VK Company Limited

Interim Condensed
Consolidated Financial Statements

For the three months ended March 31, 2022

Contents

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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 March 31, 2022 and the related interim condensed consolidated statements of comprehensive income, cash flows and changes in equity for the three-month period then ended, and selected explanatory notes (interim financial information). Management 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 as at March 31, 2022 the Group's current liabilities exceeded its current assets by 69,009 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, 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.A. Chizhikov
Partner
TSATR – Audit Services Limited Liability Company

April 27, 2022

Details of the auditor

Name: TSATR – Audit Services Limited Liability Company
Record made in the State Register of Legal Entities on 5 December 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 March 31, 2022
(in millions of Russian Roubles)

	Notes	As of March 31, 2022 (unaudited)	As of December 31, 2021
ASSETS			
Non-current assets			
Investments in equity accounted associates and joint ventures	8	33,935	48,921
Goodwill	6	129,344	138,600
Right-of-use assets		15,110	14,843
Other intangible assets	6	17,238	18,324
Property and equipment	7	18,035	15,798
Financial assets at fair value through profit or loss	14	6,749	6,903
Deferred income tax assets		6,688	5,157
Long-term loans issued	14	64	69
Advance under office lease contracts		461	462
Total non-current assets		227,624	249,077
Current assets			
Trade accounts receivable	14	16,771	20,688
Prepaid income tax		841	359
Prepaid expenses and advances to suppliers		3,167	2,353
Loans issued	14	107	109
Inventories		143	157
Other current assets		2,117	1,445
Cash and cash equivalents	14	19,086	23,737
Total current assets		42,232	48,848
Total assets		269,856	297,925
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital		–	–
Share premium		80,616	79,397
Treasury shares		(1,039)	(1,044)
Retained earnings		35,279	89,985
Foreign currency translation reserve		5,182	1,578
Total equity attributable to equity holders of the parent		120,038	169,916
Non-controlling interests		109	346
Total equity		120,147	170,262
Non-current liabilities			
Deferred income tax liabilities		1,060	1,228
Deferred revenue		1,489	1,455
Non-current lease liabilities	14	10,915	11,327
Non-current financial liabilities at fair value through profit or loss	14	1,015	879
Long-term interest-bearing loans and bonds	14	23,410	50,810
Other non-current liabilities		579	522
Total non-current liabilities		38,468	66,221
Current liabilities			
Trade accounts payable	14	15,650	14,541
Income tax payable		2,857	3,208
VAT and other taxes payable		5,079	4,391
Deferred revenue and customer advances		18,831	17,980
Short-term portion of long-term interest-bearing loans and bonds	14	50,063	7,078
Current lease liabilities	14	5,387	4,121
Current financial liabilities at fair value through profit or loss		3,829	–
Other payables and accrued expenses	9	9,545	10,123
Total current liabilities		111,241	61,442
Total liabilities		149,709	127,663
Total equity and liabilities		269,856	297,925

Interim Condensed Consolidated Statement of Comprehensive Income

For the three months ended March 31, 2022
(in millions of Russian Roubles)

	Notes	Three months ended March 31, 2022 (unaudited)	Three months ended March 31, 2021 (unaudited)
Online advertising		11,106	10,471
MMO games		9,506	9,399
Community IVAS		4,893	4,359
Education technology services		2,822	1,740
Other revenue		2,250	1,766
Total revenue	5, 10	30,577	27,735
Personnel expenses	15	(13,792)	(7,964)
Agent/partner fees		(9,021)	(7,832)
Marketing expenses		(7,468)	(5,799)
Server hosting expenses		(210)	(203)
Professional services		(281)	(343)
Other operating expenses	16	(1,344)	(409)
Total operating expenses		(32,116)	(22,550)
Depreciation and amortisation		(5,272)	(4,430)
Impairment of intangible assets	6.2	(1,009)	–
Share of loss of equity accounted associates and joint ventures	8	(10,568)	(3,289)
Finance income		256	130
Finance expenses	14.3	(6,757)	(962)
Other non-operating (loss)/gain		(85)	39
Goodwill impairment	6.1	(9,256)	–
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	14	(4,440)	1,299
Impairment of equity accounted associates and joint ventures		(12,825)	–
Loss on remeasurement of financial instruments		(150)	(174)
Expected credit loss allowance on restricted cash		(3,736)	–
Net foreign exchange loss		(1,724)	(600)
Loss before income tax expense		(57,105)	(2,802)
Income tax benefit	11	2,198	345
Net loss		(54,907)	(2,457)
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	229
Exchange difference on translation of foreign operations		2,602	387
Total other comprehensive income that may be reclassified to profit or loss in subsequent periods		3,604	616
Total other comprehensive income net of tax effect of 0		3,604	616
Total comprehensive loss, net of tax		(51,303)	(1,841)
Net loss, attributable to:			
Equity holders of the parent		(54,706)	(2,465)
Non-controlling interests		(201)	8
Total comprehensive loss, net of tax, attributable to:			
Equity holders of the parent		(51,102)	(1,849)
Non-controlling interests		(201)	8
Loss per share, in RUB:			
Basic loss per share attributable to ordinary equity holders of the parent		(242)	(11)
Diluted earnings per share attributable to ordinary equity holders of the parent		n/a	n/a

