



Reorganization of holdings in Yandex.Market and Yandex.Money

June 24, 2020

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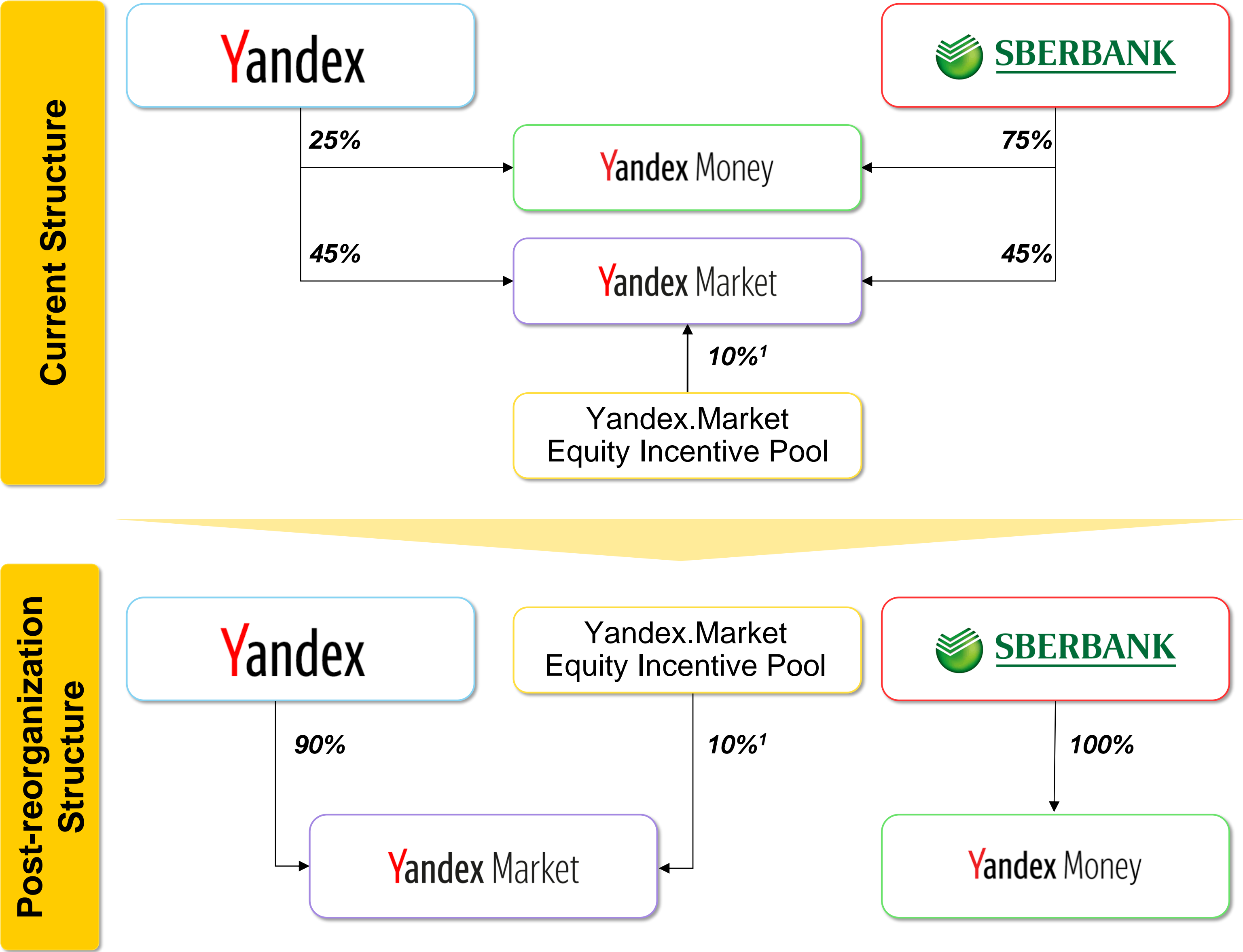
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Executive summary

- On June 23, 2020, Yandex N.V. (“Yandex”) and PJSC Sberbank (“Sberbank”) entered into an agreement to reorganise holdings of their jointly owned businesses Yandex.Market and Yandex.Money
 - Yandex will acquire from Sberbank **its entire 45%** equity interest in **Yandex.Market for RUB 42.0bn in cash**
 - Yandex will sell **its entire 25%** plus 1 Ruble stake in **Yandex.Money** to Sberbank **for c. RUB 2.4bn in cash**
 - **Any non-compete agreements** (including exclusivity obligations on payment and financial services) between Yandex and Sberbank **will be terminated**
- The transactions were approved by the Board of Directors of Yandex and the Executive Management Board and the Supervisory Board of Sberbank
- The transactions are **subject to anti-trust approvals**
- **Closing of both transactions is inter-conditional** and is expected to be **completed in Q3 2020**
- By acquiring the remaining shares in Yandex.Market, Yandex is aiming to solidify its presence in the highly attractive Russian e-commerce market, while unlocking the full synergistic potential from deeper integration within the Yandex ecosystem
- Simultaneously Yandex will be issuing an additional \$800m of Class A ordinary shares in order to maintain financial flexibility and fund the future growth and strategic opportunities across multiple sectors, including e-commerce

Overview of the reorganization

- Yandex currently accounts for its 45% interest in Yandex.Market and 25% interest in Yandex.Money using the equity method
- Following the closing of the transaction
 - Yandex.Market will become a majority-owned subsidiary of Yandex, and financial results of Yandex.Market will be fully consolidated within consolidated financial statements of Yandex going forward
 - financial results of Yandex.Money will no longer appear in the consolidated financial statements of Yandex



Source: Yandex management data.
¹ 10% is held by an equity incentive foundation to facilitate current and future equity ownership by management and employees of Yandex.Market.

Strategic rationale for the reorganization

- We are entering into the transaction at an opportune time to capitalize on a secular shift in the highly attractive Russian e-commerce market through fast-growing and sufficiently capitalized Yandex.Market
- The transaction is also aligned with our previously communicated plan to increase ownership and gain operating control of key strategic assets
- Following the transaction we will be able to unlock greater synergy potential through deeper integration of Yandex.Market into the Yandex ecosystem

1

Capitalize on a secular shift in the highly attractive Russian e-commerce market

2

Concentrate ownership and gain operating control of key assets

3

Unlock synergies from deeper integration within the Yandex ecosystem

Equity capital raise overview

- We will be placing a total of \$800m of Class A ordinary shares via two tranches:
 - \$200m in the form of SEC registered bookbuilt offering to institutional investors
 - \$600m in the form of private placement, split equally among JSC VTB Capital, the investment banking business of VTB Group, Ervington Investments Limited, a company whose ultimate beneficiary is Roman Abramovich, and Treliscope Limited, a company whose ultimate beneficiaries are Alexander Abramov and Alexander Frolov

