

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 6-K

**Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934**

October 27, 2023

YANDEX N.V.

**Schiphol Boulevard 165
1118 BG, Schiphol, the Netherlands.
Tel: +31 202 066 970**

(Address, Including ZIP Code, and Telephone Number,
Including Area Code, of Registrant's Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Furnished as Exhibit 99.1 to this Report on Form 6-K is a press release of Yandex N.V. (the “Company”) dated October 27, 2023, announcing the Company’s results for the third quarter ended September 30, 2023.

Furnished as Exhibit 99.2 to this Report on Form 6-K is a letter to the shareholders of the Company dated October 27, 2023, to accompany the Company’s press release announcing the results for the third quarter ended September 30, 2023.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

YANDEX N.V.

Date: October 27, 2023

By: /s/ ALEXANDER BALAKHNIN

Alexander Balakhnin
Chief Financial Officer

INDEX TO EXHIBITS

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|---|
| 99.1 | Press release of Yandex N.V. dated October 27, 2023, announcing results for the third quarter ended September 30, 2023. |
| 99.2 | Letter to the shareholders of the Company dated October 27, 2023, to accompany the Company's press release announcing the results for the third quarter ended September 30, 2023. |

Yandex Announces Third Quarter 2023 Financial Results

AMSTERDAM, the Netherlands, October 27, 2023 -- Yandex (NASDAQ and MOEX: YNDX), a Dutch public limited company and one of Europe's largest internet businesses, today announced its unaudited financial results for the third quarter ended September 30, 2023.

Q3 2023 Financial and Operational Highlights^{1,2}

| In RUB millions | | Three months ended September 30 | | |
|--|--|---------------------------------|---------|---------|
| | | 2022 | 2023 | Change |
| Total Group | Total Revenues | 133,163 | 204,769 | 54% |
| | Total Adjusted EBITDA | 20,003 | 26,528 | 33% |
| | <i>Total Adjusted EBITDA margin, %</i> | 15.0% | 13.0% | -2.0 pp |
| | Net income | 45,541 | 7,681 | -83% |
| | Adjusted Net Income | 5,009 | 3,366 | -33% |
| Search and Portal | Share of Russian search market, % | 62.0% | 62.6% | 0.6 pp |
| | Search share on Android, % | 61.9% | 62.5% | 0.6 pp |
| | Search share on iOS, % | 48.3% | 49.8% | 1.5 pp |
| | Revenues | 61,151 | 90,442 | 48% |
| | Ex-TAC revenues | 50,481 | 74,169 | 47% |
| | Adjusted EBITDA | 34,635 | 47,021 | 36% |
| | <i>Adjusted EBITDA margin, %</i> | 56.6% | 52.0% | -4.6 pp |
| E-Commerce, Mobility and Delivery | Revenues | 63,448 | 107,240 | 69% |
| | GMV of Mobility ³ | 198,041 | 298,951 | 51% |
| | GMV of E-commerce ⁴ | 72,465 | 121,154 | 67% |
| | GMV of other O2O services ⁵ | 47,001 | 83,952 | 79% |
| | Total Adjusted EBITDA/(loss) | (2,668) | (4,483) | 68% |
| Plus and Entertainment Services | Yandex Plus subscribers, MM | 15.8 | 25.8 | 63% |

(1) Pursuant to SEC rules regarding convenience translations, Russian ruble (RUB) amounts have been translated into U.S. dollars in this release at a rate of RUB 97.4147 to \$1.00, the official exchange rate quoted as of September 30, 2023 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 and adjusted net income. Please see the section "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) GMV (or gross merchandise value) of Mobility is defined as the total amount paid by customers for ride-hailing, car-sharing and scooters rent services booked through our platform, including VAT.

(4) GMV of E-commerce is defined as the value of all merchandise sold through our Yandex Market marketplace and Yandex Lavka as well as the value of products sold through Yandex Eats and Market Delivery grocery service (delivered and paid for), including VAT.

(5) GMV of other O2O (online-to-offline) services includes the total amount paid by customers and partner businesses for Yandex Delivery and Yandex Fuel services, the value of orders delivered through the Yandex Eats and Market Delivery food delivery services, Lavka Israel, and several other smaller O2O experiments, including VAT.

Financial outlook

Given that uncertainty concerning future geopolitical developments and the macro environment remains high, our visibility over the short- and medium-term is limited and we remain unable to provide any forward-looking expectations at this stage. We aim to remain transparent about the current performance and key trends across our businesses.

Corporate and Subsequent Events

- Yandex's Board of Directors remains fully committed to the goal of completing the proposed corporate restructuring and the divestiture of the company's core businesses, including all Russia-based businesses.

We have taken a number of important, concrete steps to prepare for the consummation of the proposed divestiture, including receiving consent from the Class A shareholders for the Board to undertake preparatory corporate restructuring steps, i.e., the merger of certain intermediate Dutch holding companies into Yandex N.V. The company has also obtained one of the required approvals from the Government Commission for Control over Foreign Investments in the Russian Federation of the internal restructuring of the group, which is a pre-requisite for the divestiture. We have also made progress towards completing other necessary steps of our corporate restructuring plan.

The proposed restructuring would be subject to further shareholder approval (including separate approval by our Class A shareholders), and the company continues to aim to bring a restructuring proposal to shareholders for approval by the end of this year.

- Neither Yandex N.V. nor any of its group companies is a target of sanctions in the United States, European Union, Switzerland or United Kingdom, and the Yandex group is not owned or controlled by any persons who have been designated under such sanctions. In July 2023, our "Yandex Pay" subsidiary was designated in Canada; such designation does not apply to Yandex N.V. or its other group companies or operations. Yandex continues to closely monitor developments in this regard.

Impact of the current geopolitical crisis

Ongoing geopolitical tensions and their impact on the Russian and global economy have created a challenging environment for our business, team and shareholders.

These developments have adversely impacted (and may in the future materially adversely impact) the macroeconomic climate in Russia, resulting in volatility of the ruble, including significant recent devaluation, currency controls, increased interest rates and inflation and a potential contraction in consumer spending, as well as the withdrawal of foreign businesses and suppliers from the Russian market. In addition, laws or regulations may be adopted that may adversely affect our non-Russian shareholders and the value of the shares they hold in our company. We provided detailed information on our risk exposure and possible adverse impacts on our businesses in our Annual Report on Form 20-F for the year ended December 31, 2022, which was filed on April 20, 2023.

We continue to provide services to our users and partners with no interruptions. We are taking appropriate measures to consider our capital allocation and budget appropriately during this period of uncertainty, while remaining committed to continue investing in the development of our key businesses and services. We are closely monitoring sanctions and export control developments as well as the macroeconomic climate and consumer sentiment in Russia and we are assessing contingency plans to address potential developments. Our Board and management are focused on the wellbeing of our almost 26,000 employees in Russia and abroad, while doing everything we can to safeguard the interests of our shareholders and other stakeholders.

Consolidated Results

The following table provides a summary of our key **consolidated financial** results for the three and nine months ended September 30, 2022 and 2023:

| <i>In RUB millions</i> | Three months ended September 30, | | | Nine months ended September 30, | | |
|------------------------|----------------------------------|---------|--------|---------------------------------|---------|--------|
| | 2022 | 2023 | Change | 2022 | 2023 | Change |
| Revenues | 133,163 | 204,769 | 54% | 356,921 | 550,539 | 54% |
| Ex-TAC revenues | 123,940 | 190,100 | 53% | 334,216 | 512,124 | 53% |
| Income from operations | 10,797 | 12,084 | 12% | 7,109 | 25,548 | 259% |
| Adjusted EBITDA | 20,003 | 26,528 | 33% | 46,968 | 64,068 | 36% |
| Net income | 45,541 | 7,681 | -83% | 40,560 | 28,097 | -31% |
| Adjusted net income | 5,009 | 3,366 | -33% | 10,019 | 15,583 | 56% |

Our segment disclosure is provided in the Segment financial results section below.

Cash and cash equivalents as of September 30, 2023:

- RUB 85.4 billion (\$876.8 million) on a consolidated basis.

Segment financial results

Search & Portal

Our Search and Portal segment includes Search, Geo, Weather and a number of other services offered in Russia, Belarus and Kazakhstan.

Key operational trends:

- **Share of Russian search market**, including mobile, averaged 62.6% in Q3 2023, up 0.6 pp from 62.0% in Q3 2022 and seasonally down from 63.6% in Q2 2023, according to Yandex Radar
- **Search share on Android** in Russia was 62.5% in Q3 2023, up 0.6 pp from 61.9% in Q3 2022 and seasonally down from 63.4% in Q2 2023, according to Yandex Radar
- **Search share on iOS** in Russia was 49.8% in Q3 2023, up 1.5 pp from 48.3% in Q3 2022 and stable compared to 49.7% in Q2 2023, according to Yandex Radar
- **Mobile search traffic** was 70.8% of our total search traffic in Q3 2023. Mobile revenues represented 62.9% of our search revenues in Q3 2023

| <i>In RUB millions</i> | Three months ended September 30, | | | Nine months ended September 30, | | |
|------------------------|----------------------------------|--------|---------|---------------------------------|---------|---------|
| | 2022 | 2023 | Change | 2022 | 2023 | Change |
| Revenues | 61,151 | 90,442 | 48% | 156,163 | 236,403 | 51% |
| Ex-TAC revenues | 50,481 | 74,169 | 47% | 130,021 | 193,984 | 49% |
| Adjusted EBITDA | 34,635 | 47,021 | 36% | 83,637 | 122,745 | 47% |
| Adjusted EBITDA margin | 56.6% | 52.0% | -4.6 pp | 53.6% | 51.9% | -1.7 pp |

Revenues increased by 48% and Ex-TAC revenues grew by 47% year-on-year in Q3 2023. This growth was mainly driven by the solid performance of our core search business and the Yandex Advertising Network on the back of our investments in the expansion of advertising inventory, along with development and efficiency improvements of our ad-products and technologies.

