



## Yandex Announces Fourth Quarter and Full-Year 2018 Financial Results

MOSCOW and AMSTERDAM, the Netherlands, February 15, 2019 -- Yandex (NASDAQ: YNDX), one of Europe's largest internet companies and the leading search provider in Russia, today announced its unaudited financial results for the fourth quarter and the full year ended December 31, 2018.

### Q4 2018 Financial Highlights(1)(2)(3)

#### Q4 2018 consolidated financial results

- **Revenues** of RUB 38.8 billion (\$559.1 million), up 39% compared with Q4 2017
- **Net income** of RUB 5.9 billion (\$85.1 million), up 69% compared with Q4 2017; **net income margin** of 15.2%
- **Adjusted net income** of RUB 6.9 billion (\$100.0 million), up 32% compared with Q4 2017; **adjusted net income margin** of 17.9%
- **Adjusted EBITDA** of RUB 12.3 billion (\$177.4 million), up 33% compared with Q4 2017; **adjusted EBITDA margin** of 31.7%

#### Q4 2018 financial results excluding Yandex.Market in 2017 and 2018

- **Revenues excluding Yandex.Market** of RUB 38.8 billion (\$559.1 million), up 46% compared with Q4 2017
- **Net income excluding Yandex.Market** of RUB 6.5 billion (\$93.2 million), up 102% compared with Q4 2017
- **Adjusted net income excluding Yandex.Market** of RUB 7.5 billion (\$108.2 million), up 53% compared with Q4 2017; **adjusted net income margin excluding Yandex.Market** of 19.4%
- **Adjusted EBITDA excluding Yandex.Market** of RUB 12.3 billion (\$177.4 million), up 38% compared with Q4 2017; **adjusted EBITDA margin excluding Yandex.Market** of 31.7%
- **Cash and cash equivalents as of December 31, 2018:**
  - RUB 68.8 billion (\$990.3 million) on a consolidated basis
  - Of which RUB 27.3 billion (\$393.3 million) related to Taxi segment
  - RUB 29.1 billion (\$418.6 million) related to Yandex.Market and is not included in Yandex N.V. consolidated balance sheet

# FY 2018 Financial Highlights(1)(2)(3)

## FY 2018 consolidated financial results

- **Revenues** of RUB 127.7 billion (\$1,837.6 million), up 36% compared with FY 2017
- **Net income** of RUB 45.9 billion (\$660.1 million), up 430% compared with FY 2017; **net income margin** of 35.9%
- **Adjusted net income** of RUB 22.1 billion (\$318.7 million), up 44% compared with FY 2017; **adjusted net income margin** of 17.3%
- **Adjusted EBITDA** of RUB 39.6 billion (\$569.9 million), up 36% compared with FY 2017; **adjusted EBITDA margin** of 31.0%

## FY 2018 financial results excluding Yandex.Market in 2017 and 2018

- **Revenues excluding Yandex.Market** of RUB 126.4 billion (\$1,819.9 million), up 41% compared with FY 2017
- **Net income excluding Yandex.Market** of RUB 18.4 billion (\$265.3 million), up 146% compared with FY 2017
- **Adjusted net income excluding Yandex.Market** of RUB 22.9 billion (\$329.7 million), up 62% compared with FY 2017; **adjusted net income margin excluding Yandex.Market** of 18.1%
- **Adjusted EBITDA excluding Yandex.Market** of RUB 39.9 billion (\$573.7 million), up 45% compared with FY 2017; **adjusted EBITDA margin excluding Yandex.Market** of 31.5%

# Q4 2018 Operational and Corporate Highlights

- **Share of Russian search market**, including mobile, averaged 56.5% in Q4 2018, flat compared to Q4 2017 and up from 55.9% in Q3 2018, according to Yandex.Radar
- **Search share on Android** in Russia was 49.5% in Q4 2018, up from 49.1% in Q3 2018 and 45.0% in Q4 2017, according to Yandex.Radar
- **Search queries** in Russia grew 10% compared with Q4 2017
- **Paid clicks** on Yandex's and its partners' websites, in aggregate, increased 10% compared with Q4 2017. Excluding Yandex.Market, **paid clicks** grew 20% compared to Q4 2017
- Average **cost per click** grew 7% compared with Q4 2017. Excluding Yandex.Market, average **cost per click** increased 4% compared to Q4 2017
- **Number of rides in the Taxi segment** (including Uber rides) grew 112% year-on-year compared with Q4 2017; this includes a full quarter of Uber rides in Q4 2018
- Yandex obtained official approval and started to operate its **self-driving car** in an autonomous mode in Tel Aviv, Israel
- Yandex completed the transaction for the purchase of a property site for its **new Moscow headquarters**

“Our performance in 2018 was exceptional,” said Arkady Volozh, Chief Executive Officer of Yandex. “We strengthened our positions in search, launched new online-to-offline businesses - Yandex.Drive and Yandex.Eats, and started sharing our technology and expertise in Yandex.Cloud. I am particularly proud of our accomplishments in self-driving, as, in just two years, we have already managed to create a real robo-taxi service.”

“In Q4 we delivered another solid set of results with revenue growth of 39% year-on-year, or 46% excluding Yandex.Market,” said Greg Abovsky, Chief Operating Officer and Chief Financial Officer of Yandex. “We remain committed to investing further in new initiatives, encouraged by the success of our ride-sharing segment of Taxi, which has now reached profitability thanks to our investments and continued focus.”

The following table provides a summary of our key **consolidated financial results** for the three and twelve months ended December 31, 2017 and 2018, which includes Yandex.Market financial results through April 27, 2018:

| <i>In RUB millions</i>           | Three months ended<br>December 31, |        |        | Twelve months ended<br>December 31, |         |        |
|----------------------------------|------------------------------------|--------|--------|-------------------------------------|---------|--------|
|                                  | 2017                               | 2018   | Change | 2017                                | 2018    | Change |
| Revenues                         | 27,860                             | 38,842 | 39%    | 94,054                              | 127,657 | 36%    |
| Ex-TAC revenues <sup>2</sup>     | 23,071                             | 32,678 | 42%    | 76,709                              | 107,159 | 40%    |
| Income from operations           | 4,817                              | 7,471  | 55%    | 13,036                              | 20,861  | 60%    |
| Adjusted EBITDA <sup>2</sup>     | 9,293                              | 12,323 | 33%    | 29,075                              | 39,594  | 36%    |
| Net income                       | 3,500                              | 5,911  | 69%    | 8,656                               | 45,861  | 430%   |
| Adjusted net income <sup>2</sup> | 5,249                              | 6,949  | 32%    | 15,359                              | 22,138  | 44%    |

The table below provides a summary of our key **financial results excluding Yandex.Market** for the three and twelve months ended December 31, 2017 and 2018:

| <i>In RUB millions, excluding<br/>Yandex.Market</i> | Three months ended<br>December 31, |        |        | Twelve months ended<br>December 31, |         |        |
|-----------------------------------------------------|------------------------------------|--------|--------|-------------------------------------|---------|--------|
|                                                     | 2017                               | 2018   | Change | 2017                                | 2018    | Change |
| Revenues ex. Yandex.Market                          | 26,674                             | 38,842 | 46%    | 89,950                              | 126,430 | 41%    |
| Ex-TAC revenues <sup>2</sup> ex. Yandex.Market      | 21,943                             | 32,678 | 49%    | 72,842                              | 105,966 | 45%    |
| Income from operations ex.<br>Yandex.Market         | 4,490                              | 7,471  | 66%    | 11,566                              | 21,180  | 83%    |

|                                                    |       |        |      |        |        |      |
|----------------------------------------------------|-------|--------|------|--------|--------|------|
| Adjusted EBITDA <sup>2</sup> ex. Yandex.Market     | 8,923 | 12,323 | 38%  | 27,477 | 39,857 | 45%  |
| Net income ex. Yandex.Market                       | 3,203 | 6,478  | 102% | 7,484  | 18,432 | 146% |
| Adjusted net income <sup>2</sup> ex. Yandex.Market | 4,920 | 7,516  | 53%  | 14,114 | 22,906 | 62%  |