	Public offering	Private placement
Shares offered	■ Class A ordinary shares	
Total Size	■ \$200m with over-allotment option of 15%	■ \$600m
Investors	■ Public market institutional investors	■ JSC VTB Capital, the investment banking business of VTB Group ■ Ervington Investments Limited, a company whose ultimate beneficiary is Roman Abramovich ■ Treliscope Limited, a company whose ultimate beneficiaries are Alexander Abramov and Alexander Frolov
Purchase price	■ Determined in the process of bookbuilding	■ The lower of: <ul style="list-style-type: none">— The public offering purchase price per share— Premium of 5.0% to the VWAP price on June 23, 2020
Pricing date	■ June 24, 2020	
Closing date	■ June 29, 2020	
Lock-up	■ 90 days for the issuer, directors and managers, subject to certain exceptions	■ 2 years for the investors, subject to customary carve-outs
Standstill	■ NA	■ During the 2-year lockup period each investor cannot increase its position to more than 3.99% of the shares in issuance at any time
Yandex.Market Participation rights	■ NA	■ PIPE investors will be granted certain rights with respect to participation in future potential capital raises and sale of shares in Yandex.Market ■ Such rights shall be granted for a period of 2 years, and could be extended for an additional 1 year

Strategic rationale for equity capital raise

- Simultaneously with the reorganization we are raising an additional \$800m in the form of public offering and private placement of Class A ordinary shares
- Equity capital raise will allow us to maintain financial flexibility and fund the future growth and strategic opportunities across multiple sectors, including e-commerce

Maintain financial flexibility to fund

- Future growth and development of existing verticals (including e-commerce)
- Investments into new businesses (fintech, delivery)
- Other strategic opportunities (continued consolidation of ownership and control in strategic assets)



Yandex.Market Overview

Russia's significant e-commerce opportunity

- Russia's e-commerce market opportunity is large and further enhanced by the changing consumption patterns of the post-COVID-19 landscape
 - RUB 2trn+ market size in 2019
 - 2019-23E overall CAGR of 18% (over 20% when not accounting for cross-border e-commerce), one of the fastest growth rates globally
 - 6% penetration rate, one of the lowest rates among large economies



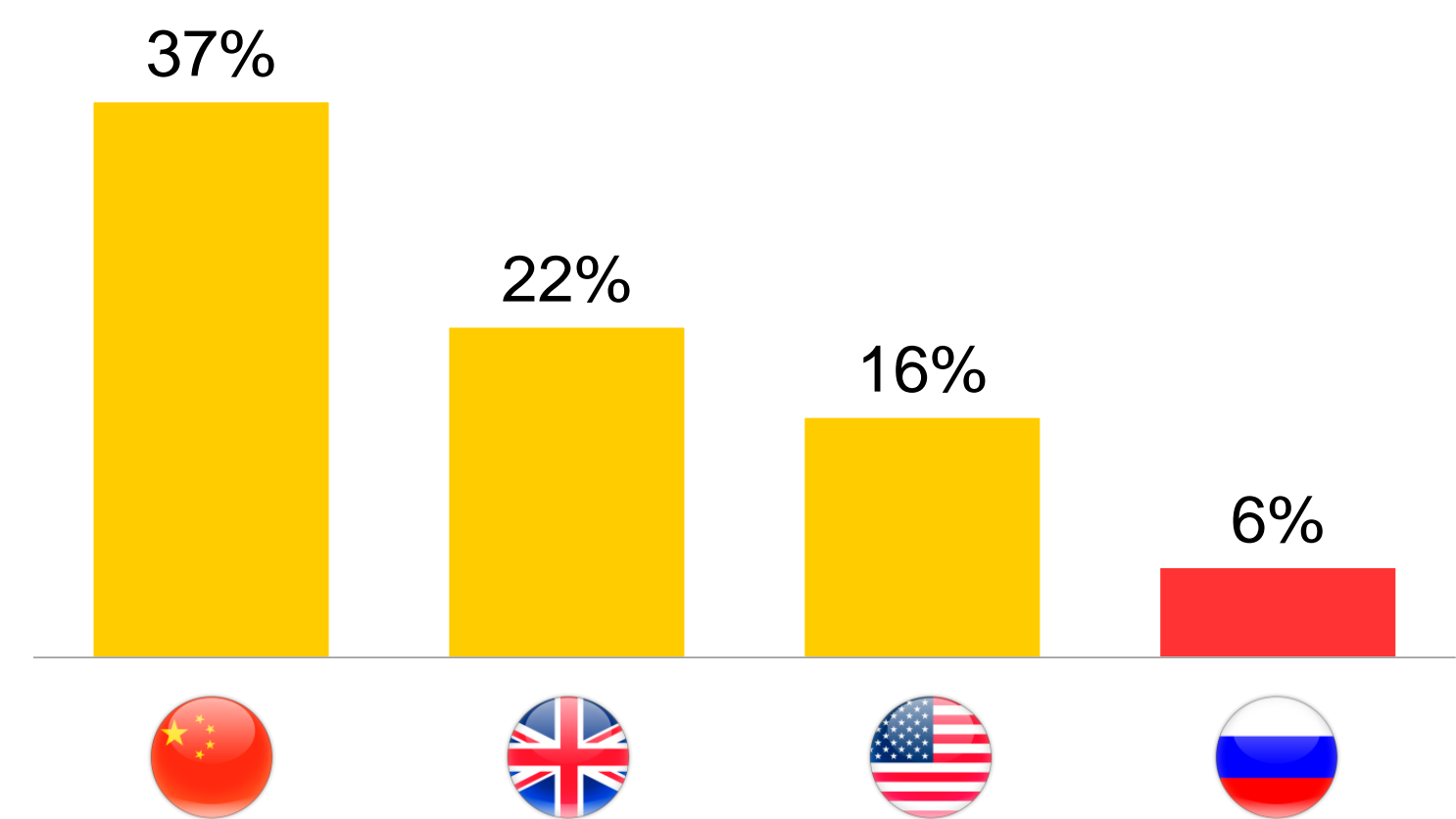
RUB 2,032bn
Russia's e-commerce market size (2019)