Interim Condensed Consolidated Statement of Cash Flows

For the three months ended March 31, 2022
(in millions of Russian Roubles)

	Notes	Three months ended March 31, 2022 (unaudited)	Three months ended March 31, 2021 (unaudited)
Cash flows from operating activities			
Loss before income tax		(57,105)	(2,802)
Adjustments to reconcile loss before income tax to cash flows:			
Depreciation and amortisation		5,272	4,430
Impairment of intangible assets		1,009	–
Share of loss of equity accounted associates and joint ventures		10,568	3,289
Finance income		(256)	(130)
Finance expenses		6,757	962
Expected credit loss allowance on trade receivables		247	122
Expected credit loss allowance on restricted cash		3,736	–
Goodwill impairment	6	9,256	–
Net loss/(gain) on financial assets and liabilities at fair value through profit or loss	14	4,440	(1,299)
Impairment of equity accounted associates and joint ventures		12,825	–
Loss on remeasurement of financial instruments		150	174
Net foreign exchange loss		1,724	600
Cash settled and equity settled share-based payments		1,224	306
Other non-cash items		88	(26)
Change in operating assets and liabilities:			
Decrease in accounts receivable		4,785	1,464
(Increase)/decrease in prepaid expenses and advances to suppliers		(884)	28
Increase in inventories and other assets		(83)	(1,277)
Increase/(decrease) in accounts payable and accrued expenses		8	(55)
Decrease in other non-current assets		1	271
Increase in deferred revenue and customer advances		885	670
Increase in financial assets at fair value through profit or loss	14	(464)	(1,426)
Operating cash flows before interest and income taxes		4,183	5,301
Interest received		168	51
Interest paid		(1,579)	(842)
Income tax paid		(334)	(617)
Net cash provided by operating activities		2,438	3,893
Cash flows from investing activities			
Cash paid for property and equipment		(4,255)	(1,887)
Cash paid for intangible assets		(1,370)	(819)
Dividends received from equity accounted associates		–	461
Loans issued		(5,160)	(3,836)
Loans collected		75	–
Cash paid for acquisitions of subsidiaries, net of cash acquired		–	(192)
Cash paid for investments in equity accounted associates and joint ventures		(2,000)	(103)
Net cash used in investing activities		(12,710)	(6,376)
Cash flows from financing activities			
Payment of lease liabilities		(1,115)	(956)
Loans received	14.2	10,014	–
Loans repaid	14.2	(1,767)	(653)
Cash paid for non-controlling interests in subsidiaries		–	(24)
Dividends paid by subsidiaries to non-controlling shareholders		(36)	(53)
Net cash provided by/(used in) financing activities		7,096	(1,686)
Net decrease in cash and cash equivalents		(3,176)	(4,169)
Effect of exchange differences on cash balances		2,261	618
Change in expected credit loss allowance on restricted cash		(3,736)	–
Cash and cash equivalents at the beginning of the period		23,737	39,297
Cash and cash equivalents at the end of the period		19,086	35,746

Interim Condensed Consolidated Statement of Changes in Equity

For the three months ended March 31, 2021
(in millions of Russian Roubles)

	Share capital								
	Number of shares issued and outstanding	Amount	Share premium	Treasury shares	Retained earnings Restated	Accumulated other comprehensive income/(loss) (net of tax effect of 0)	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at January 1, 2021	225,474,333	–	77,101	(1,071)	103,103	1,195	180,328	1,663	181,991
Profit/(loss) for the period	–	–	–	–	(2,465)	–	(2,465)	8	(2,457)
Other comprehensive income:									
Foreign currency translation	–	–	–	–	–	616	616	–	616
Total other comprehensive income	–	–	–	–	–	616	616	–	616
Total comprehensive income/(loss)	–	–	–	–	(2,465)	616	(1,849)	8	(1,841)
Share-based payment transactions	–	–	372	–	–	–	372	–	372
Exercise of PSUs/RSUs and options over the shares of the Company	91,676	–	(27)	27	–	–	–	–	–
Dividends by subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	(53)	(53)
Acquisitions of non-controlling interests	–	–	–	–	–	–	–	(20)	(20)
Balance at March 31, 2021 (unaudited)	225,566,009	–	77,446	(1,044)	100,638	1,811	178,851	1,598	180,449

Interim Condensed Consolidated Statement of Changes in Equity

For the three months ended March 31, 2022
(in millions of Russian Roubles)

	Share capital								
	Number of shares issued and outstanding	Amount	Share premium	Treasury shares	Retained earnings	Accumulated other comprehensive income/(loss) (net of tax effect of 0)	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at January 1, 2022	226,130,707	–	79,397	(1,044)	89,985	1,578	169,916	346	170,262
Loss for the period	–	–	–	–	(54,706)	–	(54,706)	(201)	(54,907)
Other comprehensive loss:									
Foreign currency translation	–	–	–	–	–	3,604	3,604	–	3,604
Total other comprehensive income	–	–	–	–	–	3,604	3,604	–	3,604
Total comprehensive loss	–	–	–	–	(54,706)	3,604	(51,102)	(201)	(51,303)
Share-based payment transactions (Note 15)	–	–	1,824	–	–	–	1,824	–	1,824
Exercise of PSUs/RSUs and options over the shares of the Company	20,000	–	(5)	5	–	–	–	–	–
Dividends by subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	(36)	(36)
Modification of PSU/RSU programmes (Note 15)	–	–	(600)	–	–	–	(600)	–	(600)
Balance at March 31, 2022 (unaudited)	226,150,707	–	80,616	(1,039)	35,279	5,182	120,038	109	120,147

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2022
(in millions of Russian Roubles)

1 Corporate information and description of business

These interim condensed consolidated financial statements of VK Company Limited (Mail hereinafter "the Company") and its subsidiaries (collectively – "the Group" or "VK") for the three months ended March 31, 2022 were authorised for issue by the directors of the Company on April 27, 2022.