- (1) Pursuant to SEC rules regarding convenience translations, Russian ruble (RUB) amounts have been translated into U.S. dollars at a rate of RUB 69.4706 to \$1.00, the official exchange rate quoted as of December 31, 2018 by the Central Bank of the Russian Federation.
- (2) The following measures presented in this release are “non-GAAP financial measures”: ex-TAC revenues; adjusted EBITDA; adjusted EBITDA margin; adjusted ex-TAC EBITDA margin; adjusted net income; adjusted net income margin and adjusted ex-TAC net income margin. Please see the section headed “Use of Non-GAAP Financial Measures” below for a discussion of how we define these measures, as well as reconciliations at the end of this release of each of these measures to the most directly comparable U.S. GAAP measures.
- (3) On April 27, 2018, Yandex and Sberbank formed a joint venture based on the Yandex.Market platform. Since that date, each of Yandex and Sberbank hold an equal number of the outstanding shares in Yandex.Market, with up to 10% of outstanding shares allocated to management and an equity incentive pool. Accordingly, starting April 27, 2018, we deconsolidated Yandex.Market from Yandex’s consolidated financial results and, under the equity method of accounting, we record our share of Yandex.Market’s financial results within the Other income, net line in the consolidated statements of income. Financial results excluding Yandex.Market exclude the results of Yandex.Market, gain from deconsolidation and Yandex’s share of Yandex.Market’s net income after the deconsolidation from the three and twelve months periods ended December 31, 2017 and 2018

### Consolidated revenues breakdown

| In RUB millions                   | Three months ended<br>December 31, |        |        | Twelve months ended<br>December 31, |         |        |
|-----------------------------------|------------------------------------|--------|--------|-------------------------------------|---------|--------|
|                                   | 2017                               | 2018   | Change | 2017                                | 2018    | Change |
| Online advertising revenues:      |                                    |        |        |                                     |         |        |
| <i>Yandex properties</i>          | 18,932                             | 22,393 | 18%    | 65,149                              | 78,696  | 21%    |
| <i>Advertising network</i>        | 6,138                              | 7,105  | 16%    | 22,251                              | 24,041  | 8%     |
| Total online advertising revenues | 25,070                             | 29,498 | 18%    | 87,400                              | 102,737 | 18%    |
| Other                             | 2,790                              | 9,344  | 235%   | 6,654                               | 24,920  | 275%   |
| Total revenues                    | 27,860                             | 38,842 | 39%    | 94,054                              | 127,657 | 36%    |

| <i>In RUB millions, excluding<br/>Yandex.Market</i>    | Three months ended<br>December 31, |        |        | Twelve months ended<br>December 31, |         |        |
|--------------------------------------------------------|------------------------------------|--------|--------|-------------------------------------|---------|--------|
|                                                        | 2017                               | 2018   | Change | 2017                                | 2018    | Change |
| Online Advertising Revenues ex.<br>Yandex.Market:      |                                    |        |        |                                     |         |        |
| <i>Yandex properties ex.<br/>Yandex.Market</i>         | 17,576                             | 22,393 | 27%    | 60,663                              | 77,170  | 27%    |
| <i>Advertising network ex.<br/>Yandex.Market</i>       | 6,087                              | 7,105  | 17%    | 21,953                              | 23,962  | 9%     |
| Total online advertising revenues ex.<br>Yandex.Market | 23,663                             | 29,498 | 25%    | 82,616                              | 101,132 | 22%    |
| Other ex. Yandex.Market                                | 3,011                              | 9,344  | 210%   | 7,334                               | 25,298  | 245%   |
| Total revenues ex. Yandex.Market                       | 26,674                             | 38,842 | 46%    | 89,950                              | 126,430 | 41%    |

**Online advertising revenues** grew 18% in Q4 2018 compared with Q4 2017 and generated 76% of total revenues. Online advertising revenues include revenues derived from performance and brand advertising on Yandex properties and in our advertising network. **Excluding revenues of Yandex.Market** from Q4 of 2017, online advertising revenues grew 25% in Q4 2018 compared with Q4 2017.

**Online advertising revenues from Yandex properties** increased 18% in Q4 2018 compared with Q4 2017 and accounted for 58% of total revenues. **Excluding revenues of Yandex.Market** from Q4 of 2017, online advertising revenues from Yandex properties increased 27% in Q4 2018 compared with Q4 2017.

**Online advertising revenues from our advertising network** increased 16% in Q4 2018 compared with Q4 2017 and accounted for 18% of total revenues. The acceleration of growth rates was primarily due to the increased contribution from small partners.

**Other revenues** grew 235% in Q4 2018 compared with Q4 2017 and amounted to 24% of total revenues. The growth mainly reflected an increase in Yandex.Taxi revenues, and to a lesser extent revenues of the newly launched Yandex.Drive and hardware devices.

### Segment revenues

| <i>In RUB millions</i> | Three months ended<br>December 31, |      |        | Twelve months ended<br>December 31, |      |        |
|------------------------|------------------------------------|------|--------|-------------------------------------|------|--------|
|                        | 2017                               | 2018 | Change | 2017                                | 2018 | Change |
| Revenues:              |                                    |      |        |                                     |      |        |

|                                          |         |         |      |         |         |      |
|------------------------------------------|---------|---------|------|---------|---------|------|
| Search and Portal                        | 24,172  | 30,722  | 27%  | 84,168  | 104,364 | 24%  |
| E-commerce*                              | 1,445   | -       | n/m  | 4,968   | 1,697   | -66% |
| Taxi                                     | 2,191   | 6,924   | 216% | 4,891   | 19,213  | 293% |
| Classifieds                              | 688     | 1,108   | 61%  | 2,059   | 3,717   | 81%  |
| Media Services                           | 402     | 679     | 69%  | 1,187   | 1,909   | 61%  |
| Experiments                              | 146     | 1,214   | n/m  | 369     | 2,516   | n/m  |
| Eliminations                             | (1,184) | (1,805) | 52%  | (3,588) | (5,759) | 61%  |
| Total revenues                           | 27,860  | 38,842  | 39%  | 94,054  | 127,657 | 36%  |
| Total revenues, excluding Yandex.Market* | 26,674  | 38,842  | 46%  | 89,950  | 126,430 | 41%  |

*\*Our E-commerce segment revenues include revenues of Yandex.Market through April 27, 2018. Standalone revenues of Yandex.Market JV, on a like-for-like basis, are provided in the table below.*

| <i>In RUB millions</i>       | Three months ended<br>December 31, |       |        | Twelve months ended<br>December 31, |       |        |
|------------------------------|------------------------------------|-------|--------|-------------------------------------|-------|--------|
|                              | 2017                               | 2018  | Change | 2017                                | 2018  | Change |
| Revenues:                    |                                    |       |        |                                     |       |        |
| Yandex.Market, like-for-like | 1,445                              | 3,407 | 136%   | 4,968                               | 7,886 | 59%    |

*In Q1 2018 we introduced the following changes to our segments structure:*

- *Search and Portal segment (including Geolocation Services) offers a broad range of services in Russia, Belarus and Kazakhstan (and, for periods prior to the imposition of sanctions on Yandex by the government of Ukraine in May 2017, all our services offered in Ukraine), other than those described below. Since Q1 2018 our Search and Portal segment also includes Search and Portal in Turkey and Yandex Launcher, previously reported in Experiments and Yandex.Travel, previously reported in Classifieds.*
- *E-commerce segment includes Yandex.Market for the period prior to April 27, 2018, the date of the completion of the Yandex.Market joint venture between Yandex and Sberbank;*
- *Taxi segment includes our Taxi business (including Yandex.Taxi and Uber in Russia and neighboring countries) and Food Delivery business (including Yandex.EATs, UberEATs and Food Party, meal kit subscription service);*
- *Classifieds segment includes Auto.ru, Yandex.Realty and Yandex.Jobs;*

- *Media Services segment includes KinoPoisk, Yandex.Music, Yandex.Afisha and Yandex.TV program; Media Services were broken out from Experiments and now constitute a separate business unit;*
- *Experiments segment includes Zen, Yandex.Cloud, Yandex.Health, Yandex.Drive and Yandex Data Factory. Yandex.Cloud and Yandex.Health initiatives previously were a part of our Search and Portal segment. Yandex.Drive is our car-sharing service, launched in February 2018.*
- *Eliminations represent the elimination of transactions between the reportable segments, primarily related to advertising.*
- *Prior periods were restated to conform to the current year presentation.*

## Consolidated Operating Costs and Expenses

Yandex's operating costs and expenses consist of cost of revenues, product development expenses, sales, general and administrative expenses (SG&A) and depreciation and amortization expenses (D&A). Apart from D&A, each of the above expense categories include personnel-related costs and expenses, relevant office space rental, and related share-based compensation expense. Increases across all cost categories reflect investments in overall growth. In Q4 2018 Yandex's headcount decreased by 87 full-time employees, mainly due to headcount reclassification, which we implemented to ensure consistency in internal reporting for positions that we treat as outsource labor. The total number of full-time employees was 8,767 as of December 31, 2018, down by 1% compared with September 30, 2018, and up 18% from December 31, 2017.