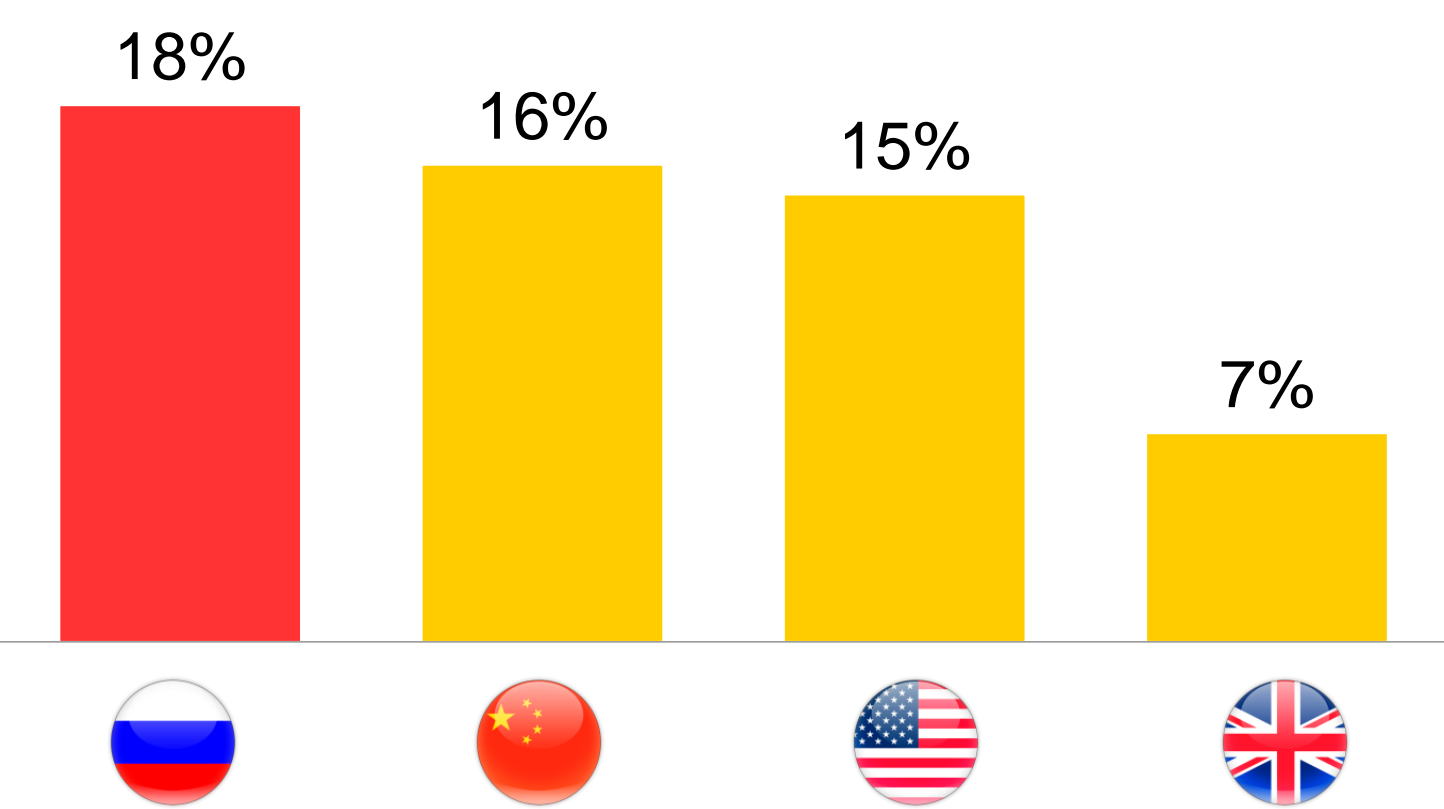
6.1%
E-commerce penetration (2019)

Russian e-commerce market in global context

E-commerce penetration by country, 2019¹



E-commerce market growth by country, CAGR 2019-23E













Source: AKIT, Euromonitor
¹ Calculated as the share of e-commerce B2C market as share of country's retail sector.

Yandex.Market development over the last 3 years

- Yandex.Market expanded from a price comparison website with a nascent e-commerce offering into a full-fledged e-commerce player
- Both the price comparison and the marketplace segments benefited strongly from the secular market trends and the shift to online, further accelerated in the first half of 2020
 - Marketplace GMV increased 2.8x YoY in Q1'20, the growth has then accelerated to c.3.6x YoY in Q2'20 QTD
 - Share of 3P GMV increased to 56% in May 2020
 - Price comparison revenue YoY growth accelerated to 30% in Q2'20 QTD from 27% in Q1'20
- Yandex.Market is well capitalized with cash balance of RUB 19.1bn as of March 31, 2020

Source: Yandex management data.
 Note: GMV is value of delivered (and settled by customers) orders recognized on the date of delivery in their final prices including VAT.
¹ Non-GAAP measure. See appendix for a reconciliation of Adj. EBITDA to the most comparable GAAP measure.² Average for FY 2017. ³ For price comparison figures presented LTM as of May 2020. For Beru figures presented as of May 2020. ⁴ Run-rate as of May 2020.

	Yandex Market Price Comparison				6epy! Beru – E-commerce 1P and 3P Marketplace			
	 DAU (m)	 GMV (RUBbn)	 Revenue (RUBm)	 Adj. EBITDA margin (%) ¹	 Items delivered per day	 GMV annual run-rate (RUBbn)	 SKUs (m)	 Share of 3P GMV (%)
Then (FY 2017) 	2.7 ²	143.2	4,968	31.1%	No marketplace business Significant uncertainties about launch costs and execution timeframe at that time			
Now (May 2020 ³) 	+37%	+52%	+77%	+11pp	130,000	44.6 ⁴	0.9	56%

Realizing further growth potential

- Yandex.Market strategic objectives:
 - provide millions of users with a convenient access to a wide and affordable selection of products online
 - offer a seamless shopping experience from product discovery to evaluation, checkout, fulfilment and last-mile delivery
 - become the partner of choice for online and offline retailers, brands and SMBs

Key targets for the next 3 years



Become a top-3 domestic e-commerce player



Expand assortment to >5m SKUs by 2023



Achieve positive Adj. EBITDA by end of 2023

Key focus areas / growth drivers



Expansion of fulfilment infrastructure



Enhancement of last-mile delivery capabilities



Deeper integration with the Yandex ecosystem

Expansion of fulfilment infrastructure



- By expanding our fulfilment infrastructure and offering “fulfilled by Yandex” solution to merchants we aim to:
 - grow the share of 3P GMV from c. 56% as of May 2020 to 60-70% in 3 years
 - increase flexibility for merchants
 - save on fulfilment and storage costs
 - improve the overall customer value proposition

Key action points



Launch new automated fulfilment center with 100k sqm target capacity in 2021 (vs. current capacity of 80k sqm across 4 fulfilment centers)



Launch 15 new sorting centers over the next 12 months

Enhancement of last-mile delivery capabilities

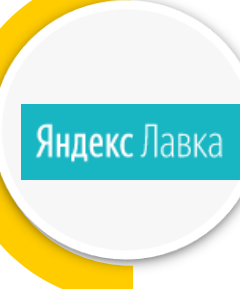


- By focusing on last-mile delivery we aim to benefit our customers by
 - improving the share of on-time deliveries
 - improving delivery time
- As our last-mile delivery capabilities develop, we will be able to
 - better control couriers utilization and quality of service
 - lower costs per order and therefore improve overall unit economics

Key action points



Expand own delivery beyond Moscow to major Russian cities within the next 12 months



Collaboration with Lavka on last-mile delivery



Start utilizing Taxi drivers and Eats couriers for deliveries of Yandex.Market

Deeper integration with Yandex ecosystem



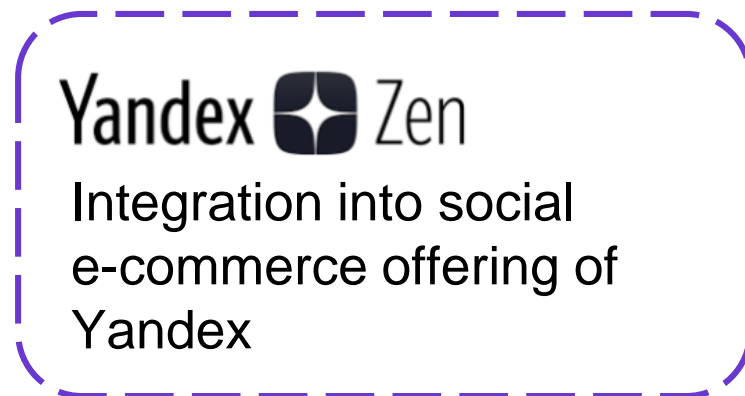
- The transaction will allow us to unlock the full potential of the Yandex ecosystem across multiple synergistic areas, including:
 - Customer acquisition
 - Delivery
 - B2B cross-selling
 - Customer retention