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

The Company consolidates or participates in businesses that operate in the Internet segment, including portals, social networking and communications, online marketplaces, education technologies, online-to-offline services, massively multiplayer online games ("MMO games"), social and mobile games. 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. Sogaz JCS owns 45%, Gazprom-Media Holding JSC owns 45% and RT-Business Development LLC owns 10% of voting interests of MF Technologies, respectively. MF Technologies is jointly controlled by Sogaz JSC and the Russian Federation.

2 Basis of preparation

The interim condensed consolidated financial statements for the three months ended March 31, 2022 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, 2021.

2.1 Going concern

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

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

De-listing event

On March 3, 2022 trading of VK's GDRs on the London Stock Exchange ("LSE") was suspended by the LSE, and remains suspended as of April 27, 2022.

Under the terms of the LSE Convertible bonds ("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 has occurred following the close of trading on March 16, 2022 as trading did not resume.

Under the terms of the Bonds bondholders are entitled to exercise put options, i.e. to claim full settlement of the par value (plus any accrued coupon) of the Bonds after the 60-calendar day period commencing on the later of the date of the "De-listing Event" or the date on which a "De-listing Event Notice" thereof is given to bondholders, calculated as May 31, 2022 ("Put Date").

A De-listing Event having occurred, the Group is in advanced discussions with bondholders aimed at agreeing possible alternatives to the put option exercise. The Group will formally present proposals for consideration and approval by the bondholders ahead of the "Put Date".

In accordance with IAS 1, as of March 31, 2022, the liabilities related to these Bonds in the amount of RUB 33,634 (December 31, 2021: RUB 25,996) were included in short-term liabilities in the interim condensed consolidated statement of financial position.

Operating results and liquidity position

As of March 31, 2022, the Group had cash and cash equivalents of RUB 19,086, equivalent to USD 227 million, of which the equivalent of USD 96 million was held in foreign currency, mainly in USD and EUR.

Notwithstanding the net loss under IFRS for the 1Q 2022 of RUB 54,907 (1Q 2021: RUB 2,457) and negative working capital (current liabilities exceeding current assets) as of March 31, 2022 of RUB 69,009 (December 31, 2021: negative RUB 12,594), the Group generates positive cash flows from operating activities: net cash provided by operating activities for the 1Q 2022 were RUB 2,438 (1Q 2021: RUB 3,893).

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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

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, 2021, except for the adoption of new standards effective as of January 1, 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

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

These amendments had no impact on the interim condensed consolidated financial statements of the Group.

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

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

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

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

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

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

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

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

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

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

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

IFRS 9 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

IAS 41 *Agriculture* – Taxation in fair value measurements

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

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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

4 Seasonality of operations

Due to the seasonal nature of advertising and online games, higher revenues and operating profits are usually expected in the second half of the year than in the first half. Historically higher sales during 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, and to the increased demand for online games due to the end of the vacation period.

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 income statement, assuming 100% ownership in all of the Group's key operating subsidiaries, based on management reporting.

In our effort to further enhance our reporting quality and transparency, the Group's aggregate segment financial information previously presented in the form of management (CODM) accounts has been transformed starting from Q1 2022. In addition to IFRS-based disclosure, we have reported adjusted metrics, which are used in the management decision making process, with a clear transition between IFRS-based results and adjusted metrics to be provided, including within segmental disclosure.

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

Additionally, since Q1 2022 the Group has changed its approach to allocation of corporate services expenses. The Group has analyzed the functionality of key services and defined appropriate drivers to allocate expenses of each service. Previously the Group applied a single driver in allocation of all corporate services expenses, based on the share of each segment in direct costs.

Certain corporate expenses are considered non-allocated items: allocations now exclude services that are mostly related to general group issues, as well as expenses that cannot be tied to a particular business unit, such as Public Relations, Investor Relations, Government Relations, and certain other services.

Comparative period numbers for each segment have also been also restated in line with the current allocation approach for comparability purposes. Total Group Adjusted EBITDA for Q1 2021 remained unchanged.

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

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

The EdTech segment includes the Group's online education platforms with educational courses and programs (such as GeekBrains, Skillbox and Skillfactory) and earns substantially all revenue from individuals for education technology services.

The New initiatives reportable segment represents separate operating segments aggregated in one reportable segment for their similar nature of newly acquired or newly launched and dynamically developing businesses. This segment primarily consists of Youla classifieds that earns substantially all revenues from advertising and listing fees, VK Clips with potential to become a major separate product with the planned launch of own application and target presence across the various Group's services, B2B new projects including cloud along with other services, that are considered insignificant by the CODM for the purposes of performance review.