## Cost of revenues, including traffic acquisition costs (TAC)

| <i>In RUB millions</i>                           | Three months ended<br>December 31, |        |               | Twelve months ended<br>December 31, |        |               |
|--------------------------------------------------|------------------------------------|--------|---------------|-------------------------------------|--------|---------------|
|                                                  | 2017                               | 2018   | <i>Change</i> | 2017                                | 2018   | <i>Change</i> |
| TAC:                                             |                                    |        |               |                                     |        |               |
| Related to the Yandex advertising network        | 3,567                              | 4,406  | 24%           | 12,907                              | 14,785 | 15%           |
| Related to distribution partners                 | 1,222                              | 1,758  | 44%           | 4,438                               | 5,713  | 29%           |
| Total TAC                                        | 4,789                              | 6,164  | 29%           | 17,345                              | 20,498 | 18%           |
| <i>Total TAC as a % of total revenues</i>        | 17.2%                              | 15.9%  |               | 18.4%                               | 16.1%  |               |
| Other cost of revenues                           | 2,008                              | 5,692  | 183%          | 6,592                               | 15,392 | 133%          |
| <i>Other cost of revenues as a % of revenues</i> | 7.2%                               | 14.7%  |               | 7.0%                                | 12.1%  |               |
| Total cost of revenues                           | 6,797                              | 11,856 | 74%           | 23,937                              | 35,890 | 50%           |
| <i>Total cost of revenues as a % of revenues</i> | 24.4%                              | 30.5%  |               | 25.5%                               | 28.1%  |               |

TAC grew 29% in Q4 2018 compared with Q4 2017 and represented 15.9% of total revenues, 130 basis points lower than in Q4 2017 and 40 basis points lower compared with Q3 2018 as a result of revenue mix effect.

**Other cost of revenues** in Q4 2018 increased 183% compared with Q4 2017, mainly due to the growth of costs related to Taxi, primarily driven by our B2B services, food delivery and meal kit services, as well as costs related to our car-sharing service Yandex.Drive.

## Product development

| <i>In RUB millions</i>    | Three months ended<br>December 31, |       |        | Twelve months ended<br>December 31, |        |        |
|---------------------------|------------------------------------|-------|--------|-------------------------------------|--------|--------|
|                           | 2017                               | 2018  | Change | 2017                                | 2018   | Change |
| Product development       | 5,201                              | 5,854 | 13%    | 18,761                              | 22,569 | 20%    |
| <i>As a % of revenues</i> | 18.6%                              | 15.2% |        | 19.9%                               | 17.7%  |        |

Product development expenses grew slower than revenues, and mainly reflected the growth of share-based compensation, new hires as well as salary increases in Q4 2018, but offset by tax benefits received in respect of our development team. Excluding Yandex.Market from Q4 2017, product development expenses grew 21% in Q4 2018 compared with Q4 2017.

## Sales, general and administrative (SG&A)

| <i>In RUB millions</i>            | Three months ended<br>December 31, |        |        | Twelve months ended<br>December 31, |        |        |
|-----------------------------------|------------------------------------|--------|--------|-------------------------------------|--------|--------|
|                                   | 2017                               | 2018   | Change | 2017                                | 2018   | Change |
| Sales, general and administrative | 8,022                              | 10,458 | 30%    | 27,081                              | 36,200 | 34%    |
| <i>As a % of revenues</i>         | 28.8%                              | 26.9%  |        | 28.8%                               | 28.4%  |        |

SG&A expenses grew 30% in Q4 2018 compared to Q4 2017. The growth was mainly driven by our investments in advertising and marketing to support our business units, primarily Classifieds and Media Services, and our core business, as well as by the growth of personnel costs as a result of new hires and salary increases.



### Share-based compensation (SBC) expense

SBC expense is included in each of the cost of revenues, product development, and SG&A categories discussed above.

| <i>In RUB millions</i>                      | Three months ended<br>December 31, |       |        | Twelve months ended<br>December 31, |       |        |
|---------------------------------------------|------------------------------------|-------|--------|-------------------------------------|-------|--------|
|                                             | 2017                               | 2018  | Change | 2017                                | 2018  | Change |
| SBC expense included in cost of revenues    | 36                                 | 54    | 50%    | 178                                 | 180   | 1%     |
| SBC expense included in product development | 811                                | 1,107 | 36%    | 2,477                               | 4,450 | 80%    |
| SBC expense included in SG&A                | 547                                | 481   | -12%   | 1,538                               | 1,922 | 25%    |
| Total SBC expense                           | 1,394                              | 1,642 | 18%    | 4,193                               | 6,552 | 56%    |
| <i>As a % of revenues</i>                   | 5.0%                               | 4.2%  |        | 4.5%                                | 5.1%  |        |

Total SBC expense increased 18% in Q4 2018 compared with Q4 2017. The growth was primarily related to new equity-based grants made in 2017-2018, but was offset by the high base effect as a result of the accelerated vesting of a portion of RSUs in Q4 2017. SBC expense growth rate in Q4 2018 was also mitigated by recalculation of SBC expense in our Taxi segment related to previous quarters of 2018.

### Depreciation and amortization (D&A) expense

| <i>In RUB millions</i>        | Three months ended<br>December 31, |       |        | Twelve months ended<br>December 31, |        |        |
|-------------------------------|------------------------------------|-------|--------|-------------------------------------|--------|--------|
|                               | 2017                               | 2018  | Change | 2017                                | 2018   | Change |
| Depreciation and amortization | 3,023                              | 3,203 | 6%     | 11,239                              | 12,137 | 8%     |
| <i>As a % of revenues</i>     | 10.9%                              | 8.2%  |        | 11.9%                               | 9.5%   |        |

D&A expense increased 6% in Q4 2018 compared with Q4 2017. D&A expense primarily reflects our investments in servers and data center equipment connected with the launch of our new data center in Vladimir, Russia, in 2017, which was partly offset by expiration of useful lives of part of our equipment and intangible assets.

## Income from operations

| In RUB millions        | Three months ended<br>December 31, |       |        | Twelve months ended<br>December 31, |        |        |
|------------------------|------------------------------------|-------|--------|-------------------------------------|--------|--------|
|                        | 2017                               | 2018  | Change | 2017                                | 2018   | Change |
| Income from operations | 4,817                              | 7,471 | 55%    | 13,036                              | 20,861 | 60%    |

Income from operations increased 55% in Q4 2018 compared with Q4 2017.

## Adjusted EBITDA – consolidated and by segments

| In RUB millions                                | Three months ended<br>December 31, |        |        | Twelve months ended<br>December 31, |         |        |
|------------------------------------------------|------------------------------------|--------|--------|-------------------------------------|---------|--------|
|                                                | 2017                               | 2018   | Change | 2017                                | 2018    | Change |
| Adjusted EBITDA:                               |                                    |        |        |                                     |         |        |
| Search and Portal                              | 10,736                             | 13,350 | 24%    | 36,630                              | 47,418  | 29%    |
| E-commerce*                                    | 370                                | -      | n/m    | 1,598                               | (263)   | n/m    |
| Taxi                                           | (1,584)                            | (129)  | -92%   | (7,963)                             | (4,434) | -44%   |
| Classifieds                                    | 70                                 | (18)   | n/m    | 97                                  | (183)   | n/m    |
| Media Services                                 | (84)                               | (215)  | 156%   | (444)                               | (810)   | 82%    |
| Experiments                                    | (215)                              | (665)  | 209%   | (843)                               | (2,134) | 153%   |
| Total adjusted EBITDA                          | 9,293                              | 12,323 | 33%    | 29,075                              | 39,594  | 36%    |
| Total adjusted EBITDA, excluding Yandex.Market | 8,923                              | 12,323 | 38%    | 27,477                              | 39,857  | 45%    |

\*Our E-commerce segment adjusted EBITDA includes adjusted EBITDA of Yandex.Market through April 27, 2018. Standalone adjusted EBITDA of Yandex.Market JV, on a like-for-like basis, is provided in the table below.

| In RUB millions              | Three months ended<br>December 31, |         |        | Twelve months ended<br>December 31, |         |        |
|------------------------------|------------------------------------|---------|--------|-------------------------------------|---------|--------|
|                              | 2017                               | 2018    | Change | 2017                                | 2018    | Change |
| Adjusted EBITDA:             |                                    |         |        |                                     |         |        |
| Yandex.Market, like-for-like | 370                                | (1,313) | -455%  | 1,598                               | (1,973) | -223%  |

**Total adjusted EBITDA** increased 33% in Q4 2018 compared with Q4 2017.

**Adjusted EBITDA excluding Yandex.Market** increased 38% in Q4 2018 compared with Q4 2017. This growth rate was slightly lower than our revenue growth rate due to the mix effect of business units, which grew faster than our core business and, thus, have a dilutive effect on total margins, and to a lesser extent due to hardware devices.