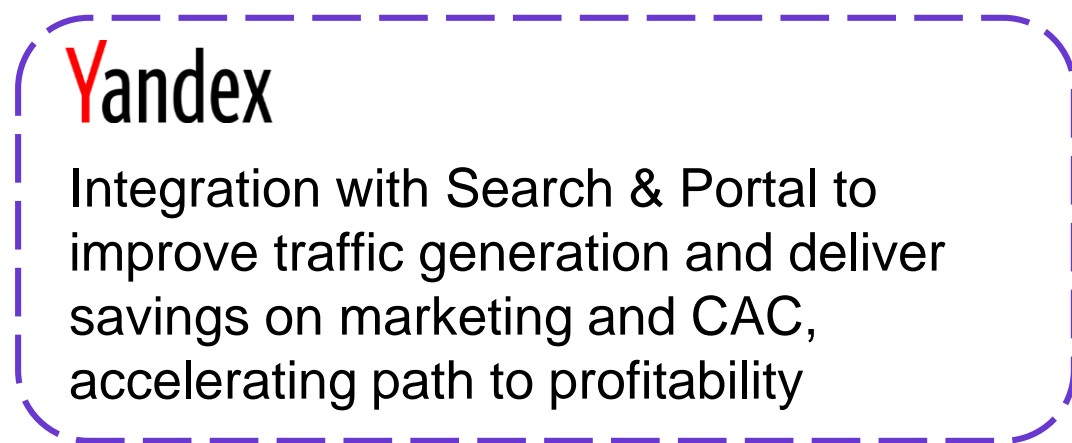
Deeper integration of marketplace into Yandex.Plus, whose subscribers already account for more than 20% of marketplace’s customers and generate 20-25% higher GMV on average



Consolidation of payment information of c. 40m users¹ and services across Yandex ecosystem



Integration into social e-commerce offering of Yandex

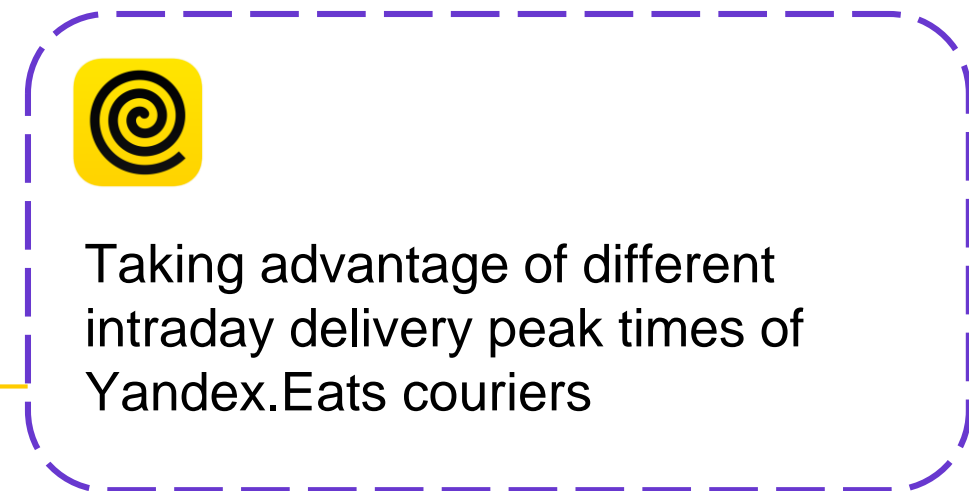


Integration with Search & Portal to improve traffic generation and deliver savings on marketing and CAC, accelerating path to profitability

Expanding voice commerce scenarios with Alice



Last-mile delivery using Lavka



Taking advantage of different intraday delivery peak times of Yandex.Eats couriers



Taxi delivery service



Long-term opportunity to use self-driving technology as a last-mile delivery solution



Expanding O2O ecommerce scenarios and optimizing delivery routes

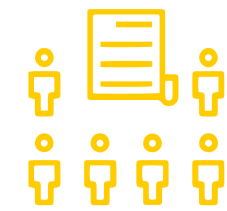
Logistics integration Integration with Search & Portal and Zen Other

--- The key focus areas for integration in the near term

Source: Yandex management data.
¹ As of May 2020.

Our path to profitability

- We are targeting to achieve positive consolidated Adj. EBITDA¹ of Yandex.Market by the end of 2023
 - We expect the price comparison to continue generating stable positive cash flows
 - We expect the marketplace segment to decrease its cash burn as a result of improving unit economics



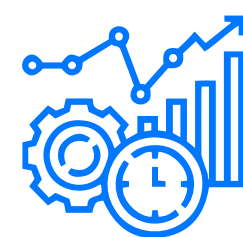
Improvement in gross margin & take rates driven by:

- Optimization of commercial terms with merchants and distributors
- Deeper integration of Yandex.Market price comparison and marketplace with Yandex
- Expansion of assortment and improvement of category mix



Logistics optimization driven by:

- **Fulfillment costs reduction** from increased scale with new automated warehouse launching in 2021, sorting centres and introduction of dropship by merchants
- **Delivery costs reduction** from expansion of own courier service, increasing orders density, improvement of couriers utilization, collaboration with Taxi on delivery



CAC optimization driven by:

- Growing scale of marketplace operations
- Improving customer retention
- Deeper integration of Yandex.Market price comparison and marketplace with Yandex

Our vision for the future



Enable a seamless shopping experience for users across Yandex ecosystem and explore opportunities in social commerce



Develop an efficient delivery service addressing the logistics needs of consumers and SMBs



Transform Yandex.Market into an integrated point of entry for e-commerce B2B partners into the Yandex ecosystem



Jointly expand tools and services helping SMB merchants to rapidly build, promote and grow their businesses online