Adjusted EBITDA margin came to 52.0% in Q3 2023 compared with 56.6% in Q3 2022. The solid margin mainly reflects a positive operating leverage effect on the back of strong ad revenue growth, while the year-on-year dynamic is driven by an increase in personnel as well as marketing and advertising expenses from the low base of last year.

E-commerce, Mobility and Delivery

The E-commerce, Mobility and Delivery segment includes our transactional O2O businesses, which consist of (i) the mobility businesses, including ride-hailing in Russia and other countries across CIS and EMEA, Yandex Drive, our car-sharing business, and scooters; (ii) the E-commerce businesses in Russia and CIS, including Yandex Market, our multi-category e-commerce marketplace, Yandex Lavka Russia, our hyperlocal convenience store delivery service, and the grocery delivery services of Yandex Eats and Market Delivery (acquired in September 2022 and previously known as Delivery Club); and (iii) our other O2O businesses, including Yandex Delivery, our last- and middle-mile logistics solution for individuals, enterprises and SMB; Yandex Eats and Market Delivery, our ready-to-eat delivery from restaurants services; Lavka Israel, our hyperlocal convenience store delivery service; and Yandex Fuel, our contactless payment service at gas stations, and several smaller experiments.

Key operational trends:

- Total **E-Commerce GMV** increased by 67% year-on-year in Q3 2023

Yandex Market

- The share of **GMV sold by third-party sellers** on our Yandex Market marketplace reached 87% in Q3 2023 compared to 82% in Q3 2022
- **Marketplace's assortment** was 58.5 million SKUs as of the end of Q3 2023, up from 49.3 million SKUs as of the end of Q3 2022
- **The number of active buyers**⁶ on the Yandex Market marketplace increased by 40% year-on-year and reached 17.6 million as of the end of Q3 2023
- **The number of active sellers**⁷ on Yandex Market marketplace increased by 95% year-on-year and reached 68.4 thousand as of the end of Q3 2023

Mobility

- **GMV of Mobility services** grew 51% compared to Q3 2022

(6) An active buyer is a buyer who made at least 1 purchase in the last 12 months prior to the reporting date.

(7) An active seller is a seller who made at least 1 sale in the last 1 month prior to the reporting date.

| <i>In RUB millions</i> | Three months ended September 30, | | | Nine months ended September 30, | | |
|--|----------------------------------|----------------|------------|---------------------------------|-----------------|-------------|
| | 2022 | 2023 | Change | 2022 | 2023 | Change |
| GMV: | | | | | | |
| Mobility | 198,041 | 298,951 | 51% | 544,422 | 777,897 | 43% |
| E-Commerce | 72,465 | 121,154 | 67% | 195,614 | 339,467 | 74% |
| First party (1P) business model | 19,835 | 27,492 | 39% | 56,431 | 90,895 | 61% |
| Third party (3P) commission business model | 52,630 | 93,662 | 78% | 139,183 | 248,572 | 79% |
| Other O2O services | 47,001 | 83,952 | 79% | 125,470 | 226,463 | 80% |
| Revenues: | | | | | | |
| Mobility | 31,015 | 45,151 | 46% | 87,514 | 115,854 | 32% |
| E-Commerce | 23,520 | 42,209 | 79% | 63,918 | 123,221 | 93% |
| Revenues from sale of goods (1P) ⁸ | 15,944 | 22,019 | 38% | 45,643 | 72,752 | 59% |
| Commission and other e-commerce revenues ⁹ | 7,576 | 20,190 | 166% | 18,275 | 50,469 | 176% |
| Other O2O services | 10,444 | 22,105 | 112% | 27,910 | 57,758 | 107% |
| Eliminations | (1,531) | (2,225) | 45% | (3,970) | (6,168) | 55% |
| Total revenues | 63,448 | 107,240 | 69% | 175,372 | 290,665 | 66% |
| Adjusted EBITDA loss E-commerce, Mobility and Delivery: | (2,668) | (4,483) | 68% | (9,102) | (21,402) | 135% |

(8) Revenues related to sales of goods include revenues from Yandex Market 1P sales, revenues from Yandex Lavka 1P sales in Russia, where we use a first-party (1P) business model and act as a direct retailer, and exclude delivery fee revenues related to these businesses.

(9) Commission and other e-commerce revenues include Yandex Market marketplace (3P) commission, delivery, service fee and advertising revenues of grocery delivery services of Yandex Eats and Market Delivery, as well as delivery fee and advertising revenue of Yandex Lavka in Russia and other revenues.

The growth in GMV of Mobility reached 51% year-on-year in Q3 2023, driven by an increase in the number of rides, growing share of non-economy tariffs due to the shift of new vehicles supply on the market towards upper-class models and continued driver undersupply on our domestic market, as well as forex effect from our operations in CIS and EMEA markets. The growth in GMV of E-commerce was 67% year-on-year in Q3 2023 supported by organic growth in the user base and assortment expansion. GMV of other O2O services grew by 79% year-on-year in Q3 2023, with Yandex Delivery and Yandex Food Delivery services including Market Delivery, being the largest contributors reporting growth of 109% year-on-year.

E-commerce, Mobility and Delivery segment revenues increased by 69% year-on-year in Q3 2023. The increase was mainly driven by E-commerce services (where Yandex Market was the largest contributor to the growth in absolute terms, followed by Yandex Lavka). Mobility revenues increased by 46%, which is lower than GMV growth, on the back of higher investment into driver supply. E-commerce revenues increased by 79%, greater than the increase in GMV, reflecting an improvement of 3P take rates and a growing share of advertising revenue. Other O2O services revenues delivered 112% year-on-year growth where Food Delivery was the key contributor to the growth, followed by our Delivery business.

Eliminations related to the E-commerce, Mobility and Delivery segment represent the eliminations of intercompany revenues between different businesses within the segment. The year-on-year dynamic was mainly attributed to our expansion of intercompany synergies with a higher volume of E-commerce and Food Delivery orders fulfilled by our Yandex Delivery business compared to a year ago.

Adjusted EBITDA loss of E-commerce, Mobility and Delivery was RUB 4,483 million in Q3 2023 compared to loss of RUB 2,668 million in Q3 2022. This dynamic was primarily driven by the growing scale of Yandex Market business, as well as contraction of Adj EBITDA margin of the Mobility business on the back of increased investments into driver supply.

Plus and Entertainment Services

The Plus and Entertainment Services segment includes our subscription service Yandex Plus, Yandex Music, Kinopoisk, Yandex Afisha, Bookmate and our production center Plus Studio.

Key operational trends:

- Number of **Yandex Plus subscribers** reached 25.8 million as of the end of Q3 2023, up 63% from the end of Q3 2022

| <i>In RUB millions</i> | Three months ended September 30, | | | Nine months ended September 30, | | |
|------------------------|----------------------------------|--------|---------|---------------------------------|--------|---------|
| | 2022 | 2023 | Change | 2022 | 2023 | Change |
| Revenues | 7,817 | 17,402 | 123% | 19,798 | 46,261 | 134% |
| Adjusted EBITDA/(loss) | (1,498) | 1,040 | 169% | (7,264) | 2,614 | 136% |
| Adjusted EBITDA margin | -19.2% | 6.0% | 25.2 pp | -36.7% | 5.7% | 42.4 pp |

Plus and Entertainment Services revenues grew 123% in Q3 2023 compared with Q3 2022. The increase was primarily driven by the growth of subscription revenue on the back of the expanding base of paid subscribers and changes in tariff mix, as well as solid trends in other revenue streams, including advertising. Adjusted EBITDA remained positive for the second quarter in a row reaching RUB 1.0 billion, compared with a loss of RUB 1.5 billion in Q3 2022 driven by a positive operating leverage effect on the back of the subscription revenue growth (which increased by 92% year-on-year) as well as cost-efficiency improvements.

Classifieds

The Classifieds segment includes Auto.ru, Yandex Realty, Yandex Rent and Yandex Travel.

| <i>In RUB millions</i> | Three months ended September 30, | | | Nine months ended September 30, | | |
|------------------------|----------------------------------|-------|---------|---------------------------------|--------|----------|
| | 2022 | 2023 | Change | 2022 | 2023 | Change |
| Revenues | 3,371 | 7,125 | 111% | 8,350 | 17,136 | 105% |
| Adjusted EBITDA | 237 | 235 | -1% | 903 | 72 | -92% |
| Adjusted EBITDA margin | 7.0% | 3.3% | -3.7 pp | 10.8% | 0.4% | -10.4 pp |

Classifieds revenues increased by 111% in Q3 2023 compared with Q3 2022. The revenue growth was primarily driven by the solid performance of Auto.ru due to a low base effect of the last year, dealer base expansion, growth of new projects and improvement in monetization; as well as by Yandex Travel due to the strengthened market position on the back of increasing demand for our travel aggregator service. Adjusted EBITDA in Q3 2023 remained flat compared to the corresponding period last year and amounted to RUB 0.2 billion: a year-on-year improvement of profitability in Auto.ru was offset by our continuing investments in the expansion of Yandex Travel and Yandex Rent.