Adjusted EBITDA of Taxi was negative RUB 129 million in Q4 2018. The positive adjusted EBITDA of our ride-sharing business was partly offset by our investments in food delivery and autonomous vehicles. Adjusted EBITDA loss of Yandex.Taxi in Q4 2018 also includes the full quarter of Uber financial results.

**Interest income** in Q4 2018 was RUB 929 million, compared with RUB 780 million in Q4 2017.

**Interest expense** in Q4 2018 was RUB 221 million, down from RUB 226 million in Q4 2017.

**Foreign exchange** gain in Q4 2018 was RUB 904 million, compared with a foreign exchange loss of RUB 243 million in Q4 2017. This gain reflects the depreciation of the Russian ruble during Q4 2018 from RUB 65.5906 to \$1.00 on September 30, 2018, to RUB 69.4706 to \$1.00 on December 31, 2018. Yandex's Russian operating subsidiaries' functional currency is the Russian ruble, and therefore changes due to exchange rate fluctuations in the ruble value of these subsidiaries' monetary assets and liabilities that are denominated in other currencies are recognized as foreign exchange gains or losses within the Other income, net line in the condensed consolidated statements of income. Although the U.S. dollar value of Yandex's U.S. dollar-denominated assets and liabilities was not impacted by these currency fluctuations, they resulted in an upward revaluation of the ruble equivalent of these U.S. dollar-denominated monetary assets and liabilities in Q4 2018.

**Income tax expense** for Q4 2018 was RUB 2,539 million, up from RUB 1,897 million in Q4 2017. Our effective tax rate of 30.0% in Q4 2018 was lower than in Q4 2017, primarily due to the effects of certain tax provisions related to prior years' tax audits reversed in Q4 2018. Adjusted for these tax effects, SBC expense and also for deferred tax asset valuation allowances provided on operations of our newly acquired Uber and Food Delivery businesses and other certain allowances, our effective tax rate for Q4 2018 was 26.2%, compared with 24.3% for full year 2017 as adjusted for SBC expense and similar provisions in that year.

**Net income** was RUB 5.9 billion (\$85.1 million) in Q4 2018, up 69% compared with Q4 2017. Excluding Yandex.Market, net income increased 102% in Q4 2018 compared to Q4 2017.

**Adjusted net income** in Q4 2018 was RUB 6.9 billion (\$100.0 million), a 32% increase from Q4 2017. Excluding Yandex.Market, adjusted net income increased 53% in Q4 2018 compared to Q4 2017.

**Adjusted net income margin** was 17.9% in Q4 2018, compared with 18.8% in Q4 2017.

As of December 31, 2018, Yandex had **cash and cash equivalents** of RUB 68.8 billion (\$990.3 million), including cash and cash equivalents of Yandex.Taxi in total amount of RUB 27.3 billion (\$393.3 million). Cash and cash equivalents of the Yandex.Market joint venture, which are not included in Yandex N.V. consolidated balance sheet, amounted to RUB 29.1 billion (\$418.6 million) as of December 31, 2018.

**Net cash flow provided by operating activities** for Q4 2018 was RUB 8.6 billion (\$123.9 million) and **capital expenditures** were RUB 13.9 billion (\$199.5 million), which included one-time effect of the acquisition cost of

the property site for our new Moscow headquarters, which amounted to RUB 9.7 billion (around \$145 million, based on the exchange rate as of transaction date) exclusive of 18% VAT.

During Q4 2018 we repaid in full the remaining amount of outstanding principal in respect of convertible debt notes in the face amount of \$321.3 million.

**Redeemable noncontrolling interests** presented in our condensed consolidated balance sheets relate to the equity incentive arrangements we have made available to the senior employees of the Taxi and Classifieds segments, pursuant to which such persons are eligible to acquire depositary receipts, or receive options to acquire depositary receipts, which entitle them to economic interests in the respective business unit subsidiaries.

The **total number of shares issued and outstanding** as of December 31, 2018 was 324,727,024 including 286,848,365 Class A shares, 37,878,658 Class B shares, and one Priority share and excluding 5,589,290 Class A shares held in treasury and all Class C shares outstanding solely as a result of the conversion of Class B shares into Class A shares. All such Class C shares were cancelled.

There were also employee share options outstanding to purchase up to an additional 3.6 million shares, at a weighted average exercise price of \$34.51 per share, 1.2 million of which were fully vested; equity-settled share appreciation rights (SARs) for 0.2 million shares, at a weighted average measurement price of \$32.44, all of which were fully vested; and restricted share units (RSUs) covering 13.9 million shares, of which RSUs to acquire 5.3 million shares were fully vested. Equity awards in respect of business unit subsidiaries are described under Redeemable noncontrolling interests above.

## Financial outlook

We expect our ruble-based revenues excluding Yandex.Market to grow in the range of 28% to 32% for the full year 2019 compared with 2018.

We expect our Search and Portal ruble-based revenue to grow in the range of 18% to 20% in the full year 2019 compared with 2018.

This outlook reflects our current view, based on the trends that we see at this time, and may change in light of market and economic developments in the business sectors and jurisdictions in which we operate.

## Conference Call Information

Yandex's management will hold an earnings conference call on February 15, 2019 at 8:00 AM U.S. Eastern Time (4:00 PM Moscow time; 1:00 PM London time).

To access the conference call live, please dial:

US: +1 866 966 1396  
UK/International: +44 (0) 844 571 8892  
Russia: 8 10 800 2357 5011  
Passcode: 8199859

A replay of the call will be available until February 22, 2019. To access the replay, please dial:

US: +1 866 331 1332

UK/International: +44 (0) 844 571 8951

Russia: +7 495 249 9138

Passcode: 8199859

A live and archived webcast of this conference call will be available at

<https://edge.media-server.com/m6/p/g8ucpyib>

## **ABOUT YANDEX**

Yandex (NASDAQ:YNDX) is a technology company that builds intelligent products and services powered by machine learning. Our goal is to help consumers and businesses better navigate the online and offline world. Since 1997, we have delivered world-class, locally relevant search and information services. Additionally, we have developed market-leading on-demand transportation services, navigation products, and other mobile applications for millions of consumers across the globe. Yandex, which has 30 offices worldwide, has been listed on the NASDAQ since 2011.

More information on Yandex can be found at <https://yandex.com/company>.

## **FORWARD-LOOKING STATEMENTS**

This press release contains forward-looking statements that involve risks and uncertainties. These include statements regarding our anticipated revenues for full year 2019. Actual results may differ materially from the results predicted or implied by such statements, and our reported results should not be considered as an indication of future performance. The potential risks and uncertainties that could cause actual results to differ from the results predicted or implied by such statements include, among others, macroeconomic and geopolitical developments affecting the Russian economy or our business, competitive pressures, changes in advertising patterns, changes in user preferences, changes in the political, legal and/or regulatory environment, technological developments, and our need to expend capital to accommodate the growth of the business, as well as those risks and uncertainties included under the captions "Risk Factors" and "Operating and Financial Review and Prospects" in our Annual Report on Form 20-F for the year ended December 31, 2017, which is on file with the U.S. Securities and Exchange Commission (SEC) and is available on our investor relations website at <http://ir.yandex.com/sec.cfm> and on the SEC website at [www.sec.gov](http://www.sec.gov). All information in this release and in the attachments is as of February 15, 2019, and Yandex undertakes no duty to update this information unless required by law.

## **USE OF NON-GAAP FINANCIAL MEASURES**

To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with U.S. GAAP, we present the following non-GAAP financial measures: ex-TAC revenues, adjusted EBITDA, adjusted EBITDA margin, adjusted ex-TAC EBITDA margin, adjusted net income, adjusted net income margin and adjusted ex-TAC net income margin. The presentation of these financial measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with U.S. GAAP. For more information on these non-GAAP financial

measures, please see the tables captioned “Reconciliations of non-GAAP financial measures to the nearest comparable U.S. GAAP measures”, included following the accompanying financial tables. We define the various non-GAAP financial measures we use as follows:

- **Ex-TAC revenues** means U.S. GAAP revenues less total traffic acquisition costs (TAC)
- **Adjusted EBITDA** means U.S. GAAP net income plus (1) depreciation and amortization, (2) SBC expense, (3) accrual of expense related to the contingent compensation that may be payable to employees in connection with certain business combinations, (4) interest expense, (5) provision for income taxes, and (6) operating losses resulting from sanctions in Ukraine imposed in May 2017, less (1) effect of deconsolidation of Yandex.Market, (2) interest income and (3) other (income)/loss, net
- **Adjusted EBITDA margin** means adjusted EBITDA divided by U.S. GAAP revenues
- **Adjusted ex-TAC EBITDA margin** means adjusted EBITDA divided by ex-TAC revenues
- **Adjusted net income** means U.S. GAAP net income plus (1) SBC expense adjusted for the income tax reduction attributable to SBC expense, (2) accrual of expense related to the contingent compensation that may be payable to certain employees in connection with certain business combinations, (3) foreign exchange losses/(gains) adjusted for (reduction)/increase in income tax attributable to foreign exchange losses/(gains), (4) losses from repurchases of our convertible notes adjusted for the related reduction in income tax, (5) amortization of debt discount related to our convertible debt adjusted for the related reduction in income tax and (6) losses resulting from sanctions in Ukraine imposed in May 2017, less effect of deconsolidation of Yandex.Market
- **Adjusted net income margin** means adjusted net income divided by U.S. GAAP revenues
- **Adjusted ex-TAC net income margin** means adjusted net income divided by ex-TAC revenues

These non-GAAP financial measures are used by management for evaluating financial performance as well as decision-making. Management believes that these metrics reflect the organic, core operating performance of the company, and therefore are useful to analysts and investors in providing supplemental information that helps them understand, model and forecast the evolution of our operating business.