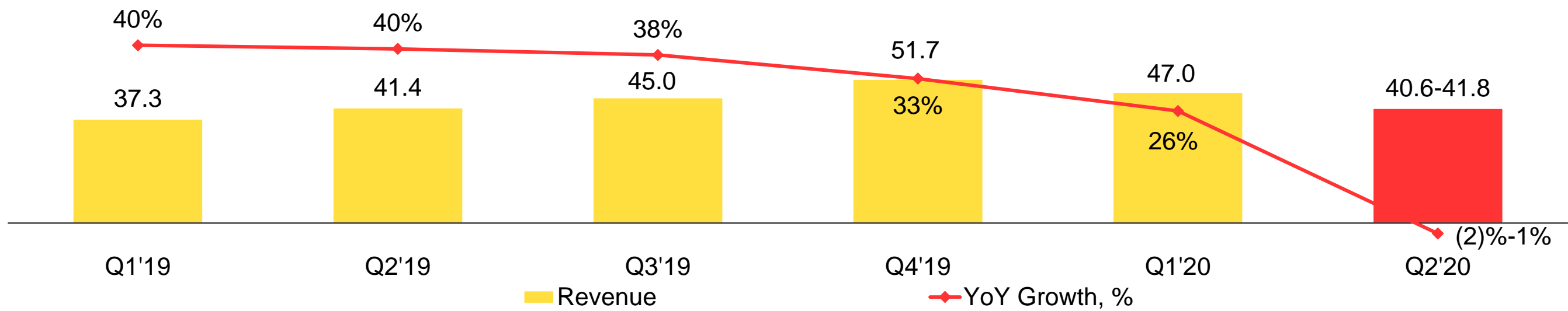


Yandex Q2'20 Trading Update

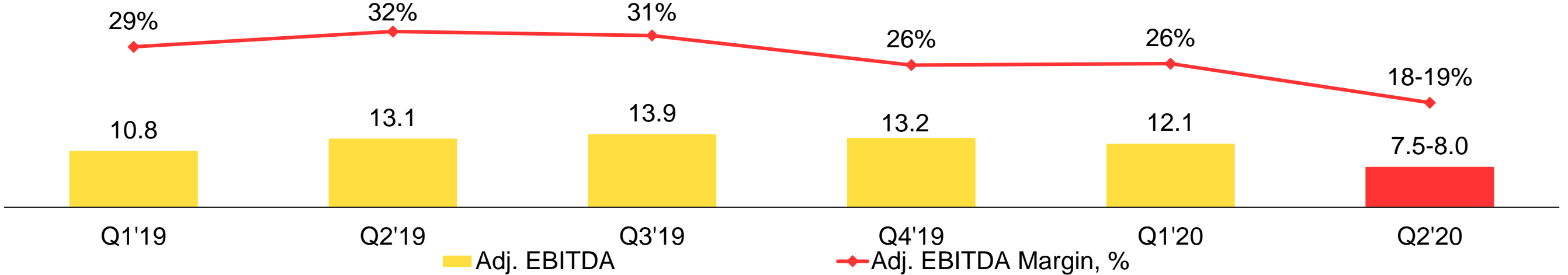
Yandex consolidated performance

- The estimated decrease in revenue in Q2'20 is primarily the result of the adverse impact of the COVID-related restrictions of business activity on core advertising and ride-hailing businesses
- The decrease in revenue was partially offset by an acceleration of growth in FoodTech and Media Services businesses
- The estimated decrease in Adj. EBITDA in Q2'20 is primarily driven by the slowdown in revenue growth and changes in segment mix amid the growing contribution of non-advertising verticals and the continuing investments in growing new businesses, including Yandex.Lavka, Autonomous Vehicles and Media Services