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

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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

5 Operating segments (continued)

The Group's share of profits of JVs and associates is not attributed to any operating segment and not included in the calculation of adjusted EBITDA. The Group's share of profits JVs and associates (Aliexpress Russia JV, O2O JV, Uchi.ru associate, Umschool associate and others) is included in adjusted Net profit/(loss) reviewed by the CODM. The net profit of associates is calculated using accounting principles used for the segment financial information of the Group's consolidated operations.

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

The income statement items for each segment for the three months ended March 31, 2022, as presented to the CODM, are stated below:

Segments	Communications and Social	Games	EdTech	New initiatives	Not allocated	Eliminations	Group
Revenue	14,644	11,061	2,826	2,125	15	(94)	30,577
Adjustments							
Barter revenues	–	–	–	–	(15)	–	(15)
Changes in deferred revenues	(34)	474	(100)	–	–	–	340
Adjusted revenue	14,610	11,535	2,726	2,125	–	(94)	30,902
External revenue	14,577	11,498	2,712	2,115	–	–	30,902
Intersegment revenue	33	37	14	10	–	(94)	–
Total operating expenses	(9,701)	(11,314)	(3,151)	(3,786)	(4,258)	94	(32,116)
Adjustments							
Share-based payment transactions	–	–	–	–	4,159	–	4,159
Other	–	–	–	–	16	–	16
Adjusted EBITDA	4,909	221	(425)	(1,661)	(83)	–	2,961
Group adjusted net loss							(7,370)
Including Share of loss of equity accounted associates and joint ventures:							
Aliexpress Russia JV							(828)
O2O JV							(5,104)
Umschool associate							69
Uchi.ru associate							37
Other							(41)

The income statement items for each segment for the three months ended March 31, 2021, as presented to the CODM, are stated below (restated):

Segments	Communications and Social	Games	EdTech	New initiatives	Not allocated	Eliminations	Group
Revenue	13,301	10,925	1,740	1,850	–	(81)	27,735
Adjustments							
Changes in deferred revenues	117	26	412	–	–	–	555
Adjusted revenue	13,418	10,951	2,152	1,850	–	(81)	28,290
External revenue	13,362	10,927	2,152	1,849	–	–	28,290
Intersegment revenue	56	24	–	1	–	(81)	–
Total operating expenses	(7,804)	(8,872)	(2,276)	(3,117)	(562)	81	(22,550)
Adjustments							
Share-based payment transactions	–	–	–	–	306	–	306
Other	–	–	–	–	25	–	25
Adjusted EBITDA	5,614	2,079	(124)	(1,267)	(231)	–	6,071
Group adjusted net loss							(998)
Including Share of loss of equity accounted associates and joint ventures:							
Aliexpress Russia JV							(478)
O2O JV							(3,313)
Uchi.ru associate							46
Other							801

Notes to the Interim Condensed Consolidated Financial Statements (continued)

5 Operating segments (continued)

A reconciliation of group adjusted EBITDA, as presented to the CODM, to IFRS consolidated loss before income tax expense of the Group for the three months ended March 31, 2022 and 2021 is presented below:

	2022	2021
Group adjusted EBITDA	2,961	6,071
Barter revenue	15	–
Changes in deferred revenues	(340)	(555)
Share-based payment transactions	(4,159)	(306)
Other	(16)	(25)
Depreciation and amortisation	(5,272)	(4,430)
Impairment of intangible assets	(1,009)	–
Share of loss of equity accounted associates and joint ventures	(10,568)	(3,289)
Finance income	256	130
Finance expenses	(6,757)	(962)
Other non-operating (loss)/income	(85)	39
Goodwill impairment	(9,256)	–
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(4,440)	1,299
Impairment of equity accounted associates and joint ventures	(12,825)	–
Loss on remeasurement of financial instruments	(150)	(174)
Expected credit loss allowance on restricted cash	(3,736)	–
Net foreign exchange loss	(1,724)	(600)
Consolidated loss before income tax expense under IFRS	(57,105)	(2,802)

A reconciliation of group adjusted net loss, as presented to the CODM, to IFRS consolidated net loss of the Group for the three months ended March 31, 2022 and 2021 is presented below:

	2022	2021
Group adjusted net loss	(7,370)	(998)
Changes in deferred revenues	(340)	(555)
Share-based payment transactions	(4,159)	(306)
Other non-operating (loss)/income	(85)	39
Goodwill impairment	(9,256)	–
Impairment of intangible assets	(1,009)	–
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(4,440)	1,299
Impairment of equity accounted associates and joint ventures	(12,825)	–
Loss on remeasurement of financial instruments	(150)	(174)
Expected credit loss allowance on restricted cash	(3,736)	–
Net foreign exchange loss	(1,724)	(600)
Amortisation of fair value adjustments to intangible assets	(841)	(1,006)
Net loss on financial liabilities at amortised cost	(5,626)	(216)
Differences in recognition of net share in loss of equity accounted associates and joint ventures	(4,701)	(345)
Other	(38)	(119)
Tax effect of the adjustments	1,393	524
Consolidated net loss under IFRS	(54,907)	(2,457)

6 Goodwill and other intangible assets

During the three months ended March 31, 2022, the Group capitalised software development costs and otherwise acquired intangible assets with a cost of RUB 1,154 (2021: RUB 1,731), the amortisation charge for the three months ended March 31, 2022 was RUB 2,009 (2021: RUB 2,128).