Other Business Units and Initiatives

The Other Business Units and Initiatives category includes our self-driving vehicles business (Yandex SDG), Yandex Cloud and Yandex 360, Yandex Education (Practicum and other education initiatives), Devices and Alice, FinTech (including Yandex Pay and Yandex ID) and a number of other experiments as well as unallocated corporate expenses.

| <i>In RUB millions</i> | Three months ended September 30, | | | Nine months ended September 30, | | |
|-----------------------------|----------------------------------|----------|--------|---------------------------------|----------|----------|
| | 2022 | 2023 | Change | 2022 | 2023 | Change |
| Revenues | 11,203 | 18,805 | 68% | 29,877 | 47,882 | 60% |
| Adjusted EBITDA loss | (10,786) | (17,684) | 64% | (21,437) | (41,042) | 91% |
| Adjusted EBITDA loss margin | -96.3% | -94.0% | 2.3 pp | -71.8% | -85.7% | -13.9 pp |

Other Business Units and Initiatives revenues increased 68% year-on-year in Q3 2023, driven mainly by Yandex Cloud, Devices and Alice, and Fintech. Yandex Cloud revenue grew 60% year-on-year, supported by product portfolio expansion as

well as improvement in our market share on the back of increasing demand for our services. The Devices and Alice revenue increased 94% year-on-year to RUB 7.2 billion in Q3 2023 due to devices sales growth supported by our efficient targeted marketing activities and the expansion in the range of models available.

The adjusted EBITDA loss amounted to RUB 17.7 billion compared to RUB 10.8 billion in Q3 2022. The loss increase was mainly attributed to segregation of unallocated corporate expenses from reportable segments' adjusted EBITDA and their inclusion in the Other Business Units and Initiatives category (since September 2022), investments into growth of the Yandex Cloud business and Yandex SDG (where adjusted EBITDA loss came to RUB 2.9 billion in Q3 2023), and development of other verticals.

Eliminations

Eliminations related to our revenues represent the elimination of transactions between the reportable segments, including advertising revenues, intercompany revenues related to brand royalties, data centers, devices sales and others.

| <i>In RUB millions</i> | Three months ended September 30, | | | Nine months ended September 30, | | |
|-------------------------|----------------------------------|----------|--------|---------------------------------|----------|--------|
| | 2022 | 2023 | Change | 2022 | 2023 | Change |
| Revenues: | | | | | | |
| Segment revenues | 146,990 | 241,014 | 64% | 389,560 | 638,347 | 64% |
| Eliminations | (13,827) | (36,245) | 162% | (32,639) | (87,808) | 169% |
| Total revenues | 133,163 | 204,769 | 54% | 356,921 | 550,539 | 54% |
| Adjusted EBITDA: | | | | | | |
| Segment adjusted EBITDA | 19,920 | 26,129 | 31% | 46,737 | 62,987 | 35% |
| Eliminations | 83 | 399 | 381% | 231 | 1,081 | 368% |
| Total adjusted EBITDA | 20,003 | 26,528 | 33% | 46,968 | 64,068 | 36% |

Eliminations related to our revenues increased 162% in Q3 2023 compared with Q3 2022. The increase was mainly attributed to the increased intercompany revenue between our businesses (related to cross service advertising and marketing activities, the usage of data centers, other IT infrastructure, and other centralized services by all business units), as a result of greater integration of services and overall growth across the Group.

Consolidated Operating Costs and Expenses

Our operating costs and expenses consist of cost of revenues (COS), product development expenses (PD), sales, general and administrative expenses (SG&A), depreciation and amortization expenses (D&A) and goodwill impairment. Personnel-related costs, including share-based compensation expenses, are included in the COS, PD and SG&A categories and represent a significant part of our operating expenses. Increases across all cost categories reflect investments in overall growth. In Q3 2023, our headcount increased by 1,421 full-time employees. The total number of full-time employees was 25,703 as of September 30, 2023, up by 6% compared with June 30, 2023, and up 29% from September 30, 2022, which was primarily driven by the accelerated pace of hiring in Search and Portal, Yandex Cloud and Yandex Market, as well as by the growth of Plus and Entertainment Services and Mobility among others.

Operating Expenses

| <i>In RUB millions</i> | Three months ended September 30, | | | Nine months ended September 30, | | |
|--|----------------------------------|----------------|------------|---------------------------------|----------------|------------|
| | 2022 | 2023 | Change | 2022 | 2023 | Change |
| Cost of revenues | 55,654 | 88,205 | 58% | 155,386 | 244,864 | 58% |
| <i>Cost of revenues as a % of revenues</i> | 41.8% | 43.1% | 1.3 pp | 43.5% | 44.5% | 1.0 pp |
| including TAC | 9,223 | 14,669 | 59% | 22,705 | 38,415 | 69% |
| <i>TAC as a % of revenues</i> | 6.9% | 7.2% | 0.3 pp | 6.4% | 7.0% | 0.6 pp |
| Product development | 17,058 | 26,237 | 54% | 53,045 | 72,452 | 37% |
| <i>As a % of revenues</i> | 12.8% | 12.8% | 0 pp | 14.9% | 13.2% | -1.7 pp |
| Sales, general and administrative | 42,186 | 67,003 | 59% | 118,733 | 177,676 | 50% |
| <i>As a % of revenues</i> | 31.7% | 32.7% | 1.0 pp | 33.3% | 32.3% | -1.0 pp |
| Depreciation and amortization | 7,468 | 11,240 | 51% | 22,648 | 28,863 | 27% |
| <i>As a % of revenues</i> | 5.6% | 5.5% | -0.1 pp | 6.3% | 5.2% | -1.1 pp |
| Goodwill impairment | - | - | n/m | - | 1,136 | n/m |
| <i>As a % of revenues</i> | - | - | n/m | - | 0.2% | 0.2 pp |
| Total operating expenses | 122,366 | 192,685 | 57% | 349,812 | 524,991 | 50% |
| <i>As a % of revenues</i> | 91.9% | 94.1% | 2.2 pp | 98.0% | 95.4% | -2.6 pp |

Total operating expenses increased by 57% in Q3 2023 compared with Q3 2022. The increase was mainly due to the cost of revenues related to E-commerce, Mobility and Delivery businesses, Devices and Alice, as well as Search and Portal, and growth of headcount and related personnel expenses across most of our business units due to the overall expansion of operations.

TAC grew 59% in Q3 2023 compared with Q3 2022 and represented 7.2% of total revenues, 23 basis points higher than in Q3 2022. The year-on-year growth of TAC as a share of revenue was primarily driven by TAC related to our distribution partners and the growing contribution of ad revenues related to the Yandex Advertising Network.

| <i>In RUB millions</i> | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|----------------------------------|--------------|------------|---------------------------------|---------------|-------------|
| | 2022 | 2023 | Change | 2022 | 2023 | Change |
| SBC expense included in cost of revenues | 169 | 172 | 2% | 449 | 513 | 14% |
| SBC expense included in product development | 3,771 | 3,370 | -11% | 11,237 | 9,839 | -12% |
| SBC expense included in SG&A | 2,523 | 2,350 | -7% | 7,537 | 6,839 | -9% |
| Total SBC expense | 6,463 | 5,892 | -9% | 19,223 | 17,191 | -11% |
| <i>As a % of revenues</i> | 4.9% | 2.9% | -2.0 pp | 5.4% | 3.1% | -2.3 pp |

Total SBC expenses decreased by 9% in Q3 2023 compared with Q3 2022. The decrease was primarily related to the replacement of new RSU grants during 2022 and 2023 with an increase in salaries and bonuses as well as settlement of Business Unit Equity Awards in cash in Q3 2022, which led to additional cost recognized in Q3 2022; partly offset by the material appreciation of the U.S. dollar against the ruble. In light of the ongoing halt of trading in our Class A shares on Nasdaq, during 2022 and 2023, participants have received and will continue to receive cash compensation on the vesting dates of the relevant RSU equity awards, in an amount equal to the target value of each tranche of such awards. In Q3 2023, RUB 2.8 billion of the total RUB 5.9 billion in SBC expenses related to RSU equity awards settled in cash were recorded as part of personnel expenses, which reduced consolidated adjusted EBITDA.

Income from operations

| <i>In RUB millions</i> | Three months ended September 30, | | | Nine months ended September 30, | | |
|------------------------|----------------------------------|--------|--------|---------------------------------|--------|--------|
| | 2022 | 2023 | Change | 2022 | 2023 | Change |
| Income from operations | 10,797 | 12,084 | 12% | 7,109 | 25,548 | 259% |

Income from operations amounted to RUB 12.1 billion in Q3 2023 compared to RUB 10.8 billion in Q3 2022. This dynamic was mainly driven by the improved profitability of our Search and Portal, Plus and Entertainment segments, as well as the Food Delivery business.