Although our management uses these non-GAAP financial measures for operational decision-making and considers these financial measures to be useful for analysts and investors, we recognize that there are a number of limitations related to such measures. In particular, it should be noted that several of these measures exclude some recurring costs, particularly share-based compensation. In addition, the components of the costs that we exclude in our calculation of the measures described above may differ from the components that our peer companies exclude when they report their results of operations.

Below we describe why we make particular adjustments to certain U.S. GAAP financial measures:

#### TAC

We believe that it may be useful for investors and analysts to review certain measures both in accordance with U.S. GAAP and net of the effect of TAC, which we view as comparable to sales commissions and bonuses but, unlike sales commissions and bonuses, are not deducted from U.S. GAAP revenues. By presenting revenue, adjusted EBITDA margin and adjusted net income margin net of TAC, we believe that investors and analysts are able to obtain a clearer picture of our business without the impact of the revenues we share with our partners.

## *SBC*

SBC is a significant expense item, and an important part of our compensation and incentive programs. As it is a non-cash charge, however, and highly dependent on our share price at the time of equity award grants, we believe that it is useful for investors and analysts to see certain financial measures excluding the impact of these charges in order to obtain a clearer picture of our operating performance.

## *Acquisition-related costs*

We may incur expenses in connection with acquisitions that are not indicative of our recurring core operating performance. In particular, we are required under U.S. GAAP to accrue as expense the contingent compensation that is payable to certain employees in connection with certain business combinations. We eliminate these acquisition-related expenses from adjusted EBITDA and adjusted net income to provide management and investors a tool for comparing on a period-to-period basis our operating performance in the ordinary course of operations.

## *Foreign exchange gains and losses*

Because we hold significant assets and liabilities in currencies other than our Russian ruble operating currency, and because foreign exchange fluctuations are outside of our operational control, we believe that it is useful to present adjusted net income and related margin measures excluding these effects, in order to provide greater clarity regarding our operating performance.

## *Amortization of debt discount*

We also adjust net income for interest expense representing amortization of the debt discount related to our convertible notes issued in Q4 2013 and Q1 2014. We have eliminated this expense from adjusted net income as it is non-cash in nature and is not indicative of our ongoing operating performance.

## *Gains and losses from repurchases of convertible debt*

Adjusted net income for the twelve months ended December 31, 2017 also excludes a loss from the repurchase of \$12.0 million in principal of our 1.125% convertible senior notes due 2018 for approximately \$11.6 million that we recorded in the first half of 2017. We have eliminated this loss from adjusted net income for the twelve months ended December 31, 2017 as it is not indicative of our ongoing operating performance.

## *Losses resulting from sanctions in Ukraine*

We also adjusted our net income and EBITDA in 2017 for losses and gains from write-off of assets and liabilities in our Ukrainian legal entities. In May 2017, the government of Ukraine imposed sanctions on our Ukrainian operations. The sanctions resulted in the freezing of the assets held by our Ukrainian legal entities and restricting our services in Ukraine. We believe that it is useful to present adjusted net income and adjusted EBITDA measures excluding the one-off impact of these events, which are not related to our operating activities.

## *Effect of deconsolidation of Yandex.Market*

Adjusted net income also excludes a gain from deconsolidation of Yandex.Market following the formation of Yandex.Market joint venture by Yandex and Sberbank in April 2018. We believe that it is useful to present adjusted net income and related margin measures excluding the effect of this significant item and to present certain other financial metrics described above in order to provide a clearer picture of our underlying operating performance and to provide meaningful period-to-period comparisons.

The tables at the end of this release provide detailed reconciliations of each non-GAAP financial measure we use to the most directly comparable U.S. GAAP financial measure.



YANDEX N.V.

Unaudited Condensed Consolidated Balance Sheets

(in millions of Russian rubles and U.S. dollars, except share and per share data)

|                                                                                                                                                                                                                                                                                                                                                                                                                               | As of                 |                      |                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|----------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                               | December 31,<br>2017* | December 31,<br>2018 | December 31,<br>2018 |
|                                                                                                                                                                                                                                                                                                                                                                                                                               | RUB                   | RUB                  | \$                   |
| <b>ASSETS</b>                                                                                                                                                                                                                                                                                                                                                                                                                 |                       |                      |                      |
| Current assets:                                                                                                                                                                                                                                                                                                                                                                                                               |                       |                      |                      |
| Cash and cash equivalents                                                                                                                                                                                                                                                                                                                                                                                                     | 42,662                | 68,798               | 990.3                |
| Term deposits                                                                                                                                                                                                                                                                                                                                                                                                                 | 23,040                | -                    | -                    |
| Accounts receivable, net                                                                                                                                                                                                                                                                                                                                                                                                      | 9,746                 | 14,570               | 209.7                |
| Prepaid expenses                                                                                                                                                                                                                                                                                                                                                                                                              | 1,269                 | 2,608                | 37.5                 |
| Other current assets                                                                                                                                                                                                                                                                                                                                                                                                          | 4,039                 | 6,444                | 92.8                 |
| Total current assets                                                                                                                                                                                                                                                                                                                                                                                                          | 80,756                | 92,420               | 1,330.3              |
| Property and equipment, net                                                                                                                                                                                                                                                                                                                                                                                                   | 21,171                | 39,740               | 572.0                |
| Intangible assets, net                                                                                                                                                                                                                                                                                                                                                                                                        | 5,023                 | 11,545               | 166.2                |
| Goodwill                                                                                                                                                                                                                                                                                                                                                                                                                      | 9,328                 | 54,070               | 778.3                |
| Long-term prepaid expenses                                                                                                                                                                                                                                                                                                                                                                                                    | 1,788                 | 1,800                | 26.0                 |
| Term deposits, non-current                                                                                                                                                                                                                                                                                                                                                                                                    | 5,005                 | -                    | -                    |
| Investments in non-marketable equity securities                                                                                                                                                                                                                                                                                                                                                                               | 2,001                 | 36,484               | 525.2                |
| Deferred tax assets                                                                                                                                                                                                                                                                                                                                                                                                           | 2,171                 | 3,239                | 46.6                 |
| Other non-current assets                                                                                                                                                                                                                                                                                                                                                                                                      | 3,301                 | 3,808                | 54.8                 |
| <b>TOTAL ASSETS</b>                                                                                                                                                                                                                                                                                                                                                                                                           | <b>130,544</b>        | <b>243,106</b>       | <b>3,499.4</b>       |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                                                                                                                                                                                                                                                                                                                                                                   |                       |                      |                      |
| Current liabilities:                                                                                                                                                                                                                                                                                                                                                                                                          |                       |                      |                      |
| Accounts payable and accrued liabilities                                                                                                                                                                                                                                                                                                                                                                                      | 11,111                | 16,886               | 243.1                |
| Taxes payable                                                                                                                                                                                                                                                                                                                                                                                                                 | 4,213                 | 4,059                | 58.4                 |
| Deferred revenue                                                                                                                                                                                                                                                                                                                                                                                                              | 2,464                 | 2,792                | 40.2                 |
| Convertible debt                                                                                                                                                                                                                                                                                                                                                                                                              | 17,834                | -                    | -                    |
| Total current liabilities                                                                                                                                                                                                                                                                                                                                                                                                     | 35,622                | 23,737               | 341.7                |
| Deferred tax liabilities                                                                                                                                                                                                                                                                                                                                                                                                      | 959                   | 1,572                | 22.6                 |
| Other accrued liabilities                                                                                                                                                                                                                                                                                                                                                                                                     | 1,316                 | 569                  | 8.2                  |
| Total liabilities                                                                                                                                                                                                                                                                                                                                                                                                             | 37,897                | 25,878               | 372.5                |
| Commitments and contingencies                                                                                                                                                                                                                                                                                                                                                                                                 |                       |                      |                      |
| Redeemable noncontrolling interests                                                                                                                                                                                                                                                                                                                                                                                           | 9,821                 | 12,780               | 184.0                |
| Shareholders' equity:                                                                                                                                                                                                                                                                                                                                                                                                         |                       |                      |                      |
| Priority share: €1.00 par value; 1 share authorized, issued and outstanding                                                                                                                                                                                                                                                                                                                                                   | —                     | —                    | —                    |
| Preference shares: €0.01 par value; 1,000,000,001 shares authorized, nil shares issued and outstanding                                                                                                                                                                                                                                                                                                                        | —                     | —                    | —                    |
| Ordinary shares: par value (Class A €0.01, Class B €0.10 and Class C €0.09); shares authorized (Class A: 1,000,000,000, Class B: 46,997,887 and Class C: 46,997,887); shares issued (Class A: 289,364,467 and 292,437,655, Class B: 40,692,286 and 37,878,658, and Class C: 4,166,448 and nil, respectively); shares outstanding (Class A: 285,612,556 and 286,848,365, Class B: 40,692,286 and 37,878,658, and Class C: nil) | 271                   | 263                  | 3.8                  |
| Treasury shares at cost (Class A: 3,751,911 and 5,589,290, respectively)                                                                                                                                                                                                                                                                                                                                                      | (3,814)               | (10,769)             | (155.0)              |
| Additional paid-in capital                                                                                                                                                                                                                                                                                                                                                                                                    | 16,469                | 70,191               | 1,010.4              |
| Accumulated other comprehensive income                                                                                                                                                                                                                                                                                                                                                                                        | 1,864                 | 10,041               | 144.5                |
| Retained earnings                                                                                                                                                                                                                                                                                                                                                                                                             | 68,036                | 113,795              | 1,638.0              |
| Total equity attributable to Yandex N.V.                                                                                                                                                                                                                                                                                                                                                                                      | 82,826                | 183,521              | 2,641.7              |
| Noncontrolling interests                                                                                                                                                                                                                                                                                                                                                                                                      | -                     | 20,927               | 301.2                |
| Total shareholders' equity                                                                                                                                                                                                                                                                                                                                                                                                    | 82,826                | 204,448              | 2,942.9              |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                                                                                                                                                                                                                                                                                                                                                             | <b>130,544</b>        | <b>243,106</b>       | <b>3,499.4</b>       |

