399)	–	42,601
MOEX bonds	15,328	–	–	–	–	(328)	–	–	–	15,000
Total liabilities from financing activities	124,517	63,669	(4,074)	6,048	(2,170)	–	4,088	(19,277)	(19)	172,782

Notes to the Interim Condensed Consolidated Financial Statements (continued)

15 Financial instruments (continued)

15.3 Interest-bearing loans and bonds (continued)

In the 1st half of 2023, the Group received bank wavers, according to which the banks confirmed that the violated restrictive conditions under a number of loan agreements were not grounds for early repayment of loan funds, as a result of which the corresponding interest-bearing loan liabilities were classified as long-term liabilities.

During the 2nd quarter of 2023, the Group issued interest-bearing non-convertible bonds with a nominal value of RUB 60,000 and a maturity of 5 years by closed subscription. The Group will use the funds received to implement the strategy, develop existing services and launch new products. In accordance with the requirements of IAS 20, the Group recognized deferred income on loan commitments in the amount of RUB 17,399.

16 Personnel expenses

Personnel expenses for the three and six months ended June 30, 2023 and 2022 consist of:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Salary and related taxes	9,543	6,673	18,427	13,037
Share-based payments	768	250	1,024	4,055
Reserves and other	3,151	1,968	5,882	3,525
Total personnel expenses	13,462	8,891	25,333	20,617

17 Other operating expenses

Other operating expenses for the three and six months ended June 30, 2023 and 2022 consist of:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
VAT and other taxes*	387	626	867	1,340
Expected credit loss allowance on trade receivables	(73)	7	91	253
Cost of sales	176	–	464	90
Travel expenses	195	67	302	91
Corporate events	147	44	208	72
Maintenance of office premises	98	75	191	144
Other operating expenses	353	238	693	461
Total other operating expenses	1,283	1,057	2,816	2,451

* *As of June 30, 2023, the Group updated the assessment of tax risks and recognised provisions for VAT and other taxes of RUB 273. In addition, the Group recognised RUB 408 expenses related to write-off of input VAT due to 5% limit established by the Tax Code of the Russian Federation.*

Notes to the Interim Condensed Consolidated Financial Statements (continued)

18 Non-current assets held for sale and discontinued operations

18.1 Discontinued operations

The financial results related to discontinued operations for the the 1st half of 2022 are presented separately in the interim condensed consolidated statement of comprehensive income, as well as in the statement of comprehensive income for each segment, presented to the CODM.

The financial results for the three and six months ended June 30, 2022 relating to discontinued operations are as follows:

	Three months ended June 30, 2022	Six months ended June 30, 2022
Online advertising	991	2,308
MMO games	9,220	18,726
Community IVAS	173	357
Other revenue	1	19
Total revenue	10,385	21,410
Personnel expenses	(2,160)	(4,226)
Agent/partner fees	(2,408)	(5,638)
Marketing expenses	(3,612)	(9,166)
Server hosting expenses	(77)	(159)
Professional services	(54)	(130)
Other operating expenses	(227)	(403)
Total operating expenses	(8,538)	(19,722)
Depreciation and amortisation	(84)	(1,198)
Finance income	38	77
Finance expenses	(3)	(8)
Other non-operating gain	13	11
Net loss on financial assets and liabilities at fair value through profit or loss	(337)	(639)
Loss on remeasurement of financial instruments	(21)	(126)
Expected credit loss allowance on restricted cash	632	(1,313)
Net foreign exchange gain	(590)	(376)
Profit/(loss) before income tax expense from discontinued operations	1,495	(1,884)
Income tax benefit	699	1,015
Net profit/(loss) from discontinued operations	2,194	(869)

18.2 EPICENTR (Cyprus), ESFORCE AGENCY, Foodplex

In the 1st quarter 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. The carrying value of the disposed net assets and capital elements amounted to RUB 14. As a result, the Group recognized a gain on disposal of subsidiaries in the amount of RUB 61.