Other income, net for Q3 2023 amounted to RUB 7,209 million, up from RUB 4,053 million in Q3 2022. Other income, net includes foreign exchange gains of RUB 7,500 million in Q3 2023 and RUB 4,242 million in Q3 2022. Foreign exchange gains dynamics reflect changes of USD denominated monetary assets in our Russian subsidiaries and RUB denominated monetary assets in our foreign subsidiaries on the back of a stronger depreciation of the Russian ruble in absolute terms against the US dollar in the third quarter of 2023 compared to the third quarter of 2022.

Income tax expense for Q3 2023 was RUB 7,704 million, up from RUB 6,818 million in Q3 2022. Our effective tax rate of 50.1% in Q3 2023 was higher than 13.0% in Q3 2022. The Group's tax provision for income taxes for interim periods is determined based on the tax rate effective during that period. The major factors influencing changes in the effective tax rates in Q3 2023 and Q3 2022 were: differences in foreign tax rates of our subsidiaries (including reduced tax rate in certain Russian subsidiaries), deferred tax asset valuation allowances, non-deductible SBC expenses, statutory expenses not deductible for income tax purposes, tax provision recognized, tax on dividends, as well as tax effects of the News and Zen deconsolidation in Q3 2022.

Net income was RUB 7.7 billion in Q3 2023, compared with RUB 45.5 billion in Q3 2022. The latter included a one-off non-cash gain recognized on the News and Zen deconsolidation in the amount of RUB 38,051 million.

Cash provided by operating activities was RUB 22.3 billion and cash paid for property and equipment, intangible assets and assets to be leased was RUB 31.1 billion for Q3 2023.

The **total number of shares issued and outstanding** as of September 30, 2023 was 361,482,282, including 325,783,607 Class A shares, 35,698,674 Class B shares, and one Priority share and excluding 558,663 Class A shares held in treasury.

There were also employee share options outstanding to purchase up to an additional 2.9 million shares, at a weighted average exercise price of \$44.32 per share, 2.3 million of which were fully vested; equity-settled share appreciation rights (SARs) for 0.1 million shares, at a weighted average measurement price of \$32.85, all of which were fully vested; restricted share units (RSUs) covering 8.9 million shares, of which RSUs to acquire 6.2 million shares were fully vested; and performance share units (PSUs) for 0.2 million shares. In addition, we have outstanding awards in respect of our various Business Units, including options and synthetic options, for 6.0 million shares, 2.5 million of which were fully vested and are settled in equity of our Business Units, cash or Yandex Class A shares.

ABOUT YANDEX

Yandex (NASDAQ and MOEX: YNDX) is a technology company registered in the Netherlands 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 navigation products, while also expanding into mobility, e-commerce, online entertainment, cloud computing and other markets to assist millions of consumers in Russia and a number of international markets. More information on Yandex can be found at <https://ir.yandex/>.

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements that involve risks and uncertainties. All statements contained in this press release other than statements of historical facts, including, without limitation, statements regarding our future financial

and business performance, our business and strategy and the impact of the current geopolitical and macroeconomic developments on our industry, business and financial results, are forward-looking statements. The words “anticipate,” “believe,” “continue,” “estimate,” “expect,” “guide,” “intend,” “likely,” “may,” “will” and similar expressions and their negatives are intended to identify forward-looking statements. 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, changes in the political, legal and/or regulatory environment and regulatory and business responses to that crisis, including international economic sanctions and export controls, competitive pressures, changes in advertising patterns, changes in user preferences, 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, 2022 and “Risk Factors” in the Shareholder Circular filed as Exhibit 99.2 to our Current Report on Form 6-K, which were filed with the U.S. Securities and Exchange Commission (SEC) on April 20, 2023 and November 18, 2019, respectively, and are available on our investor relations website at <https://ir.yandex/sec-filings> and on the SEC website at <https://www.sec.gov/>. All information in this release and in the attachments is as of October 27, 2023, and Yandex undertakes no duty to update this information unless required by law.

USE OF NON-GAAP FINANCIAL MEASURES

To supplement the financial information prepared and presented in accordance with U.S. GAAP, we present the following non-GAAP financial measures: ex-TAC revenues, Adjusted EBITDA/(loss), Adjusted EBITDA margin and Adjusted net income/(loss). 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/(loss)** means U.S. GAAP net income/(loss) plus (1) depreciation and amortization, (2) certain SBC expense, (3) interest expense, (4) income tax expense, (5) expenses (reversal of expenses) related to the contingent compensation payable to employees in connection with certain business combinations, (6) loss from equity method investments, (7) one-off restructuring and other expenses, and (8) impairment of goodwill and other intangible assets less (1) interest income, (2) other income/(loss), net, (3) gain on restructuring of convertible debt and (4) effect of the News and Zen deconsolidation.
- **Adjusted EBITDA margin** means adjusted EBITDA/(loss) divided by U.S. GAAP revenues.
- **Adjusted net income** means U.S. GAAP net income plus (1) certain SBC expense, (2) expenses (reversal of expenses) related to the contingent compensation payable to certain employees in connection with certain business combinations, (3) one-off restructuring and other expenses, (4) impairment of goodwill and other intangible assets, and (5) amortization of debt discount and issuance costs related to our convertible debt, less (1) foreign exchange gains, (2) gain on restructuring of convertible debt and (3) effect of the News and Zen deconsolidation. Tax effects related to the listed adjustments are excluded from adjusted net income.

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 bonuses but, unlike sales bonuses, are not deducted from U.S. GAAP revenues. By presenting revenue, 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.

Certain SBC expense

SBC is a significant expense item, and an important part of our compensation and incentive programs. As it is 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. However, because we settled the RSU equity awards of our employees in cash during 2022 and 2023, starting from Q3 2022 we no longer eliminate the relevant SBC expense corresponding to the cash payment from adjusted EBITDA and adjusted net income.

Foreign exchange gains

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 EBITDA, adjusted net income and related margin measures excluding these effects, in order to provide greater clarity regarding our operating performance.

Amortization of debt discount and issuance costs

We also adjust net income/(loss) for interest expense representing amortization of the debt discount related to our convertible senior notes due 2025 issued in Q1 2020. 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. We have repurchased substantially all of the outstanding notes to date.

Expenses related to contingent consideration

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 an 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.

Goodwill and other intangible assets impairment

We adjust our net income and EBITDA to exclude a loss from goodwill and intangible assets impairment, as well as any related income tax effects. Excluding these expenses, allow us to provide a clearer picture of our business performance, without being distracted by one-off expenses that are not directly related to our operating activities.

Gain on restructuring of convertible debt

Adjusted net income, adjusted EBITDA and related margin measures for 9 months ended September 30, 2022 exclude gain on restructuring of our convertible debt and income tax effect attributable to this gain.

In June 2022, we completed the purchase of 93.2% in aggregate principal amount of our \$1.25 billion 0.75% Convertible Notes due 2025. As a result of the restructuring, a gain in the amount of RUB 9,305 million and a related income tax expense in the amount of RUB 751 million were recognized. We have repurchased substantially all of the outstanding notes to date.

One-off restructuring and other expenses

We believe that it is useful to present adjusted net income, adjusted EBITDA and related margin measures excluding impacts not related to our operating activities. Adjusted net income and adjusted EBITDA exclude expenses related to the proposed corporate restructuring and other similar one-off expenses.

Effect of the News and Zen deconsolidation

We have adjusted net income, EBITDA and related margin measures for the one-off gain as a result of the News and Zen deconsolidation completed in Q3 2022, in the amount of RUB 38,051 million. We have eliminated this gain from adjusted net income and adjusted EBITDA as we believe that it is useful to present adjusted net income, adjusted EBITDA and related margins measures excluding impacts not related to our operating activities.