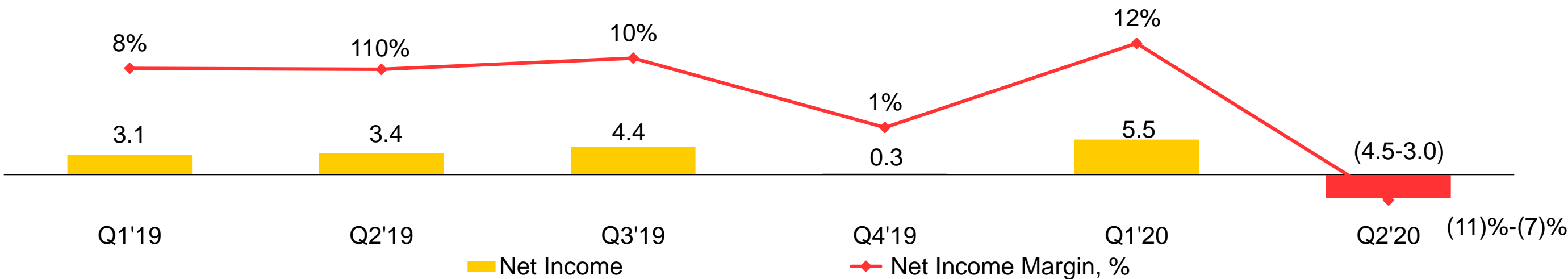
Revenue, RUBbn



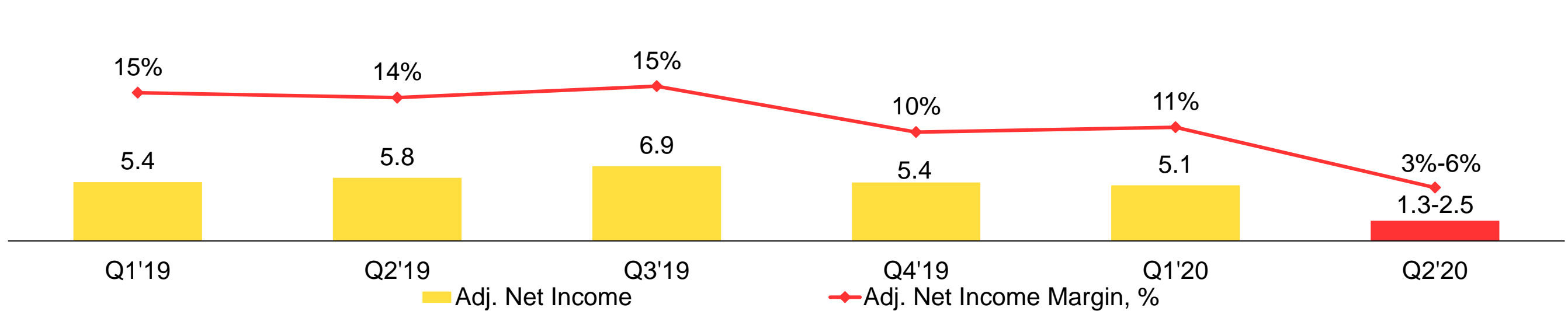
Adj. EBITDA¹, RUBbn



Net Income, RUBbn



Adj. Net Income¹, RUBbn

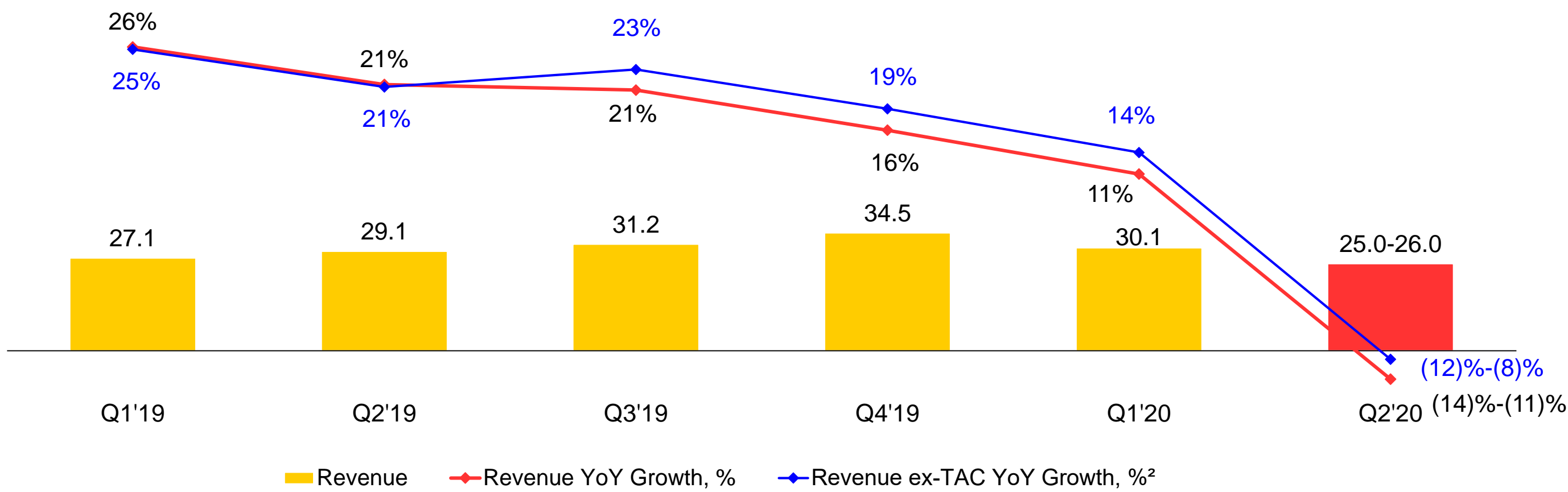


Source: Yandex management data.
¹ Non-GAAP measure. See appendix for a reconciliation to the most comparable GAAP measure.

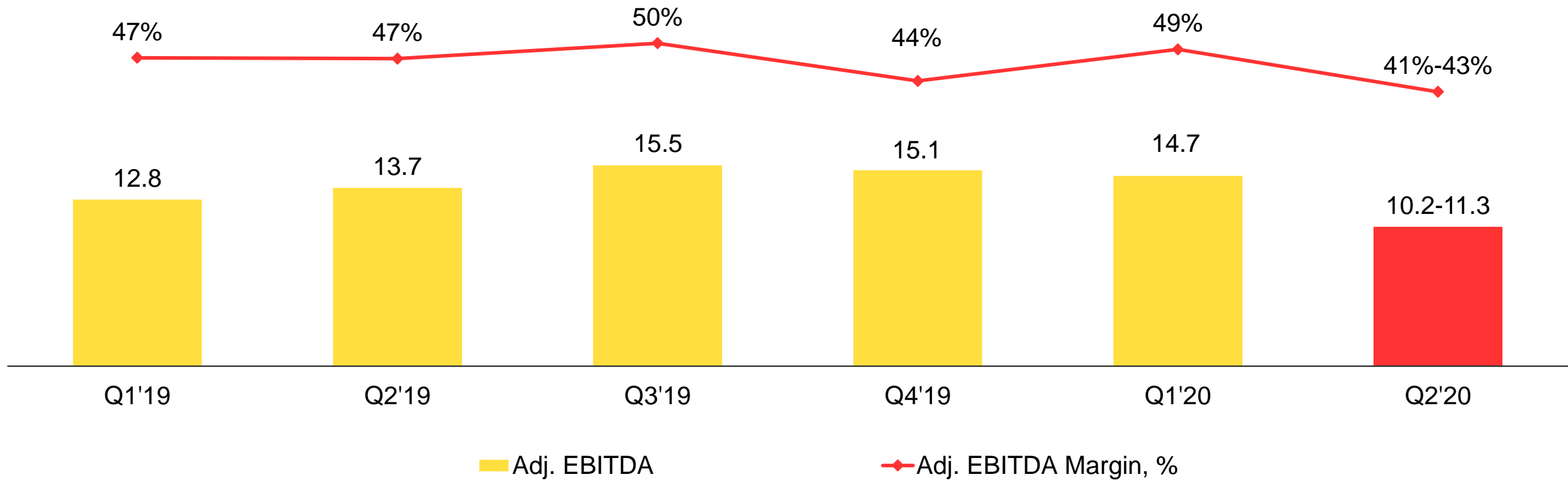
Yandex Search & Portal performance

- The estimated decrease in both revenue and revenue excluding TAC in Q2'20 is primarily the result of the adverse impact of COVID-related restrictions on business activity and our customers' advertising budgets
- We expect our Adj. EBITDA for Search & Portal to be in the range of 41% to 43%, compared to 47% in Q2'19

Revenue, RUBbn



Adj. EBITDA¹, RUBbn

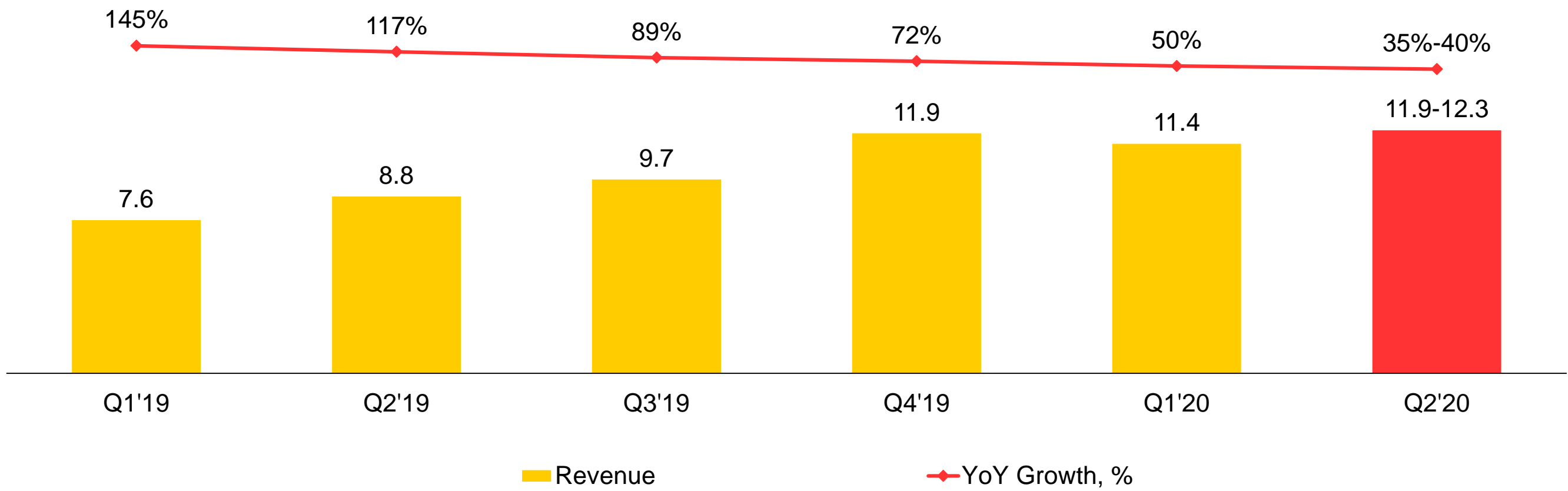


Source: Yandex management data.
¹ Non-GAAP measure. ² Traffic acquisition costs.