6.1 Impairment of goodwill

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

6 Goodwill and other intangible assets (continued)

6.1 Impairment of goodwill (continued)

As a result, the Group has recognised imparment of Goodwill for a number of CGUs. The breakdown of the impairment charge recognised by the Group in 1Q 2022 against goodwill and the major assumptions are presened below:

Group of CGU's	Discount rate, %	Revenue growth, %	Impairment charge, RUB
Email, Portal and IM	23.4%-15.5%	5%	4,258
Relap	23.4%-15.5%	5%	261
E-commerce	24.0%	5%	149
33 Slona	24.0%	5%	1,720
Worki	24.0%	5%	1,565
Skillfactory	24.9%-17.0%	5%	636
Mentorama	40%	5%	667
Total			9,256

6.2 Impairment of intangible assets

In 1Q 2022, given the significant economic uncertainty in terms of market prospects on cloud gaming markets, as well as the expected increase in operating expenses related to the further development of the project, in particular the cost of servers, the Group recognised an impairment charge of RUB 906 agains intangible assets related to Playkey cloud gaming.

7 Property and equipment

During the three months ended March 31, 2022, the Group acquired property and equipment with a cost of RUB 4,001 (2021: RUB 2,264), the depreciation charge for the three months ended March 31, 2022 was RUB 1,452 (2021: RUB 1,108).

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 March 31, 2022 and December 31, 2021 comprised the following:

		Voting shares		Carrying value	
	Main activity	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021
Joint ventures					
Aliexpress Russia Holding Pte. Ltd.	E-commerce platform	18%	18%	–	10,092
O2O Holding LLC	Russian platform in mobility and food-tech	50%	50%	27,858	33,085
Associates					
Uchi.ru LLC (Russia)	Educational portal	25%	25%	3,840	3,874
Umschool LLC (Russia)	Educational portal	35%	25%	1,333	917
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%	493	493
Others				411	460
Total				33,935	48,921

The above entities have the same reporting dates as the Company. None of the entities were listed on a public exchange as of March 31, 2022. The movement in investments in equity accounted associates and joint ventures for the three months ended March 31, 2022 is presented below:

	Three months ended March 31, 2022
Investments in equity accounted associates and joint ventures as of January 1	48,921
Additional contribution to equity accounted joint ventures	2,000
Loans converted to the share capital of joint venture	5,025
Acquisition of shares in equity accounted associates	380
Share in net loss of equity accounted associates and joint ventures	(10,568)
Impairment of equity accounted associates and joint ventures	(12,825)
Foreign currency translation effect relating to joint venture	1,002
Investments in equity accounted associates and joint ventures as of March 31	33,935

Notes to the Interim Condensed Consolidated Financial Statements (continued)

8 Investments in equity accounted associates and joint ventures (continued)

During the three months ended March 31, 2022, the Group additionally contributed RUB 2,000 and converted loans receivable of RUB 5,000 and interest receivable of RUB 25 into the share capital of O2O JV. The Group's share in the JV remained unchanged.

During the three months ended March 31, 2022, the Group received the put notices from the holders of the put options over a 10% stake in Umschool LLC. As of March 31, 2022, the Group's share in the Umschool associate increased to 35% and the Group recognised a payable of RUB 380, this payable is included in Other current payables (Note 9).

8.1 Impairment of equity accounted joint ventures

In 1Q 2022, given the significant economic uncertainty particularly affecting on e-commerce markets, the Group recognised an impairment charge against AliExpress JV of RUB 9,866, including impairment of goodwill of RUB 4,468 that forms a part of the carrying value of the investments in AliExpress JV.

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

9 Other payables and accrued expenses

Other payables and accrued expenses consist of the following:

	March 31, 2022	December 31, 2021
Payables to personnel	3,276	3,818
Accrued vacations	3,024	2,643
Contingent consideration liabilities (Note 14)	800	943
Other current payables	2,445	2,719
Total other payables and accrued expenses	9,545	10,123

10 Revenue

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

As required by IFRS 15 disaggregation of revenue from contracts with customers for the three months ended March 31, 2022, based on the Group's segment reporting (Note 5) is presented below:

Segments	Communications and Social	Games	EdTech	New initiatives	Not allocated	Eliminations	Group
Timing of revenue recognition							
Services transferred at a point in time	11,002	5,179	–	2,125	–	(94)	18,212
Services transferred over time	3,608	6,356	2,726	–	–	–	12,690
Total revenue	14,610	11,535	2,726	2,125	–	(94)	30,902

Set out below is the disaggregation of the Group's revenue from contracts with customers for the three months ended March 31, 2021:

Segments	Communications and Social	Games	EdTech	New initiatives	Not allocated	Eliminations	Group
Timing of revenue recognition							
Services transferred at a point in time	10,582	2,103	11	1,850	–	(81)	14,465
Services transferred over time	2,836	8,848	2,141	–	–	–	13,825
Total revenue	13,418	10,951	2,152	1,850	–	(81)	28,290

11 Income tax

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

	2022	2021
Current income tax benefit	(499)	412
Deferred income tax benefit	(1,699)	(757)
Total income tax benefit	(2,198)	(345)