The tables at the end of this release provide detailed reconciliations of each non-GAAP financial measure we use from 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, 2022* RUB | September 30, 2023 RUB | September 30, 2023 \$ |
| ASSETS | | | |
| Cash and cash equivalents | 83,131 | 85,411 | 876.8 |
| Accounts receivable | 58,014 | 69,345 | 711.9 |
| Sales financing receivable | 5,738 | 8,778 | 90.1 |
| Prepaid expenses | 16,968 | 25,588 | 262.6 |
| Inventory | 28,220 | 22,745 | 233.5 |
| Funds receivable | 8,290 | 10,839 | 111.3 |
| VAT reclaimable | 22,602 | 24,930 | 255.9 |
| Other current assets | 16,971 | 19,070 | 195.7 |
| Total current assets | 239,934 | 266,706 | 2,737.8 |
| Property and equipment | 127,706 | 164,744 | 1,691.2 |
| Operating lease right-of-use assets | 28,646 | 35,265 | 362.0 |
| Intangible assets | 31,766 | 35,493 | 364.3 |
| Content assets | 16,844 | 21,969 | 225.5 |
| Goodwill | 143,778 | 142,840 | 1,466.3 |
| Equity method investments | 2,118 | 1,160 | 11.9 |
| Investments in non-marketable equity securities | 6,746 | 9,033 | 92.7 |
| Deferred tax assets | 3,904 | 7,470 | 76.7 |
| Other non-current assets | 15,277 | 27,387 | 281.2 |
| Total non-current assets | 376,785 | 445,361 | 4,571.8 |
| TOTAL ASSETS | 616,719 | 712,067 | 7,309.6 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Accounts payable, accrued and other liabilities | 122,816 | 162,573 | 1,668.8 |
| Debt, current portion | 21,306 | 82,654 | 848.5 |
| Income and non-income taxes payable | 28,137 | 33,311 | 342.0 |
| Deferred revenue | 15,585 | 20,070 | 206.0 |
| Total current liabilities | 187,844 | 298,608 | 3,065.3 |
| Debt, non-current portion | 29,885 | 26,703 | 274.1 |
| Deferred tax liabilities | 5,473 | 8,501 | 87.3 |
| Operating lease liabilities | 17,609 | 24,576 | 252.3 |
| Finance lease liabilities | 21,185 | 26,184 | 268.8 |
| Other accrued liabilities | 16,545 | 25,507 | 261.8 |
| Total non-current liabilities | 90,697 | 111,471 | 1,144.3 |
| Total liabilities | 278,541 | 410,079 | 4,209.6 |
| Commitments and contingencies | | | |
| Shareholders' equity: | | | |
| Ordinary shares: par value (Class A €0.01, Class B €0.10 and Class C €0.09); shares authorized (Class A: 500,000,000, Class B: 37,138,658 and Class C: 37,748,658); shares issued (Class A: 326,342,270, Class B: 35,698,674 and Class C: 10,000 and nil, respectively); shares outstanding (Class A: 325,783,607, Class B: 35,698,674, and Class C: nil) | 282 | 282 | 2.9 |
| Treasury shares at cost (Class A: 558,663) | (1,393) | (1,393) | (14.3) |
| Additional paid-in capital | 119,464 | 84,997 | 872.5 |
| Accumulated other comprehensive income | 24,258 | 18,199 | 186.9 |
| Retained earnings | 173,697 | 199,887 | 2,051.9 |
| Total equity attributable to Yandex N.V. | 316,308 | 301,972 | 3,099.9 |
| Noncontrolling interests | 21,870 | 16 | 0.1 |
| Total shareholders' equity | 338,178 | 301,988 | 3,100.0 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 616,719 | 712,067 | 7,309.6 |

* Derived from audited consolidated financial statements

YANDEX N.V.

Unaudited Condensed Consolidated Statements of Operations

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

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|----------------------------------|---------------|--------------|---------------------------------|---------------|--------------|
| | 2022 | 2023 | 2023 | 2022 | 2023 | 2023 |
| | RUB | RUB | \$ | RUB | RUB | \$ |
| Revenues | 133,163 | 204,769 | 2,102.0 | 356,921 | 550,539 | 5,651.5 |
| Operating costs and expenses: | | | | | | |
| Cost of revenues ⁽¹⁾ | 55,654 | 88,205 | 905.5 | 155,386 | 244,864 | 2,513.6 |
| Product development ⁽¹⁾ | 17,058 | 26,237 | 269.3 | 53,045 | 72,452 | 743.7 |
| Sales, general and administrative ⁽¹⁾ | 42,186 | 67,003 | 687.8 | 118,733 | 177,676 | 1,823.9 |
| Depreciation and amortization | 7,468 | 11,240 | 115.4 | 22,648 | 28,863 | 296.3 |
| Goodwill impairment | - | - | - | - | 1,136 | 11.7 |
| Total operating costs and expenses | 122,366 | 192,685 | 1,978.0 | 349,812 | 524,991 | 5,389.2 |
| Income from operations | 10,797 | 12,084 | 124.0 | 7,109 | 25,548 | 262.3 |
| Interest income | 1,127 | 1,289 | 13.2 | 3,526 | 3,612 | 37.1 |
| Interest expense | (779) | (3,781) | (38.8) | (2,508) | (6,927) | (71.1) |
| Gain on restructuring of convertible debt | - | - | - | 9,305 | - | - |
| Effect of the News and Zen deconsolidation | 38,051 | - | - | 38,051 | - | - |
| Loss from equity method investments | (890) | (1,416) | (14.5) | (1,341) | (1,657) | (17.0) |
| Other income/(loss), net | 4,053 | 7,209 | 74.0 | (514) | 22,086 | 226.6 |
| Net income before income taxes | 52,359 | 15,385 | 157.9 | 53,628 | 42,662 | 437.9 |
| Income tax expense | 6,818 | 7,704 | 79.1 | 13,068 | 14,565 | 149.5 |
| Net income | 45,541 | 7,681 | 78.8 | 40,560 | 28,097 | 288.4 |
| Net income attributable to noncontrolling interests | (2,373) | - | - | (6,049) | (1,905) | (19.5) |
| Net income attributable to Yandex N.V. | 43,168 | 7,681 | 78.8 | 34,511 | 26,192 | 268.9 |
| Net income per Class A and Class B share: | | | | | | |
| Basic | 116.38 | 20.71 | 0.21 | 94.02 | 70.63 | 0.73 |
| Diluted | 116.23 | 20.63 | 0.21 | 69.62 | 70.40 | 0.72 |
| Weighted average number of Class A and Class B shares used in per share computation | | | | | | |
| Basic | 370,925,704 | 370,834,420 | 370,834,420 | 367,071,728 | 370,837,699 | 370,837,699 |
| Diluted | 371,390,423 | 372,293,060 | 372,293,060 | 375,794,547 | 372,028,664 | 372,028,664 |

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

| | | | | | | |
|-----------------------------------|-------|-------|------|--------|-------|-------|
| Cost of revenues | 169 | 172 | 1.8 | 449 | 513 | 5.3 |
| Product development | 3,771 | 3,370 | 34.6 | 11,237 | 9,839 | 101.0 |
| Sales, general and administrative | 2,523 | 2,350 | 24.1 | 7,537 | 6,839 | 70.2 |

YANDEX N.V.

Unaudited Condensed Consolidated Statements of Cash Flows

(in millions of Russian rubles and U.S. dollars)

| | Three months ended September 30, | | |
|---|----------------------------------|-----------------|----------------|
| | 2022 | 2023 | 2023 |
| | RUB | RUB | \$ |
| CASH FLOWS PROVIDED BY OPERATING ACTIVITIES: | | | |
| Net income | 45,541 | 7,681 | 78.8 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation of property and equipment | 5,630 | 8,073 | 82.9 |
| Amortization of intangible assets | 1,838 | 3,167 | 32.5 |
| Amortization of content assets | 2,051 | 1,807 | 18.5 |
| Operating lease right-of-use assets reduction and the lease liability accretion | 3,376 | 3,614 | 37.1 |
| Share-based compensation expense (excluding cash settled awards of RUB 5,745 and RUB 2,399, respectively) | 718 | 3,492 | 35.8 |
| Deferred income tax expense | 1,084 | 325 | 3.3 |
| Foreign exchange gains | (4,242) | (7,500) | (77.0) |
| Loss from equity method investments | 890 | 1,416 | 14.5 |
| Effect of the News and Zen deconsolidation | (38,051) | - | - |
| Provision for expected credit losses | 731 | 1,225 | 12.6 |
| Other | 320 | 2,663 | 27.4 |
| <i>Changes in operating assets and liabilities excluding the effect of acquisitions:</i> | | | |
| Accounts receivable | (8,836) | (4,779) | (49.1) |
| Prepaid expenses | (2,734) | (4,966) | (50.9) |
| Inventory | (1,461) | (1,807) | (18.5) |
| Accounts payable, accrued and other liabilities and taxes payable | 23,978 | 13,064 | 134.1 |
| Deferred revenue | 960 | 1,387 | 14.2 |
| Other assets | 762 | 5,295 | 54.4 |
| VAT reclaimable | (2,148) | (503) | (5.2) |
| Funds receivable | 709 | (4,446) | (45.6) |
| Sales financing receivable | (1,050) | (3,091) | (31.7) |
| Content assets | (2,519) | (4,846) | (49.7) |
| Content liabilities | (1,087) | 1,075 | 11.0 |
| Net cash provided by operating activities | 26,460 | 22,346 | 229.4 |
| CASH FLOWS USED IN INVESTING ACTIVITIES: | | | |
| Purchases of property and equipment and intangible assets | (4,609) | (26,862) | (275.7) |
| Purchase of assets to be leased | - | (4,217) | (43.3) |
| Investments in term deposits | (1,235) | - | - |
| Net cash acquired as a result of the News and Zen deconsolidation and our acquisition of Delivery Club | 1,795 | - | - |
| Loans granted | (144) | (2,303) | (23.6) |
| Bank deposits and loans to customers | - | (1,621) | (16.6) |
| Proceeds from repayments of loans | - | 443 | 4.5 |
| Other investing activities | (265) | 693 | 7.1 |
| Net cash used in investing activities | (4,458) | (33,867) | (347.6) |
| CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES: | | | |
| Proceeds from issuance of debt | 3,447 | 79,787 | 819.0 |
| Repayment of debt | (3,532) | (63,246) | (649.2) |
| Bank deposits and liabilities | - | 8,255 | 84.7 |
| Payment for finance leases | (435) | (872) | (9.0) |
| Other financing activities | (360) | - | - |
| Net cash provided by/(used in) financing activities | (880) | 23,924 | 245.5 |
| Effect of exchange rate changes on cash and cash equivalents, and restricted cash and cash equivalents | 4,027 | 1,646 | 16.9 |
| Net change in cash and cash equivalents, and restricted cash and cash equivalents | 25,149 | 14,049 | 144.2 |
| Cash and cash equivalents, and restricted cash and cash equivalents, beginning of period | 75,867 | 72,622 | 745.5 |
| Cash and cash equivalents, and restricted cash and cash equivalents, end of period | 101,016 | 86,671 | 889.7 |

YANDEX N.V.