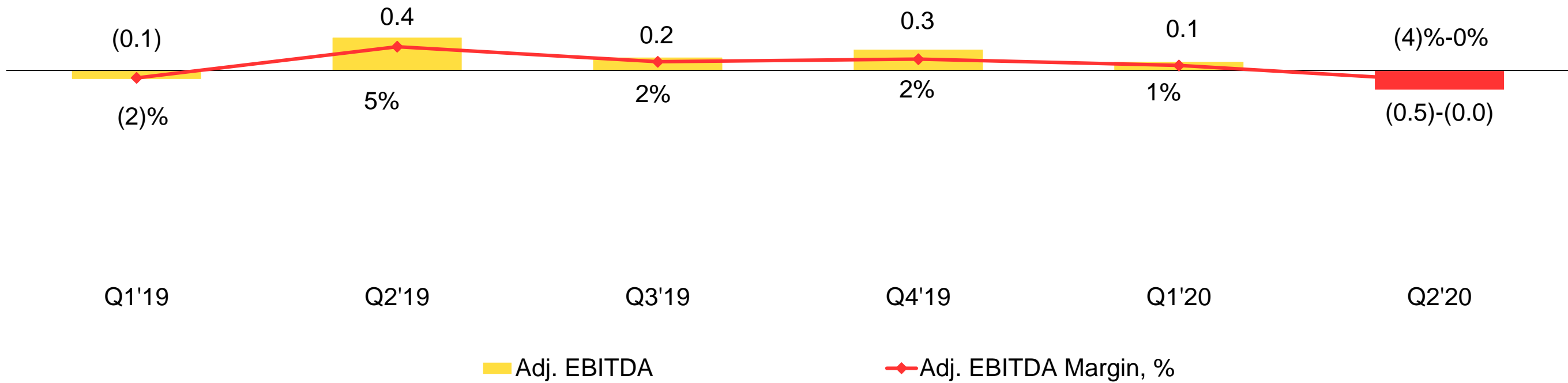
Yandex.Taxi performance

- The estimated increase in revenue in Q2'20 is primarily driven by the acceleration in revenue of FoodTech businesses, B2B Taxi and logistics services
- The estimated decrease in Adj. EBITDA in Q2'20 is primarily driven by investments in the expansion of Yandex.Lavka and Autonomous Vehicles (AV).
- Adj. EBITDA loss related to the AV division is expected to be between RUB 0.7bn and 0.75bn for the three months ending June 30, 2020

Revenue, RUBbn



Adj. EBITDA¹, RUBbn



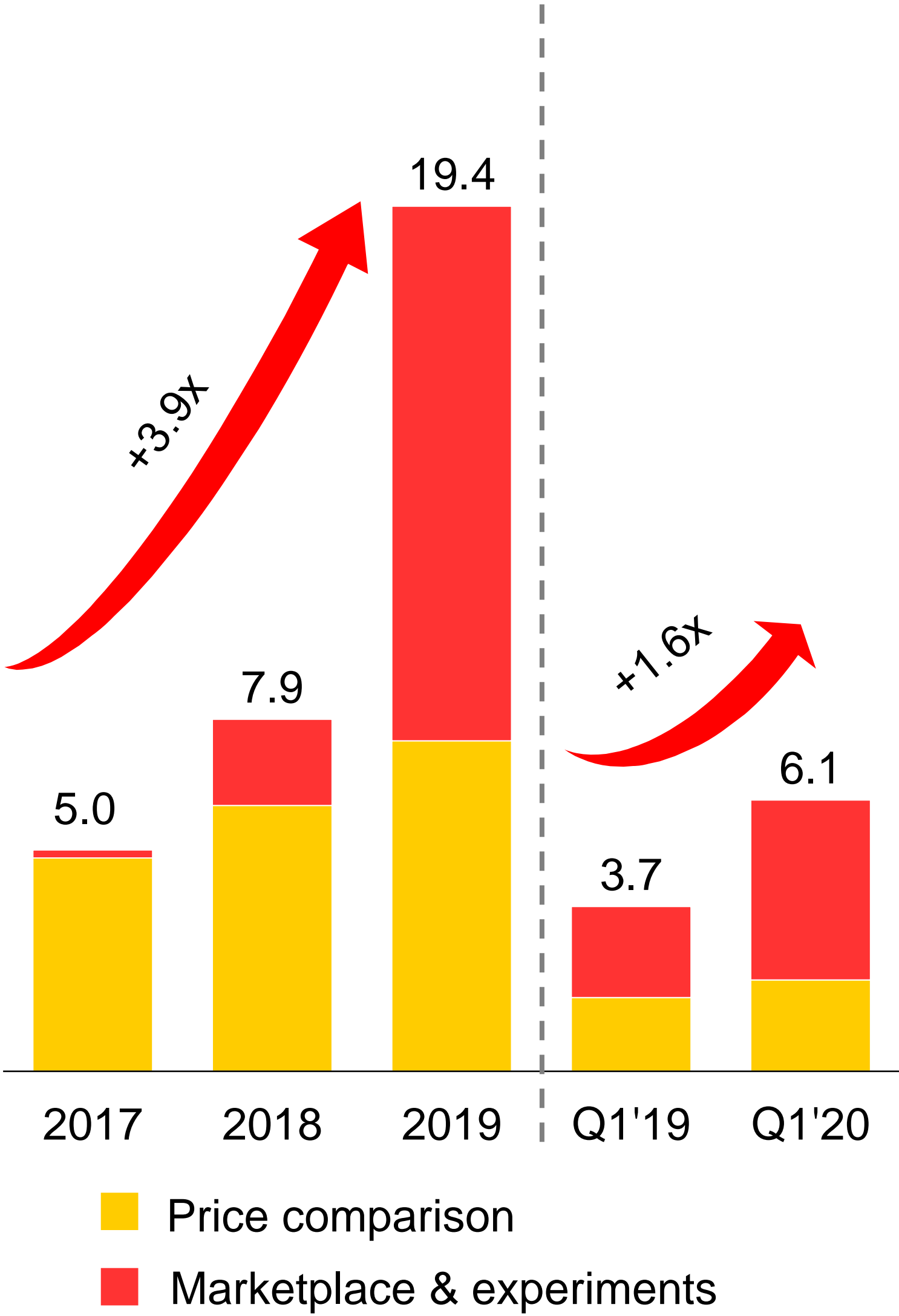
A low-angle, upward-looking photograph of several modern skyscrapers. The buildings feature glass facades and prominent vertical structural elements. The perspective creates a sense of height and scale. The sky is a uniform, overcast grey.