11 Income tax (continued)

The reconciliation between tax expense and the product of accounting profit multiplied by domestic rates applicable to individual Group entities for the three months ended March 31, 2022 and 2021 is as follows:

	2022	2021
Loss before income tax expense	(57,105)	(2,802)
Tax at domestic rates applicable to individual group entities	10,024	774
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Non-deductible expenses	(532)	(162)
Non-taxable foreign exchange and other gains	667	409
Adjustments in respect of current income tax of previous period	(22)	(28)
Effect of changes in tax rates	–	155
Tax accruals and penalties	7	–
Unrecognised deferred tax assets	(684)	(71)
Share of results of equity accounted associates and joint ventures	(2,114)	(723)
Goodwill impairment	(1,811)	–
Impairment of equity accounted joint ventures	(2,566)	–
Expected credit loss on restricted cash	(739)	–
Other	(32)	(9)
Total income tax benefit	2,198	345

12 Commitments, contingencies and operating risks

12.1 Operating environment of the Group

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

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

In connection with Russia's military 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 at pace 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 counter-sanctions 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 situationare likely to have significant economic and financial consequences both regionally and potentially at a global scale.

Certain Company's indirect shareholders have been targeted by various recent sanctions. MFT, which holds 57.3% of our voting shares, belongs to SOGAZ, Rostec and Gazprom Media Holding, who, in turn, were included in the lists of sanctioned entities by US, EU and UK. Vladimir Kirienko (CEO Russia) was among individuals personally sanctioned, including US, EU and UK sanctions. The Group currently have outstanding Ruble-denominated loans with two of the sanctioned banks – Sberbank and Gazprombank. 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 has occurred following the close of trading on March 16, 2022 as trading did not resume. The Company has commenced work to develop a proposal to the bondholders to address the "De-listing Event" and possible alternatives to the put option exercise. Due to, among other things, uncertainty around the impact of the restrictions under the recently 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, it is possible that the Issuer will not have sufficient liquidity to fund the payments required for the redemption if most of the bondholders choose to exercise their redemption right.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

12 Commitments, contingencies and operating risks (continued)

12.1 Operating environment of the Group (continued)

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 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.

12.2 Taxation

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

Modifications of the Group's legal structure made from time to time may result in additional taxes, interest, and penalties in various jurisdictions. Any such taxes or penalties caused by the Group's structure or its modifications could have a material adverse effect on the Group's business, operating results, financial condition or prospects.

Management estimates that possible exposure in relation to the aforementioned risks, as well as other profits tax and non-profits tax risks (e.g. imposition of additional VAT liabilities), that are more than remote, but for which no liability is required to be recognised under IFRS, could be few times as high as income tax payable and VAT and other taxes payable reflected in the consolidated statement of financial position at that date. This estimation is provided for IFRS requirement for disclosure of possible taxes and should not be considered as an estimate of the Group's future tax liability.

12.3 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.

12.4 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.

12.5 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.

12.6 Development

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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

12 Commitments, contingencies and operating risks (continued)

12.7 Regulation

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

New amendments to the Federal Law *On Advertising* will come into force on September 1, 2022. The aim is creating a unified system for accounting for advertisements distributed on the Internet. People who place advertisements on the Internet on the territory of the Russian Federation are obliged to provide Roskomnadzor with information about the advertisement. In addition, the amendments prohibit distribution of advertising on the information resource of a foreign organization by decision of Roskomnadzor if such foreign organization violates the law.

The State Duma of the Russian Federation adopted in the first hearing amendments to the Federal Law *On Information, Information Technologies and Information Protection* that is obliged operators of search services to remove links from search results to content that violates the rights of copyright holders.

A new draft law to the Federal Law *On Information, Information Technologies and the Protection of Information* was submitted to the State Duma that limits foreign participation in domestic audiovisual services (AVS) to 20%. This rule is similar to the regulation in mass media which was introduced in 2017.

The Group is also subject to other various specific Russian laws, such as so called Anti-Piracy Law, Anti-extremism Law, Black List Law etc. Noncompliance with the applicable regulations could lead to penalties or blocking of non-compliant services. The Group complies with the existing and new laws in all material respect. The Group does not expect any negative consequences associated with the adoption of these laws.

12.8 Personnel

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

12.9 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.

12.10 Fund commitment

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

The Group does not control or exercise significant influence over the Fund according to IFRS criteria as the Group does not manage relevant activities of the Fund. Investments in the Fund are accounted for as financial assets at fair value through profit or loss.

As of March 31, 2022, the total remaining capital commitment of the Group was RUB 6,888 (USD 82 million). As of March 31, 2022 and December 31, 2021 the Group contributed to the Fund USD 68 million. There were no capital contributions to the Fund during the three months ended March 31, 2022.

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

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

13 Balances and transactions with related parties

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year, excluding Directors and key management of the Group (see Notes 13.1 and 13.2). All related party transactions were made in accordance with contractual terms and conditions agreed between the parties.

13 Balances and transactions with related parties (continued)

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.