\* Derived from audited consolidated financial statements

YANDEX N.V.

Unaudited Condensed Consolidated Statements of Income

(in millions of Russian rubles and U.S. dollars, except share and per share data)

|                                                                   | Three months ended December 31, |              |             |
|-------------------------------------------------------------------|---------------------------------|--------------|-------------|
|                                                                   | 2017                            | 2018         | 2018        |
|                                                                   | RUB                             | RUB          | \$          |
| Revenues                                                          | 27,860                          | 38,842       | 559.1       |
| Operating costs and expenses:                                     |                                 |              |             |
| Cost of revenues(1)                                               | 6,797                           | 11,856       | 170.7       |
| Product development(1)                                            | 5,201                           | 5,854        | 84.3        |
| Sales, general and administrative(1)                              | 8,022                           | 10,458       | 150.5       |
| Depreciation and amortization                                     | 3,023                           | 3,203        | 46.1        |
| Total operating costs and expenses                                | 23,043                          | 31,371       | 451.6       |
| Income from operations                                            | 4,817                           | 7,471        | 107.5       |
| Interest income                                                   | 780                             | 929          | 13.4        |
| Interest expense                                                  | (226)                           | (221)        | (3.2)       |
| Other income, net                                                 | 26                              | 271          | 3.9         |
| Net income before income taxes                                    | 5,397                           | 8,450        | 121.6       |
| Provision for income taxes                                        | 1,897                           | 2,539        | 36.5        |
| Net income                                                        | 3,500                           | 5,911        | 85.1        |
| Net loss attributable to noncontrolling interests                 | 26                              | 148          | 2.1         |
| Net income attributable to Yandex N.V.                            | <b>3,526</b>                    | <b>6,059</b> | <b>87.2</b> |
| Net income per Class A and Class B share:                         |                                 |              |             |
| Basic                                                             | 10.82                           | 18.67        | 0.27        |
| Diluted                                                           | 10.61                           | 18.27        | 0.26        |
| Weighted average number of Class A and Class B shares outstanding |                                 |              |             |
| Basic                                                             | 326,011,908                     | 324,503,123  | 324,503,123 |
| Diluted                                                           | 332,463,799                     | 331,675,527  | 331,675,527 |

(1) These balances exclude depreciation and amortization expenses, which are presented separately, and include share-based compensation expenses of:

|                                   |     |       |      |
|-----------------------------------|-----|-------|------|
| Cost of revenues                  | 36  | 54    | 0.8  |
| Product development               | 811 | 1,107 | 15.9 |
| Sales, general and administrative | 547 | 481   | 6.9  |

YANDEX N.V.

Unaudited Condensed Consolidated Statements of Income

(in millions of Russian rubles and U.S. dollars, except share and per share data)

|                                                                   | Twelve months ended December 31, |               |              |
|-------------------------------------------------------------------|----------------------------------|---------------|--------------|
|                                                                   | 2017*                            | 2018          | 2018         |
|                                                                   | RUB                              | RUB           | \$           |
| Revenues                                                          | 94,054                           | 127,657       | 1,837.6      |
| Operating costs and expenses:                                     |                                  |               |              |
| Cost of revenues(1)                                               | 23,937                           | 35,890        | 516.6        |
| Product development(1)                                            | 18,761                           | 22,569        | 324.9        |
| Sales, general and administrative(1)                              | 27,081                           | 36,200        | 521.1        |
| Depreciation and amortization                                     | 11,239                           | 12,137        | 174.7        |
| Total operating costs and expenses                                | 81,018                           | 106,796       | 1,537.3      |
| Income from operations                                            | 13,036                           | 20,861        | 300.3        |
| Interest income                                                   | 2,909                            | 3,382         | 48.7         |
| Interest expense                                                  | (897)                            | (945)         | (13.6)       |
| Effect of Yandex.Market deconsolidation                           | -                                | 28,244        | 406.6        |
| Other (loss)/income, net                                          | (1,466)                          | 2,922         | 42.0         |
| Net income before income taxes                                    | 13,582                           | 54,464        | 784.0        |
| Provision for income taxes                                        | 4,926                            | 8,603         | 123.9        |
| Net income                                                        | 8,656                            | 45,861        | 660.1        |
| Net loss attributable to noncontrolling interests                 | 120                              | 1,726         | 24.9         |
| Net income attributable to Yandex N.V.                            | <b>8,776</b>                     | <b>47,587</b> | <b>685.0</b> |
| Net income per Class A and Class B share:                         |                                  |               |              |
| Basic                                                             | 27.02                            | 145.67        | 2.10         |
| Diluted                                                           | 26.49                            | 141.98        | 2.04         |
| Weighted average number of Class A and Class B shares outstanding |                                  |               |              |
| Basic                                                             | 324,747,888                      | 326,667,118   | 326,667,118  |
| Diluted                                                           | 331,243,961                      | 335,162,062   | 335,162,062  |

(1) These balances exclude depreciation and amortization expenses, which are presented separately, and include share-based compensation expenses of:

|                                   |       |       |      |
|-----------------------------------|-------|-------|------|
| Cost of revenues                  | 178   | 180   | 2.6  |
| Product development               | 2,477 | 4,450 | 64.1 |
| Sales, general and administrative | 1,538 | 1,922 | 27.7 |