Unaudited Condensed Consolidated Statements of Cash Flows

(in millions of Russian rubles and U.S. dollars)

| | Nine months ended September 30, | | |
|---|---------------------------------|-----------------|----------------|
| | 2022 RUB | 2023 RUB | 2023 \$ |
| CASH FLOWS PROVIDED BY OPERATING ACTIVITIES: | | | |
| Net income | 40,560 | 28,097 | 288.4 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation of property and equipment | 17,279 | 20,995 | 215.5 |
| Amortization of intangible assets | 5,369 | 7,868 | 80.8 |
| Amortization of content assets | 6,677 | 6,347 | 65.2 |
| Operating lease right-of-use assets reduction and the lease liability accretion | 11,087 | 10,408 | 106.8 |
| Amortization of debt discount and issuance costs | 585 | - | - |
| Share-based compensation expense (excluding cash settled awards of RUB 14,953 and RUB 10,718, respectively) | 4,270 | 6,472 | 66.4 |
| Deferred income tax expense/(benefit) | 1,399 | (52) | (0.5) |
| Foreign exchange gains | (11) | (22,378) | (229.7) |
| Loss from equity method investments | 1,341 | 1,657 | 17.0 |
| Effect of the News and Zen deconsolidation | (38,051) | - | - |
| Gain on restructuring of convertible debt | (9,305) | - | - |
| Impairment of long-lived assets | 3,644 | 1,199 | 12.3 |
| Provision for expected credit losses | 1,769 | 3,488 | 35.8 |
| Other | 801 | 3,469 | 35.6 |
| <i>Changes in operating assets and liabilities excluding the effect of acquisitions:</i> | | | |
| Accounts receivable | (4,296) | (11,778) | (120.9) |
| Prepaid expenses | (5,129) | (6,007) | (61.7) |
| Inventory | (7,526) | 2,453 | 25.2 |
| Accounts payable, accrued and other liabilities and taxes payable | 22,870 | 18,287 | 187.7 |
| Deferred revenue | 1,654 | 3,941 | 40.5 |
| Other assets | 568 | 1,776 | 18.2 |
| VAT reclaimable | (1,983) | (1,459) | (15.0) |
| Funds receivable | 1,658 | (2,033) | (20.9) |
| Sales financing receivable | (1,785) | (4,068) | (41.8) |
| Content assets | (8,718) | (11,270) | (115.7) |
| Content liabilities | (1,440) | 1,018 | 10.5 |
| Net cash provided by operating activities | 43,287 | 58,430 | 599.7 |
| CASH FLOWS USED IN INVESTING ACTIVITIES: | | | |
| Purchases of property and equipment and intangible assets | (30,296) | (52,031) | (534.1) |
| Purchase of assets to be leased | - | (12,806) | (131.5) |
| Acquisitions of businesses, net of cash acquired | (820) | - | - |
| Net cash acquired as a result of the News and Zen deconsolidation and our acquisition of Delivery Club | 1,795 | - | - |
| Proceeds from sale of marketable equity securities | 5,859 | - | - |
| Investments in term deposits | (3,235) | (6) | (0.1) |
| Maturities of term deposits | 25,769 | 160 | 1.7 |
| Loans granted | (169) | (3,300) | (33.8) |
| Proceeds from repayments of loans | 480 | 1,641 | 16.8 |
| Bank deposits and loans to customers | - | (1,621) | (16.6) |
| Other investing activities | (371) | 874 | 9.0 |
| Net cash used in investing activities | (988) | (67,089) | (688.6) |
| CASH FLOWS PROVIDED/(USED IN) FINANCING ACTIVITIES: | | | |
| Proceeds from issuance of debt | 50,228 | 161,468 | 1,657.5 |
| Repayment of debt | (49,364) | (103,581) | (1,063.3) |
| Repayments of overdraft borrowings | (2,940) | - | - |
| Purchase of non-redeemable noncontrolling interests | - | (57,337) | (588.6) |
| Payment of contingent consideration and holdback amount | (195) | (77) | (0.8) |
| Payment for finance leases | (1,154) | (2,327) | (23.9) |
| Bank deposits and liabilities | - | 8,255 | 84.7 |
| Other financing activities | (1,390) | (5,674) | (58.1) |
| Net cash provided by/(used in) financing activities | (4,815) | 727 | 7.5 |
| Effect of exchange rate changes on cash and cash equivalents, and restricted cash and cash equivalents | (15,866) | 10,162 | 104.3 |
| Net change in cash and cash equivalents, and restricted cash and cash equivalents | 21,618 | 2,230 | 22.9 |
| Cash and cash equivalents, and restricted cash and cash equivalents, beginning of period | 79,398 | 84,441 | 866.8 |
| Cash and cash equivalents, and restricted cash and cash equivalents, end of period | 101,016 | 86,671 | 889.7 |

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 September 30, | | | Nine months ended September 30, | | |
|---------------------------------------|----------------------------------|---------|--------|---------------------------------|---------|--------|
| | 2022 | 2023 | Change | 2022 | 2023 | Change |
| Total revenues | 133,163 | 204,769 | 54% | 356,921 | 550,539 | 54% |
| Less: traffic acquisition costs (TAC) | 9,223 | 14,669 | 59% | 22,705 | 38,415 | 69% |
| Ex-TAC revenues | 123,940 | 190,100 | 53% | 334,216 | 512,124 | 53% |

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

| <i>In RUB millions</i> | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|----------------------------------|---------|--------|---------------------------------|----------|--------|
| | 2022 | 2023 | Change | 2022 | 2023 | Change |
| Net income | 45,541 | 7,681 | -83% | 40,560 | 28,097 | -31% |
| Add: depreciation and amortization | 7,468 | 11,240 | 51% | 22,648 | 28,863 | 27% |
| Add: certain SBC expense | 1,738 | 3,111 | 79% | 14,498 | 8,154 | -44% |
| Add: one-off restructuring and other expenses | - | 93 | n/m | - | 304 | n/m |
| Add: reversal of compensation expense related to contingent consideration | - | - | n/m | (27) | - | n/m |
| Less: gain on restructuring of convertible debt | - | - | n/m | (9,305) | - | n/m |
| Less: effect of the News and Zen deconsolidation | (38,051) | - | n/m | (38,051) | - | n/m |
| Less: interest income | (1,127) | (1,289) | 14% | (3,526) | (3,612) | 2% |
| Add: interest expense | 779 | 3,781 | 385% | 2,508 | 6,927 | 176% |
| Add: loss from equity method investments | 890 | 1,416 | 59% | 1,341 | 1,657 | 24% |
| Less: other income/(loss), net | (4,053) | (7,209) | 78% | 514 | (22,086) | n/m |
| Add: impairment of goodwill and other intangible assets | - | - | n/m | 2,740 | 1,199 | -56% |
| Add: income tax expense | 6,818 | 7,704 | 13% | 13,068 | 14,565 | 11% |
| Adjusted EBITDA | 20,003 | 26,528 | 33% | 46,968 | 64,068 | 36% |

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

| <i>In RUB millions</i> | Three months ended September 30, | | | Nine months ended September 30, | | |
|--|----------------------------------|---------|---------------|---------------------------------|----------|---------------|
| | 2022 | 2023 | <i>Change</i> | 2022 | 2023 | <i>Change</i> |
| Net income | 45,541 | 7,681 | -83% | 40,560 | 28,097 | -31% |
| <i>Add:</i> certain SBC expense | 1,738 | 3,111 | 79% | 14,498 | 8,154 | -44% |
| <i>Add:</i> reversal of compensation expense related to contingent consideration | - | - | <i>n/m</i> | (27) | - | <i>n/m</i> |
| Less: foreign exchange gains | (4,242) | (7,500) | 77% | (11) | (22,378) | <i>n/m</i> |
| <i>Add:</i> one-off restructuring and other expenses | - | 93 | <i>n/m</i> | - | 304 | <i>n/m</i> |
| Less: effect of the News and Zen deconsolidation | (38,051) | - | <i>n/m</i> | (38,051) | - | <i>n/m</i> |
| Less: gain on restructuring of convertible debt | - | - | <i>n/m</i> | (9,305) | - | <i>n/m</i> |
| <i>Add:</i> impairment of goodwill and other intangible assets | - | - | <i>n/m</i> | 2,740 | 1,199 | -56% |
| <i>Add:</i> amortization of debt discount and issuance costs | - | - | <i>n/m</i> | 585 | - | <i>n/m</i> |
| Tax effect of adjustments | 23 | (19) | <i>n/m</i> | (970) | 207 | <i>n/m</i> |
| Adjusted net income | 5,009 | 3,366 | -33% | 10,019 | 15,583 | 56% |