	March 31, 2022		December 31, 2021	
	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties
Trade accounts receivable and Trade and other payable				
Equity accounted associates	108	6	65	6
Joint ventures	1,657	1,868	2,040	2,444
Entities with significant influence over the Group and government related entities	31	2	47	31
Loans issued and Loans received				
Entities with significant influence over the Group and government related entities	–	22,146	–	13,243
Advance under office lease contracts				
Entities with significant influence over the Group and government related entities	409	–	876	–

	Three months ended March 31, 2022		Three months ended March 31, 2021	
	Sales to related parties	Purchases from related parties	Sales to related parties	Purchases from related parties
Sales and Purchases				
Equity accounted associates	52	4	126	4
Joint ventures	1,057	17	1,037	11
Entities with significant influence over the Group and government related entities	75	7	149	39
Interest expense				
Entities with significant influence over the Group and government related entities	–	304	–	236

	2022		2021	
	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	5,518	4,000	1,902	3,600

	2022		2021	
	Lease liabilities at the end of the period	Lease payments during the period	Lease liabilities at the end of the period	Lease payments during the period
Lease				
Lease transactions with government related entities	7,802	642	7,513	–

Entities with significant influence over the Group and government related entities included SOGAZ and Gazprom-Media Holding.

13.1 Directors of the Company

Total cash remuneration of the members of the Board of Directors (each a “Director” and collectively, “Directors”) of the Company amounted to RUB 35 for the three months ended March 31, 2022 (2021: RUB 28).

No options over the shares of the Company were granted to Directors for the three months ended March 31, 2022 (2021: nil). During the three months ended March 31, 2022, Directors forfeited 55,000 PSUs (2021: nil), and did not exercise any PSUs/RSUs over shares of the Company (2021: 15,000 RSUs).

The corresponding share-based payment expense was RUB 8 for the three months ended March 31, 2022 (2021: negative RUB 44).

Notes to the Interim Condensed Consolidated Financial Statements (continued)

13 Balances and transactions with related parties (continued)

13.2 Key management of the Group

Total cash remuneration of the key management of the Group (excluding Directors) amounted to RUB 30 for the three months ended March 31, 2022 (2021: RUB 360).

For the three months ended March 31, 2022, no PSUs/RSUs or options were granted to key executive employees of the Group (excluding Directors) (2021: nil PSUs/RSUs). During the three months ended March 31, 2022, key management of the Group (excluding Directors) forfeited 940,000 PSUs (2021: nil) and did not exercise any PSUs/RSUs and options (2021: 12,500).

The corresponding share-based payment expense amounted to RUB 831 for three months ended March 31, 2022 (2021: RUB 191).

14 Financial instruments

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

	Category*	March 31, 2022	December 31, 2021
Financial assets at fair value through profit and loss			
Non-current			
Financial investments in venture capital investees	FAFVPL	5,614	5,992
Convertible loans	FAFVPL	798	585
Financial derivative under lease contract	FAFVPL	337	326
Financial assets at amortised cost			
Non-current			
Loans issued	FAAC	64	69
Current			
Trade accounts receivable	FAAC	16,771	20,688
Loans issued and interest receivable	FAAC	107	109
Cash and cash equivalents	FAAC	19,086	23,737
Total financial assets		42,777	51,506
Financial liabilities at fair value through profit and loss			
Current			
Contingent consideration payable	FLFVPL	800	943
Financial liabilities at fair value through profit or loss	FLFVPL	3,829	–
Non-current			
Conversion option of bonds issued	FLFVPL	–	219
Financial liabilities at fair value through profit or loss	FLFVPL	1,015	660
Financial liabilities at amortised cost			
Current			
Trade accounts payable	FLAC	15,650	14,541
Other payables and accrued expenses	FLAC	8,745	9,180
Short-term portion of long-term interest-bearing loans and bonds	FLAC	50,063	7,078
Short-term lease liabilities	FLAC	5,387	4,121
Non-current			
Long-term interest-bearing loans and bonds	FLAC	23,410	50,810
Non-current lease liabilities	FLAC	10,915	11,327
Total financial liabilities		119,814	98,879

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

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

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

14 Financial instruments (continued)

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.

Restricted cash balance as of 31 March 2022 was RUB 3,736 (2021: nil), expected credit loss allowance was fully provided. Balances are held by subsidiaries that operate in countries where exchange control restrictions were applied.

14.1 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.

14.2 Fair value hierarchy

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

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

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

	March 31, 2022	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
Financial investments in venture capital investees	5,614	–	–	5,614
Convertible loans	798	–	–	798
Financial derivative under lease contract	337	–	–	337
Total financial assets measured at fair value through profit or loss	6,749	–	–	6,749
Financial liabilities measured at fair value through profit or loss				
Non-current financial derivative on put options over non-controlling interests of the Group's subsidiary	1,015	–	–	1,015
Current financial derivative on put options over interests of equity accounted associate	3,829	–	–	3,829
Contingent consideration payable	800	–	–	800
Total financial liabilities measured at fair value through profit or loss	5,644	–	–	5,644

	December 31, 2021	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
Financial investments in venture capital investees	5,992	–	–	5,992
Convertible loans	585	–	–	585
Financial derivative under lease contract	326	–	–	326
Total financial assets measured at fair value through profit or loss	6,903	–	–	6,903
Financial liabilities measured at fair value through profit or loss				
Financial derivative on put options over non-controlling interests of the Group's subsidiary	660	–	–	660
Contingent consideration payable	943	–	–	943
Conversion option of bonds issued	219	–	219	–
Total financial liabilities measured at fair value through profit or loss	1,822	–	219	1,603