\* Derived from audited consolidated financial statements

**YANDEX N.V.**

**Unaudited Condensed Consolidated Statements of Cash Flows**  
(in millions of Russian rubles and U.S. dollars)

|                                                                                   | Three months ended December 31, |                 |                |
|-----------------------------------------------------------------------------------|---------------------------------|-----------------|----------------|
|                                                                                   | 2017                            | 2018            | 2018           |
|                                                                                   | RUB                             | RUB             | \$             |
| <b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:</b>                               |                                 |                 |                |
| Net income                                                                        | 3,500                           | 5,911           | 85.1           |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |                 |                |
| Depreciation of property and equipment                                            | 2,534                           | 2,594           | 37.3           |
| Amortization of intangible assets                                                 | 489                             | 609             | 8.8            |
| Amortization of debt discount and issuance costs                                  | 173                             | 170             | 2.4            |
| Share-based compensation expense                                                  | 1,394                           | 1,642           | 23.6           |
| Deferred income taxes                                                             | (584)                           | (657)           | (9.5)          |
| Foreign exchange losses/(gains)                                                   | 243                             | (904)           | (13.0)         |
| Gain from sale of equity securities                                               | (33)                            | -               | -              |
| (Income)/loss from equity method investments                                      | (143)                           | 474             | 6.8            |
| Other                                                                             | (83)                            | 125             | 1.9            |
| Changes in operating assets and liabilities excluding the effect of acquisitions: |                                 |                 |                |
| Accounts receivable, net                                                          | (1,322)                         | (2,221)         | (32.0)         |
| Prepaid expenses and other assets                                                 | (797)                           | (1,115)         | (16.0)         |
| Accounts payable and accrued liabilities                                          | 1,993                           | 1,374           | 19.8           |
| Deferred revenue                                                                  | 227                             | 605             | 8.7            |
| Net cash provided by operating activities                                         | <u>7,591</u>                    | <u>8,607</u>    | <u>123.9</u>   |
| <b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:</b>                               |                                 |                 |                |
| Purchases of property and equipment and intangible assets                         | (2,563)                         | (13,857)        | (199.5)        |
| Proceeds from sale of property and equipment                                      | 43                              | 11              | 0.2            |
| Acquisitions of businesses, net of cash acquired                                  | (554)                           | (836)           | (12.0)         |
| Investments in non-marketable equity securities                                   | (78)                            | -               | -              |
| Proceeds from sale of equity securities                                           | 51                              | 34              | 0.5            |
| Maturities of term deposits                                                       | 14,863                          | 38,408          | 552.9          |
| Loans granted, net of proceeds from repayments                                    | (61)                            | 11              | 0.1            |
| Net cash provided by investing activities                                         | <u>11,701</u>                   | <u>23,771</u>   | <u>342.2</u>   |
| <b>CASH FLOWS USED IN FINANCING ACTIVITIES:</b>                                   |                                 |                 |                |
| Proceeds from exercise of share options                                           | 18                              | 8               | 0.1            |
| Repurchase of equity awards                                                       | (77)                            | -               | -              |
| Repayment of convertible debt                                                     | -                               | (21,281)        | (306.3)        |
| Repurchases of ordinary shares                                                    | -                               | (320)           | (4.6)          |
| Payment for contingent consideration                                              | -                               | (104)           | (1.5)          |
| Other financing activities                                                        | (1)                             | 32              | 0.4            |
| Net cash used in financing activities                                             | <u>(60)</u>                     | <u>(21,665)</u> | <u>(311.9)</u> |
| Effect of exchange rate changes on cash and cash balances                         | <u>(162)</u>                    | <u>8,707</u>    | <u>125.4</u>   |
| Net change in cash and cash balances                                              | <u>19,070</u>                   | <u>19,420</u>   | <u>279.6</u>   |
| Cash and cash balances at beginning of period                                     | 24,161                          | 49,466          | 712.0          |
| Cash and cash balances at end of period                                           | 43,231                          | 68,886          | 991.6          |
| <b>Reconciliation of cash and cash balances:</b>                                  |                                 |                 |                |
| Cash and cash equivalents, beginning of period                                    | 23,591                          | 49,388          | 710.9          |
| Restricted cash, beginning of period                                              | 570                             | 78              | 1.1            |
| Cash and cash balances, beginning of period                                       | 24,161                          | 49,466          | 712.0          |
| Cash and cash equivalents, end of period                                          | 42,662                          | 68,798          | 990.3          |
| Restricted cash, end of period                                                    | 569                             | 88              | 1.3            |
| Cash and cash balances, end of period                                             | 43,231                          | 68,886          | 991.6          |

**YANDEX N.V.**  
**Unaudited Condensed Consolidated Statements of Cash Flows**  
**(in millions of Russian rubles and U.S. dollars)**

|                                                                                   | Twelve months ended December 31, |                 |                |
|-----------------------------------------------------------------------------------|----------------------------------|-----------------|----------------|
|                                                                                   | 2017*                            | 2018            | 2018           |
|                                                                                   | RUB                              | RUB             | \$             |
| <b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:</b>                               |                                  |                 |                |
| Net income                                                                        | 8,656                            | 45,861          | 660.1          |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                  |                 |                |
| Depreciation of property and equipment                                            | 9,131                            | 9,833           | 141.5          |
| Amortization of intangible assets                                                 | 2,108                            | 2,304           | 33.2           |
| Amortization of debt discount and issuance costs                                  | 684                              | 728             | 10.5           |
| Share-based compensation expense                                                  | 4,193                            | 6,552           | 94.4           |
| Deferred income taxes                                                             | (1,513)                          | (1,862)         | (26.8)         |
| Foreign exchange losses/(gains)                                                   | 1,784                            | (3,155)         | (45.4)         |
| Effect of deconsolidation of Yandex.Market                                        | -                                | (28,244)        | (406.6)        |
| Gain from sale of equity securities                                               | (33)                             | -               | -              |
| Losses from repurchases of convertible debt                                       | 6                                | -               | -              |
| (Income)/loss from equity method investments                                      | (353)                            | 195             | 2.8            |
| Other                                                                             | 87                               | (63)            | (1.0)          |
| Changes in operating assets and liabilities excluding the effect of acquisitions: |                                  |                 |                |
| Accounts receivable, net                                                          | (1,996)                          | (4,705)         | (67.7)         |
| Prepaid expenses and other assets                                                 | (2,224)                          | (5,887)         | (84.7)         |
| Accounts payable and accrued liabilities                                          | 2,921                            | 6,176           | 88.9           |
| Deferred revenue                                                                  | 321                              | 479             | 6.9            |
| Net cash provided by operating activities                                         | <u>23,772</u>                    | <u>28,212</u>   | <u>406.1</u>   |
| <b>CASH FLOWS (USED IN)/PROVIDED BY INVESTING ACTIVITIES:</b>                     |                                  |                 |                |
| Purchases of property and equipment and intangible assets                         | (12,389)                         | (28,323)        | (407.7)        |
| Proceeds from sale of property and equipment                                      | 73                               | 235             | 3.5            |
| Acquisitions of businesses, net of cash acquired                                  | (918)                            | 19,844          | 285.6          |
| Investments in non-marketable equity securities                                   | (191)                            | (155)           | (2.2)          |
| Proceeds from sale of equity securities                                           | 267                              | 34              | 0.5            |
| Proceeds from maturity of debt securities                                         | 2,887                            | -               | -              |
| Investments in term deposits                                                      | (70,082)                         | (55,592)        | (800.2)        |
| Maturities of term deposits                                                       | 72,731                           | 85,751          | 1,234.3        |
| Deconsolidation of cash and cash equivalents of Yandex.Market                     | -                                | (2,181)         | (31.4)         |
| Loans granted, net of proceeds from repayments                                    | (166)                            | (372)           | (5.4)          |
| Net cash (used in)/provided by investing activities                               | <u>(7,788)</u>                   | <u>19,241</u>   | <u>277.0</u>   |
| <b>CASH FLOWS USED IN FINANCING ACTIVITIES:</b>                                   |                                  |                 |                |
| Proceeds from exercise of share options                                           | 328                              | 115             | 1.7            |
| Repurchase of equity awards                                                       | (77)                             | -               | -              |
| Repayment of convertible debt                                                     | -                                | (21,281)        | (306.3)        |
| Repurchases of convertible debt                                                   | (668)                            | -               | -              |
| Repurchases of ordinary shares                                                    | -                                | (10,085)        | (145.2)        |
| Payment for contingent consideration                                              | (195)                            | (1,504)         | (21.7)         |
| Other financing activities                                                        | 25                               | (49)            | (0.7)          |
| Net cash used in financing activities                                             | <u>(587)</u>                     | <u>(32,804)</u> | <u>(472.2)</u> |
| Effect of exchange rate changes on cash and cash balances                         | (976)                            | 11,006          | 158.4          |
| Net change in cash and cash balances                                              | <u>14,421</u>                    | <u>25,655</u>   | <u>369.3</u>   |
| Cash and cash balances at beginning of period                                     | 28,810                           | 43,231          | 622.3          |
| Cash and cash balances at end of period                                           | 43,231                           | 68,886          | 991.6          |
| <b>Reconciliation of cash and cash balances:</b>                                  |                                  |                 |                |
| Cash and cash equivalents, beginning of period                                    | 28,232                           | 42,662          | 614.1          |
| Restricted cash, beginning of period                                              | 578                              | 569             | 8.2            |
| Cash and cash balances, beginning of period                                       | 28,810                           | 43,231          | 622.3          |
| Cash and cash equivalents, end of period                                          | 42,662                           | 68,798          | 990.3          |
| Restricted cash, end of period                                                    | 569                              | 88              | 1.3            |
| Cash and cash balances, end of period                                             | 43,231                           | 68,886          | 991.6          |