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October 27, 2023

Yandex Q3 2023 Earnings: Letter to Shareholders

1. Introduction and Overview

- The external environment in which we operate remains challenging for our businesses, teams and shareholders. Nevertheless, we managed to maintain a solid growth profile (led by our core advertising segment) and to improve operational efficiency across multiple businesses (including Yandex Market, Lavka, Grocery and Food Delivery, as well as Plus and Entertainment services, which retained a positive adjusted EBITDA for the second quarter in a row). Overall, we finished the quarter with our total group revenue increasing by 53.8% year-on-year and amounting to RUB 204.8 billion. The company's adjusted EBITDA reached RUB 26.5 billion, delivering a 13% margin, and our adjusted Net Income amounted to RUB 3.4 billion.
- Product-wise, we focused on further advancement and integration of our AI models, including a release of an updated version of YandexGPT and further integration of our large language model into more of our products and services (such as search, Yandex Browser, Yandex Market, Yandex Lavka and others).
- In Q3 2023, we increased our headcount by 29% year-on-year to 25,703 full-time employees as of the end of September of 2023 (up 6% compared to June 2023), which was primarily driven by growth in Search and Portal, Yandex Cloud and Yandex Market. During Q3 2023, our staff turnover further improved and remained below the corresponding quarters of 2022 and 2021, including among developers.
- Yandex's Board of Directors remains fully committed to the goal of completing the proposed corporate restructuring and the divestiture of the company's core businesses, including all Russia-based businesses.
- We have taken a number of important, concrete steps to prepare for the consummation of the proposed divestiture, including receiving consent from the Class A shareholders for the Board to undertake preparatory corporate restructuring steps, i.e., the merger of certain intermediate Dutch holding companies into Yandex N.V. The company has also obtained one of the required approvals from the Government Commission for Control over Foreign Investments in the Russian Federation of the internal restructuring of the group, which is a pre-requisite for the divestiture. We have also made progress towards completing other necessary steps of our corporate restructuring plan.
- The proposed restructuring would be subject to further shareholder approval (including separate approval by our Class A shareholders), and the company continues to aim to bring a restructuring proposal to shareholders for approval by the end of this year.
- Below are our comments on our Q3 2023 results across the key businesses.

2. Search & Portal and Advertising

- Search & Portal revenue increased by 47.9% year-on-year in Q3 2023. This growth was mainly driven by the solid performance of our core search business and the Yandex Advertising Network (YAN) on the back of our investments in the expansion of advertising inventory, along with development and efficiency improvements of our ad-products and technologies.
 - We are seeing continued solid growth so far in October, though the pace continues to gradually normalize.
 - Search continued to be the most significant contributor to our advertising revenue. In Q3 2023, our total search share reached 62.6%, up 0.6 pp on a year-on-year basis supported mainly by our distribution activities and product improvements. The latter include developing e-commerce scenarios in search (by providing comprehensive information in product cards to make a measured purchase decision) and improving the efficiency of search results by integrating our large language model YandexGPT into article retelling feature on Yandex Browser, the quick answers in a beta test and the content summarization from product reviews. We have also introduced a number of improvements to video formats, including subtitles for videos in Russian on desktop and the real-time translation for live streams into Russian on YouTube on Yandex Browser. Our search share on iOS reached 49.8% in Q3 2023, an increase of 1.5 pp compared to a year ago, while on Android our search share amounted to 62.5%, up 0.6 pp compared to Q3 2022.
 - Our ad network has consistently demonstrated strong performance, outpacing the growth rates of our core search, supported by the expansion of our ad inventory, particularly on mobile: for example, ad revenue in partner apps grew by 74% year-on-year in Q3 2023. We also continued developing new ad formats to better monetize advertising inventory.
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During the quarter, we introduced the ad banner on SERP, which has proven to be an efficient brand advertising solution leading to an approximate 20% increase in post-view conversion rates. Another recently launched brand ad format, video banner, also demonstrated solid results with over 50% growth in conversion rates in beta testing.

- Product-wise, the e-commerce sector remains one of our strategic focus areas. During the quarter, we enhanced our Product campaign, our automated advertising instrument to promote goods and online stores, by simplifying the automated creation of video formats for a wider range of products and the promotion of specific product categories on a website. In addition, we significantly improved targeting of the Product Gallery (an ad solution featuring product cards from different sellers under the search bar), which translated to incremental GMV growth for e-commerce clients. Our efforts to improve ad products and technologies tailored for e-commerce resulted in a 44% year-on-year increase (from a higher base) of ad budgets related to this sector in Q3 2023.
- We maintain our focus on enhancing advertising efficiency while also further expanding the range of automated solutions. Our conversion-oriented strategies (aimed at better customization and higher ad efficiency for our clients) already contribute over half to Search & Portal ad revenue and 75% to Yandex's Advertising Network revenue as of the end of Q3 2023. We also continued to concentrate on the improvement and expansion of automatic targeting algorithms, which as of the end of Q3 2023 delivered almost half of performance-based ad revenue on Search and around 80% on YAN.
- In Q3 2023 Search & Portal generated adjusted EBITDA of RUB 47.0 billion, which implies a margin of 52.0% vs. 56.6% in Q3 2022. The solid margin mainly reflects a positive operating leverage effect on the back of strong ad revenue growth, while the year-on-year dynamic is driven by an increase in personnel as well as marketing and advertising expenses from the low base of last year.

3. Mobility

- In Q3 2023, GMV of our Mobility services, including our ride-hailing, scooters and car-sharing businesses, grew by 51% to RUB 299 billion. This growth was supported by triple-digit growth of CIS and EMEA countries, as well as growing demand for ride-hailing services in Russia amid continuing driver and vehicle undersupply and growing share of non-economy tariffs in the ongoing shift of new vehicle supply on the market towards upper-class models.
- The number of active users in our Yandex Go application grew to 43.5 million in September 2023, up 19% year-on-year and 3% compared to June 2023. Order frequency during the quarter increased to 7.3 trips per user per month on average despite a strong inflow of new active riders, who typically have lower ride frequency.
- Our international taxi segment again performed well. In Q3 2023, CIS and EMEA countries continued to drive the overall growth of trips, contributing more than 75% of the increase in Ride-hailing trips in absolute terms, while trips in Russia grew 6% year-on-year. In September the total share of ride-hailing trips outside of Russia reached 37% compared to 29% a year ago.
- We ended the quarter with 1.5 million active drivers on the platform, while the share of drivers outside of Russia reached almost half of all driver supply. Our domestic Ride-hailing business continued to face a number of challenges in Q3 2023, including a deficit of economy class cars in the market and a restricted supply of drivers. In Q3 2023, the inflow of new drivers in our ride-hailing service in Russia declined by 15% year-on-year. Together, these factors significantly increased the surge coefficient which serves to balance demand and supply on our platform and ensures minimum waiting time for a car and its availability.
- Overall, in Q3 2023 partners' earnings increased by 52% and totaled RUB 262 billion, growing faster than GMV, on the back of significant increase in partners' expenses due to industry-wide challenges. In Q3 2023 we increased incentives to encourage higher driver supply, mostly in our domestic market. Driver incentives grew by 66% year-on-year. Our effective take rate remained below 10% in Q3 2023 and was 80 basis points lower than in Q3 2022.
- Our other shared transportation services include the Drive (car-sharing) and Scooter businesses. As of the end of Q3 2023, Drive operated 15.3 thousand cars, while the Scooters fleet almost tripled year-on-year to 56 thousand.