Appendix – Additional Financial information

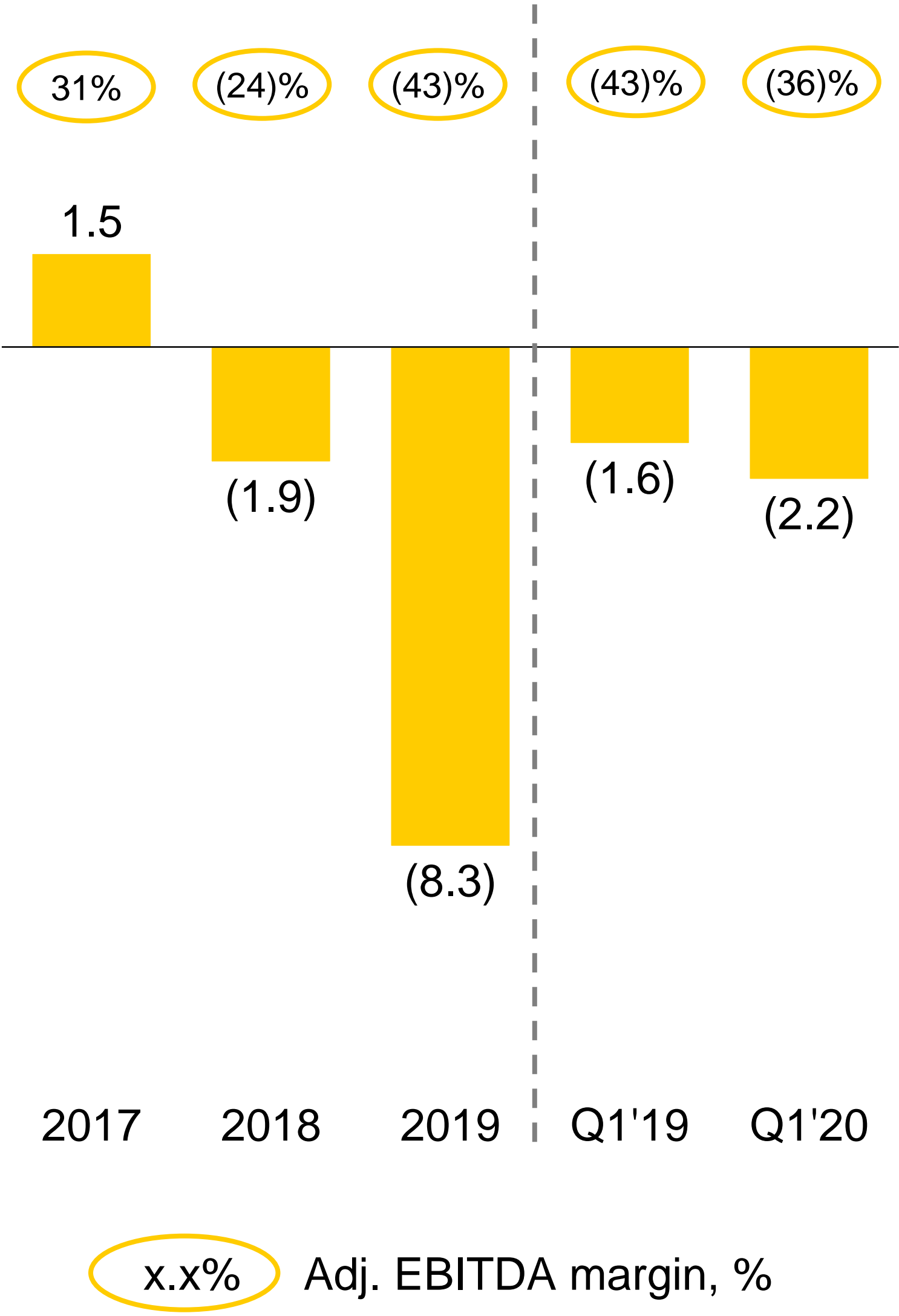
Yandex.Market consolidated historical financial results

- **+3.9x** revenue growth in 2019 vs. 2017
- **+1.6x** revenue growth in Q1'20 vs Q1'19 with marketplace being the main growth driver
- Adj. EBITDA margin¹ dynamic for Yandex.Market Group primarily driven by
 - Active expansion of the marketplace platform
 - Investment into fulfilment capacity expansion
- Adj. EBITDA margin of price comparison platform improved to c.40% in 2019

Revenue, RUBbn



Adj. EBITDA¹, RUBbn



Source: Yandex management data.
¹ Non-GAAP measure. See appendix for a reconciliation of Adj. EBITDA to the most comparable GAAP measure

Yandex pro forma consolidated financials

Yandex			Yandex.Market		Yandex Pro-forma	
RUBbn	2019	Q1'20	2019	Q1'20	2019	Q1'20
Revenue	175.4	47.0	19.4	6.1	192.2	52.4
YoY Growth (%)	37%	26%	146%	63%	45%	30%
Adj. EBITDA ¹	51.0	12.1	(8.3)	(2.2)	42.8	10.0
Margin (%)	29%	26%	(43)%	(36)%	22%	19%
Adj. Net Income ¹	23.5	5.1	(6.8)	(2.0)	21.1	4.4
Margin (%)	13%	11%	(35)%	(33)%	11%	8%

Yandex.Market cash balances: RUB 21.1bn as of the 31-Dec-2019 and RUB 19.1bn as of 31-Mar-2020

Yandex GAAP financials reconciliation

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

RUB m	2019	Q1'20
Net Income	11,199	5,495
Add: D&A	14,777	4,010
Add: share-based compensation expense	9,855	2,751
Add: compensation expense related to contingent consideration	38	-
Add: one-off restructuring expenses	882	98
Less: interest income	(3,315)	(728)
Add: interest expense	74	225
Add: loss from equity method investments	3,886	1,106
Add: other loss/(income), net	1,200	(4,521)
Add: income tax expense	11,656	3,711
Add: goodwill impairment	762	-
Adj. EBITDA	51,014	12,147

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

RUB m	2019	Q1'20
Net Income	11,199	5,495
Add: share-based compensation expense	9,855	2,751
Less: reduction in income tax attributable to share-based compensation expense	(101)	(16)
Add: compensation expense related to contingent consideration	38	-
Add: foreign exchange losses/(gains)	1,294	(4,439)
Less: (reduction)/increase in income tax attributable to foreign exchange losses/(gains)	(268)	1,151
Add: one-off restructuring expense	882	98
Less: effect of deconsolidation of former subsidiaries	(121)	-
Add: amortization of debt discount	-	144
Less: reduction in income tax attributable to amortization of debt discount	-	(36)
Add: goodwill impairment	762	-
Adj. Net Income	23,540	5,148

Source: public disclosure, Yandex management data


Yandex.Market GAAP financials reconciliation


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

RUB mn	2017	2018	2019	Q1'19	Q1'20
Net Income	1.1	(0.8)	(7.8)	(1.5)	(2.3)
Add: D&A	-	-	0.2	-	0.1
Add: share-based compensation expense	0.1	0.1	1.0	0.4	0.2
Less: interest income	(0.1)	(1.4)	(1.8)	(0.5)	(0.3)
Add: interest expense	-	-	0.2	-	-
Add: other loss/(income), net	-	0.1	(0.1)	(0.1)	-
Add: income tax expense	0.4	0.1	-	-	-
Adj. EBITDA	1.5	(1.9)	(8.3)	(1.6)	(2.2)



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