\* Derived from audited consolidated financial statements

**YANDEX N.V.**

**RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES  
TO THE NEAREST COMPARABLE U.S. GAAP MEASURES**

**Reconciliation of Ex-TAC Revenues to U.S. GAAP Revenues**

| <i>In RUB millions</i>                | Three months ended<br>December 31, |        |        | Twelve months ended<br>December 31, |         |        |
|---------------------------------------|------------------------------------|--------|--------|-------------------------------------|---------|--------|
|                                       | 2017                               | 2018   | Change | 2017                                | 2018    | Change |
| Total revenues                        | 27,860                             | 38,842 | 39%    | 94,054                              | 127,657 | 36%    |
| Less: traffic acquisition costs (TAC) | 4,789                              | 6,164  | 29%    | 17,345                              | 20,498  | 18%    |
| Ex-TAC revenues                       | 23,071                             | 32,678 | 42%    | 76,709                              | 107,159 | 40%    |

**Reconciliation of Adjusted EBITDA to U.S. GAAP Net Income**

| <i>In RUB millions</i>                                        | Three months ended<br>December 31, |       |        | Twelve months ended<br>December 31, |          |        |
|---------------------------------------------------------------|------------------------------------|-------|--------|-------------------------------------|----------|--------|
|                                                               | 2017                               | 2018  | Change | 2017                                | 2018     | Change |
| Net income                                                    | 3,500                              | 5,911 | 69%    | 8,656                               | 45,861   | n/m    |
| Add: depreciation and amortization                            | 3,023                              | 3,203 | 6%     | 11,239                              | 12,137   | 8%     |
| Add: share-based compensation expense                         | 1,394                              | 1,642 | 18%    | 4,193                               | 6,552    | 56%    |
| Add: compensation expense related to contingent consideration | 42                                 | 7     | -83%   | 203                                 | 44       | -78%   |
| Less: effect of Yandex.Market deconsolidation                 | -                                  | -     | n/m    | -                                   | (28,244) | n/m    |
| Less: interest income                                         | (780)                              | (929) | 19%    | (2,909)                             | (3,382)  | 16%    |
| Add: interest expense                                         | 226                                | 221   | -2%    | 897                                 | 945      | 5%     |
| Less: other (income)/loss, net                                | (26)                               | (271) | n/m    | 1,466                               | (2,922)  | n/m    |
| Add: provision for income taxes                               | 1,897                              | 2,539 | 34%    | 4,926                               | 8,603    | 75%    |
| Add: operating losses resulting from sanctions in Ukraine     | 17                                 | -     | n/m    | 404                                 | -        | n/m    |

|                 |       |        |     |        |        |     |
|-----------------|-------|--------|-----|--------|--------|-----|
| Adjusted EBITDA | 9,293 | 12,323 | 33% | 29,075 | 39,594 | 36% |
|-----------------|-------|--------|-----|--------|--------|-----|

### Reconciliation of Adjusted Net Income to U.S. GAAP Net Income

| <i>In RUB millions</i>                                                                           | Three months ended<br>December 31, |       |               | Twelve months ended<br>December 31, |          |               |
|--------------------------------------------------------------------------------------------------|------------------------------------|-------|---------------|-------------------------------------|----------|---------------|
|                                                                                                  | 2017                               | 2018  | <i>Change</i> | 2017                                | 2018     | <i>Change</i> |
| Net income                                                                                       | 3,500                              | 5,911 | 69%           | 8,656                               | 45,861   | <i>n/m</i>    |
| <i>Add:</i> SBC expense                                                                          | 1,394                              | 1,642 | 18%           | 4,193                               | 6,552    | 56%           |
| <i>Less:</i> reduction in income tax attributable to SBC expense                                 | (16)                               | (28)  | 75%           | (62)                                | (104)    | 68%           |
| <i>Add:</i> compensation expense related to contingent consideration                             | 42                                 | 7     | -83%          | 203                                 | 44       | -78%          |
| <i>Add:</i> foreign exchange losses/(gains)                                                      | 243                                | (904) | <i>n/m</i>    | 1,784                               | (3,155)  | <i>n/m</i>    |
| <i>Less:</i> (reduction)/increase in income tax attributable to foreign exchange losses/(gains)  | (44)                               | 194   | <i>n/m</i>    | (326)                               | 638      | <i>n/m</i>    |
| <i>Less:</i> effect of deconsolidation of Yandex.Market                                          | -                                  | -     | <i>n/m</i>    | -                                   | (28,244) | <i>n/m</i>    |
| <i>Add:</i> losses from repurchases of convertible debt                                          | -                                  | -     | <i>n/m</i>    | 6                                   | -        | <i>n/m</i>    |
| <i>Less:</i> reduction in income tax attributable to losses from repurchases of convertible debt | -                                  | -     | <i>n/m</i>    | (1)                                 | -        | <i>n/m</i>    |
| <i>Add:</i> amortization of debt discount                                                        | 173                                | 170   | -2%           | 684                                 | 728      | 6%            |
| <i>Less:</i> reduction in income tax attributable to amortization of debt discount               | (43)                               | (43)  | 0%            | (171)                               | (182)    | 6%            |
| <i>Add:</i> losses resulting from sanctions in Ukraine                                           | -                                  | -     | <i>n/m</i>    | 393                                 | -        | <i>n/m</i>    |
| Adjusted net income                                                                              | 5,249                              | 6,949 | 32%           | 15,359                              | 22,138   | 44%           |

### Reconciliation of Adjusted EBITDA Margin and Adjusted Ex-TAC EBITDA Margin to U.S. GAAP Net Income Margin

*In RUB millions*

|                                       | U.S.<br>GAAP<br>Actual<br>Net<br>Income | Net<br>Income<br>Margin<br>(1) | Adjustment<br>(2) | Adjusted<br>EBITDA | Adjusted<br>EBITDA<br>Margin<br>(3) | Adjusted<br>Ex-TAC<br>EBITDA<br>Margin (4) |
|---------------------------------------|-----------------------------------------|--------------------------------|-------------------|--------------------|-------------------------------------|--------------------------------------------|
| Three months ended December 31, 2018  | 5,911                                   | 15.2%                          | 6,412             | 12,323             | 31.7%                               | 37.7%                                      |
| Twelve months ended December 31, 2018 | 45,861                                  | 35.9%                          | (6,267)           | 39,594             | 31.0%                               | 36.9%                                      |

- 
- (1) Net income margin is defined as net income divided by total revenues.
- (2) Adjusted to eliminate depreciation and amortization expense, SBC expense, expense related to contingent compensation, interest income, interest expense, effect of deconsolidation of Yandex.Market, other (income)/loss, net and provision for income taxes. For a reconciliation of adjusted EBITDA to net income, please see the table above.
- (3) Adjusted EBITDA margin is defined as adjusted EBITDA divided by total revenues.
- (4) Adjusted ex-TAC EBITDA margin is defined as adjusted EBITDA divided by ex-TAC revenues. For a reconciliation of ex-TAC revenues to U.S. GAAP revenues, please see the table above.

### Reconciliation of Adjusted Net Income Margin and Adjusted Ex-TAC Net Income Margin to U.S. GAAP Net Income Margin

*In RUB millions*

|                                       | U.S.<br>GAAP<br>Actual<br>Net<br>Income | Net<br>Income<br>Margin<br>(1) | Adjustment<br>(2) | Adjusted<br>Net<br>Income | Adjusted<br>Net<br>Income<br>Margin<br>(3) | Adjusted<br>Ex-TAC<br>Net<br>Income<br>Margin (4) |
|---------------------------------------|-----------------------------------------|--------------------------------|-------------------|---------------------------|--------------------------------------------|---------------------------------------------------|
| Three months ended December 31, 2018  | 5,911                                   | 15.2%                          | 1,038             | 6,949                     | 17.9%                                      | 21.3%                                             |
| Twelve months ended December 31, 2018 | 45,861                                  | 35.9%                          | (23,723)          | 22,138                    | 17.3%                                      | 20.7%                                             |

- 
- (1) Net income margin is defined as net income divided by total revenues.
- (2) Adjusted to eliminate SBC expense (as adjusted for the income tax reduction attributable to SBC expense), expense related to contingent compensation, foreign exchange losses/(gains) as adjusted for the (reduction)/increase in income tax attributable to the losses/(gains), effect of deconsolidation of Yandex.Market, and amortization of debt discount (as adjusted for the related reduction in income tax). For a reconciliation of adjusted net income to net income, please see the table above.



- (3) Adjusted net income margin is defined as adjusted net income divided by total revenues.
- (4) Adjusted ex-TAC net income margin is defined as adjusted net income divided by ex-TAC revenues. For a reconciliation of ex-TAC revenues to U.S. GAAP revenues, please see the table above.

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