4. E-commerce

- In Q3 2023, E-commerce GMV grew by 67% year-on-year, resulting in an absolute GMV amount of RUB 121.2 billion. Our FMCG vertical (which includes Lavka in Russia, Market 15, Eats and Market Delivery grocery segment and Market FMCG) grew even faster – by 86% year-on-year. Yandex Market GMV grew by 1.6 times, while our merchants' GMV grew at a slightly faster pace of 1.7 times year-on-year as the share of 1P continued to decrease from 16% in Q2 2023 to 13% in Q3 2023.
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- During the quarter, we observed an increase in promotional activity from the largest players in the market, while we maintained our focus on unit economics. In Q3 2023 our total E-commerce unit economics improved by 2 pp year-on-year and turned positive, despite industry-wide constraints, including rising operational costs due to inflation, as well as labor shortages.
- Yandex Market was the largest contributor to improvements in unit economics in the E-commerce segment and managed to achieve a positive level in the last month of the quarter. The Yandex Market team has focused on increasing the efficiency of 1P sales (optimization of share, improvement of procurement process and the turnover of goods), improving fulfillment and delivery operations, growing marketing revenue and re-balancing merchants' commissions, which helped not only unit economics, but also led to an improvement of cash burn by 16 percentage points of GMV compared to the corresponding quarter last year. Lavka Russia maintained positive double digit unit economics and reported positive adjusted EBITDA for the third quarter in a row, while unit economics of the Eats and Market Delivery grocery vertical approached breakeven and improved both year-on-year and sequentially. During the quarter we focused on deepening synergies between our E-commerce businesses via optimization of assortment across our operational models, improving fulfillment and delivery operations as well as advertising revenues.
- We continue to leverage Lavka dark stores as a part of our E-commerce logistics infrastructure and further scale Market "delivery-by-click" service. The share of Market parcels delivered by click through Lavka darkstores in Moscow and Saint-Petersburg reached 20% in September, while almost a quarter of such parcels generated additional GMV for Lavka (twice as high as a year ago).
- Advertising revenues of Yandex Market grew four times year-on-year in absolute terms and reached 3.5% of Yandex Market GMV in Q3 2023. During the quarter we improved ad recommendations that significantly increased the number of ad clicks in our performance tool "Sales Boost", driving growth of merchants' GMV and demand for CPA advertising tools on the platform. The share of "Sales Boost" exceeded two thirds of our ad revenues in Q3. We also worked on affordability of CPM advertising products to a wider group of merchants, who now can buy display impressions in their merchant accounts along with vendors. The implementation of these changes throughout the quarter translated into a further increase of Yandex Market advertising revenue share as percent of GMV in September 2023.
- We continued developing a range of private brands across our E-commerce verticals to improve the attractiveness of our platform and further diversify our assortment. Sales of private goods under proprietary brands already account for approximately 1% of the total Market's GMV and more than 15% of the Lavka Russia GMV. Our Yandex Market private brands portfolio consists of 7 brands with a total number of 400 high-margin SKUs in more than 50 categories, in some of which our brand holds top popularity positions (e.g., 'Junion' brand has become top-3 in a Kids category by the end of September).
- Among other developments in the Yandex Market business, we note the following:
 - The number of active sellers increased by 95% year-on-year in Q3 2023 to 68.4 thousand, while the number of total unique sellers listed on our platform reached 100 thousand as of October 2023. We continued to enhance our B2B offering including improved analytical tools on sales dynamic, pricing, effectiveness of ad campaigns, and stock management, as well as updating API integration tools and expanding the use of Yandex GPT capabilities. We have also expanded the scope of our fintech product for merchants 'Cash Advance', providing them with financial support to develop their businesses and grow sales on our platform.
 - As of the end of Q3 2023, the total number of SKUs offered on Yandex Market increased by 19% year-on-year to 58.5 million with the Apparel, Pharmacy and Home categories being among the fastest growing year-on-year. We have extended the terms of sale of IKEA stock, which allows us to sell these IKEA products until December 31, 2024. We have also entered into several partnerships with key large merchants (e.g., Hoff, Sportmaster and others) to further expand and diversify our assortment.
 - The number of active buyers grew by 40% year-on-year to 17.6 million, driven by improvements in our B2C product and user experience. In Q3 2023, the total number of orders doubled year-on-year and reached 23.4 million. During the quarter, we launched Upgraded Split, a Yandex Bank credit product with special conditions (no initial payment and one- or two-year terms), which already accounts for 20% of all orders made with Split. Overall, every fourth purchase on Yandex Market in September 2023 was made by using Split.
 - The number of daily average users of Yandex Market increased by more than 2.2 million per day in Q3 2023 compared to Q3 2022 and reached 7.5 million users.

5. Other O2O services:

- GMV of our other O2O services grew by 79% year-on-year in Q3 2023 with Yandex Delivery and Yandex Food Delivery services including Market Delivery, being the largest contributors, with the growth exceeding 109% year-on-year.
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- Our Food Delivery business further improved operational efficiency with the share of batched orders reached 40% in Q3 2023. This allowed us to meet the growing demand amid courier undersupply in our domestic market. Growing order density and efficient batching led to higher courier utilization and an increase in their earnings. On a per-hour basis courier earnings grew 30% year-on-year in Q3 2023.
- Our last- and middle-mile Delivery business exceeded the level of 700 thousand parcels per day in September 2023 on the back of growing penetration of E-commerce and food delivery in Russia, as well as international expansion. The share of deliveries outside of Russia reached 30% of total deliveries in September 2023. Yandex Delivery GMV grew by 90% year-on-year in Q3 2023. We increased our investments in courier supply to cope with the growing demand for delivery services, which resulted on a per-hour basis courier earnings increased 25% year-on-year in Q3 2023.

6. Additional comments on other fast-growing businesses:

- **Plus and Entertainment Services** revenues delivered solid 123% year-on-year growth primarily driven by the growth of subscription revenue (which increased by 92% year-on-year) on the back of the expanding base of paid subscribers and changes in tariff mix, as well as solid trends in other revenue streams, including advertising. The number of Yandex Plus subscribers reached 25.8 million (up 63% year-on-year) as of the end of Q3 2023. Average revenue per paying subscriber in September 2023 increased by 41% year-on-year.
 - Plus subscribers continued to demonstrate higher frequency (by 36%) and higher spending (by 71%) compared to non-Plus users across our key transactional services as well as better retention. Plus subscribers generate a substantial part of GMV for our Food Delivery and E-commerce services: on average, two-thirds of GMV for Yandex Lavka, Yandex Eats, Market Delivery and Yandex Market.
 - Kinopoisk continues to maintain its top position on the video-on-demand market based on the total number of subscribers, as well as paid subscribers, according to a GfK report for Q3 2023. We believe high quality and varied content is the key factor helping us to further strengthen our leadership position: in Q3 2023 we announced 11 upcoming original projects in the 2023-2024 season as well as a musical adaptation.
 - Yandex Afisha retained its leading position: according to a GfK report for Q3 2023 our ticketing service is used more often compared to other players in Russia. Yandex Afisha sold 3.5 million tickets in Q3 2023 (up 95% year-on-year), reaching 12 million tickets sold for the first nine months of the year (up 79% year-on-year). In particular, Afisha sold the most tickets (around 67%) directly to users within its websites and mobile apps. Another part of Yandex Afisha's business is our B2B platform, providing partners with efficient and secure ticket sales management on their platforms, including payment processing. In Q3 2023, GMV of 1P ticket sales increased by 133% year-on-year to RUB 4.3 billion, while GMV of tickets sold by partners through our B2B platform grew by 71% year-on-year to RUB 1.5 billion.
 - Yandex Music continues to lead among music streaming services in terms of the number of subscribers (both total and paid subscribers), according to a GfK report for Q3 2023. We further expanded our Yandex Music library as well as non-music content and content specifically tailored for kids. The number of podcasts and audiobook episodes available has now exceeded 1.4 million.
 - We remain focused on cross-service launches that are supported by multiple services across the Yandex platform: during the third quarter, Victor Pelevin's twentieth novel "Journey to Eleusis" released on Bookmate was also advertised in our Yandex Go super app with its 43.5 million monthly audience in audio and text formats, while the release of comedy series "Cyber Village" on Kinopoisk was supported by the sale of limited edition Yandex Stations dedicated to the series on Yandex Market. Such cross-service launches support growth of ecosystem customers and improve customer retention.
 - **Yandex Cloud** revenues increased 60% year-on-year in Q3 2023, supported by product portfolio expansion as well as an improvement in our market share on the back of increasing demand for our services. During the last quarter we offered to our B2B clients a testing access to the Yandex GPT technology and Yandex SpeechSense, a speech analytics service with Yandex GPT. Security of our customers data and IT systems remains one of our priorities: in Q3 2023 we also introduced Smart Web Security, a service for protecting a company's web applications from a complex attacks.
 - The revenue of **Devices and Alice** grew by 94% year-on-year to RUB 7.2 billion in Q3 2023 due to devices sales growth supported by our efficient targeted marketing activities and the expansion in the range of models available. Since the launch of our first smart device in late 2018, we have sold about 8 million Yandex Stations. During the last quarter we introduced TV Station and TV Station Pro that represent a new category of TVs and combine the capabilities of a smart speaker with our virtual assistant Alice and smart TV in one device. This is a unique product that has no analogues on the Russian market. In partnership with Xiaomi, we introduced the first smart display powered by our virtual assistant, Alice. In Q3 2023,
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we launched a new Alice feature which has the ability to accept orders through our hyperlocal convenience store delivery service Yandex Lavka. Monthly active users of Alice grew to 61.5 million as of September 2023.

- During Q3 2023 our **Fintech** team launched their own first saving product known as Saver, as well as an updated version of our payment service application Yandex Pay, which allows clients to pay for both online and offline purchases and aggregates all our financial services in one application.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts, including, without limitation, statements regarding our future financial and business performance, our business and strategy and the impact of the current geopolitical and macroeconomic developments on our industry, business and financial results, are forward-looking statements. The words “anticipate,” “believe,” “continue,” “estimate,” “expect,” “guide,” “intend,” “likely,” “may,” “will” and similar expressions and their negatives are intended to identify forward-looking statements. 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, changes in the political, legal and/or regulatory environment and regulatory and business responses to that crisis, competitive pressures, changes in advertising patterns, changes in user preferences, 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, 2022 and “Risk Factors” in the Shareholder Circular filed as Exhibit 99.2 to our Current Report on Form 6-K, which were filed with the U.S. Securities and Exchange Commission (SEC) on April 20, 2023 and November 18, 2019, respectively, and are available on our investor relations website at <https://ir.yandex/sec-filings> and on the SEC website at <https://www.sec.gov/>. All information in this document is as of October 27, 2023, and Yandex undertakes no duty to update this information unless required by law.

USE OF NON-GAAP FINANCIAL MEASURES

To supplement the financial information prepared and presented in accordance with U.S. GAAP, we present the following non-GAAP financial measures: adjusted EBITDA, adjusted EBITDA margin and adjusted Net income/(loss). 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. 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. 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 in Yandex’s press release dated October 27, 2023.