In the 1st quarter 2023, the Group also signed a sale agreement and transferred control of a subsidiary Foodplex LLC for a cash consideration of 1 rouble. The carrying value of the disposed net assets and capital elements amounted to RUB 53. As a result, the Group recognized a loss on disposal of subsidiaries in the amount of RUB 53.

18.3 Assets held for sales

In the 4th quarter 2022, the Group 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 June 30, 2023 the Group assessed the probability of the sale of the above subsidiaries as highly. 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 interim condensed consolidated statement of financial position.

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

18.3 Assets held for sales (continued)

The breakdown of the significant classes of assets and liabilities held for sale as at June 30, 2023 and December 31, 2022 is following:

	June 30, 2023	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	41	161
Total assets held for sale	41	292
Trade accounts payable	–	(184)
VAT and other taxes payable	–	(2)
Deferred revenue and customer advances	–	(45)
Other payables and accrued expenses	–	(56)
Total liabilities directly associated with assets held for sale	–	(287)

19 Acquisition of CJSC Zinger

In May 2023, the Group acquired control under CJSC Zinger by purchasing a 100% stake for a cash consideration of RUB 2,500. CJSC "Zinger" owns long-term lease rights in the House of the company "Zinger" in St. Petersburg. Since 2010, it has been the headquarters of the VKontakte social network.

The main purpose of the purchase was to optimize the structure of the Group's lease payments, as well as to obtain additional income from subleasing premises. In accordance with IFRS 3 *Business Combination*, this acquisition is an acquisition of an asset.

As a result of the acquisition of CJSC Zinger, the Group acquired a long-term sublease agreement for part of the premises of the leased building and reviewed the terms of the sublease. The term of the sublease of the asset (until 2047) corresponds to the expected lease term of the underlying asset (until 2048). In accordance with IFRS 16 *Leases* this agreement is classified as a "Finance Lease".

The Group also recognized right-of-use assets in the amount of RUB 1,571 and other assets in the amount of RUB 54. Other assets mainly include advances received in the amount of RUB 23 and cash in the amount of RUB 77 (included in cash flows from investing activities).

The Group also recognized a liability for additional tax risks in the amount of RUB 114 and an asset in the form of a right to claim tax risks in a similar amount due to the existence of a seller's guarantee to indemnify claims.

Components of the net investment in the lease

	June 30, 2023
Future lease payments	3,120
Expected carrying amount on disposal	–
Less: unearned financial income	(2,243)
Net investment in the lease	877

Future cash flows

	June 30, 2023
During 2023	36
During 2024	64
During 2025	67
During 2026	71
During 2027	76
After 2027	2,806
Total undiscounted cash flows	3,120
Less: unearned financial income	(2,243)
Net investment in the lease	877

20 Events after the reporting period

In July 2023, the Group transferred control of the subsidiary MGL Wallet (Cyprus) Ltd. to the buyer for 1 million euros (RUB 118 at the exchange rate on the date of transfer of control).

In July 2023, the Group acquired control under Nota-RTK LLC by acquiring a 51% stake, as well as concluding options to purchase the remaining 49% stake. The amount of monetary remuneration for the acquired share depends on the fulfillment of a number of KPIs. The Group is in the process of assessing the fair value of the expected amount of remuneration.

The total fair value of remunerations for acquisition after the reporting date will not exceed 1% of the value of 'Total Assets'.

In August 2023, the Federal Law *On the Excess Profit Tax* was signed for organizations whose average profit for 2021-2022 exceeded one billion rubles. The federal law establishes a tax on excess profits, which is a one-time tax.

The object of taxation is the excess profit received by the taxpayer and is defined as the excess of the arithmetic average of profit for 2021 and profit for 2022 over the arithmetic average of profit for 2018 and profit for 2019.

The management of the Group is in the process of assessing the amount of accrual of this tax.