Notes to the Interim Condensed Consolidated Financial Statements (continued)

14 Financial instruments (continued)

14.2 Fair value hierarchy (continued)

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

	Balance as of January 1, 2022	Gains/(losses) recognised in profit and loss	Purchases/ settlement	Balance as of March 31, 2022
Financial assets measured at fair value through profit or loss				
Financial investments in venture capital investees	5,992	(378)	–	5,614
Convertible loans	585	(251)	464	798
Financial assets and derivatives under lease contracts	326	11	–	337
Total financial assets at fair value through profit or loss	6,903	(618)	464	6,749
Financial liability measured at fair value through profit or loss				
Non-current financial derivative on put options over non-controlling interests of the Group's subsidiary	(660)	(355)	–	(1,015)
Current financial derivative on put options over interests of equity accounted associate	–	(3,829)	–	(3,829)
Contingent consideration payable	(943)	143	–	(800)
Conversion option of the bonds issued	(219)	219	–	–
Total financial liabilities measured at fair value through profit or loss	(1,822)	(3,822)	–	(5,644)

14.3 Interest-bearing loans and bonds

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

	Original currency	Interest rate	Maturity date	Outstanding amount as of March 31, 2022	Outstanding amount as of December 31, 2021
Bank loan #1	RUB	7.2%	March 6, 2023	2,624	3,291
Bank loan #2	RUB	6.67%	December 26, 2024	12,146	13,250
Bank loan #3	RUB	24.5%	March 13, 2023	10,000	–
LSE Convertible bonds	USD	1.625%	May 31, 2022	33,634	25,996
MOEX Bonds	RUB	7.9%	September 15, 2026	15,031	15,329
Other current borrowings				38	22
Total interest bearing loans, bonds and borrowings				73,473	57,888

Movements in loans and bonds, including related interest, for the three months ended March 31, 2022 are presented below:

	January 1, 2022	Principal amount, proceeds	Principal amount, repayment	Interest, accruals, discounting	Interest, repayment	Reclassification from non-current to current	Foreign exchange differences	March 31, 2022
Current								
Interest bearing loans	7,056	10,000	(1,767)	360	(364)	1,106	–	16,391
LSE convertible bonds*	25,996	–	–	5,813	(340)	–	2,165	33,634
Other borrowings	22	14	–	2	–	–	–	38
Non-current								
Interest bearing loans	9,485	–	–	–	–	(1,106)	–	8,379
MOEX bonds	15,329	–	–	293	(591)	–	–	15,031
Total liabilities from financing activities	57,888	10,014	(1,767)	6,468	(1,295)	–	2,165	73,473

* *Accrued interest on LSE convertible bonds includes RUB 403 interest expense at effective interest rate of 5.5% and RUB 5,410 finance expense.*

Due to the fact that the LSE convertible bonds liability of USD 400 million (RUB 33,634) measured at amortised cost with effective interest rate of 5.5% (nominal interest rate is 1.625%) was reclassified from non-current to current liabilities, the Group recognised finance expense of RUB 5,410.

Total undrawn amount under the loan agreements was RUB 68,653 as of March 31, 2022 (December 31, 2021: RUB 48,653). The drawdown is subject to certain conditions.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

14 Financial instruments (continued)

14.4 Loans issued

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

In February 2022, the Group converted loans receivable of RUB 5,000 and interest receivable of RUB 25 into the share capital of O2O JV. The Group's share in the JV remained unchanged as the other investor also converted its loans receivable from the JV to the share capital in the same amount

15 Personnel expenses

Personnel expenses for the three months ended March 31, 2022 and 2021 consist of:

	2022	2021
Salary and related taxes	8,131	6,119
Share-based payments*	3,805	381
Reserves and other	1,856	1,464
Total personnel expenses	13,792	7,964

* *In March 2022, the Group decided to make a replacement award offer to its employees holding RSUs or PSUs over the shares of the Company. The Group offered to replace RSUs/PSUs vesting in 2022 with rights to receive cash in the amount of RUB 2,581. The Group recognised RUB 1,981 expenses related to these replacement awards during three-month period ended March 31, 2022. In addition, the Group recognised RUB 1,824 expenses related to equity-settled share-based payment for the three months ended March 31, 2022.*

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

16 Other operating expenses

Other operating expenses for the three months ended March 31, 2022 and 2021 consist of:

	2022	2021
VAT and other taxes*	783	37
Expected credit loss allowance on trade receivables	247	122
Other operating expenses	314	250
Other operating expenses	1,344	409

* *As of March 31, 2022, the Group updated the assessment of tax risks and recognised provisions for VAT and other taxes of RUB 449. In addition, the Group recognised RUB 253 expenses related to write-off of input VAT due to 5% limit established by the Tax Code of the Russian Federation.*

17 Events after the reporting date

In April 2022, certain additional blocking sanctions against Russian banks were amplified. In relation with unstable political situation economy of the Russian Federation is exposed to fluctuations and therefore instability. These implies uncertainty regarding of development and tendencies on the Russian markets. To respond to the risks arisen from the external factors, the management of the Group perform monitoring and analysis of the situation to prevent negative impact on the Group activities.