



Dear Fellow Shareholders!

Our operating performance in 2018 was outstanding. With strong contributions from all of our businesses, we continued our transition from an internet search pure play to a full-fledged ecosystem that provides our users with value across an increasingly diverse portfolio of services.

Our financial performance during the year was also excellent. We saw a significant acceleration in our revenue and adjusted EBITDA growth rates. These were the highest growth rates that we have seen in the last five years, going back to when we were a quarter of the size that we are today.

Our core search businesses continued to grow strongly, which is particularly impressive given the level of maturity of the business. This growth was driven in part by continued innovations in ad tech and on the product side.

We are also making great progress with Yandex.Taxi, our ride-hailing and food delivery joint venture with Uber. This is an extremely exciting business. The business delivered revenue growth of nearly 300% in 2018, and it's one of the world's fastest growing ride-sharing businesses and number one in terms of adjusted EBITDA margin profile.

In addition, we launched a number of promising new businesses. Yandex.Drive, our car-sharing business that was launched in February 2018, has already become the largest business of its kind in Russia, the second largest in Europe, and the third largest in the world. Yandex.Eats, our food delivery business, became the number one service in Moscow in terms of number of orders within a few months of its launch. And finally, Yandex.Cloud, our intelligent public cloud platform rolled out in late 2018, has since been rapidly expanding its world-class product offering.

And that's not everything. We are continually developing new cutting-edge technology that is advancing the field globally, further demonstrating that Yandex is on the same level as the world's best and most innovative technology companies.

For example, we have made significant progress with our self-driving car, which already drives in completely autonomous mode. We launched it in two cities in Russia, and then in Tel Aviv, with many more to come. We were pleased at the international validation we received when we demonstrated it at the Consumer Electronics Show in Las Vegas. As you probably saw in the press at the time, it almost stole the show. And more generally in AI, we are proud of what we have done to date, and yet we know we have only just begun to scratch the surface.

Finally, we made serious advances with our voice assistant, Alice, growing its audience and enhancing its functionality. From a technical perspective, we believe that Alice can compete with any other voice assistant in the world.

All this success has come in an increasingly complex regulatory environment. Governments around the world, recognizing the strategic role technology plays in their countries, are scrutinizing the big technology players more than ever, which is creating a more challenging operating environment. Whether it's Facebook coming under fire, or the latest probes around Alphabet, Amazon and others, the dramatic impact regulation is having on Huawei, or the changing landscape in Europe as GDPR seeks to improve data security and privacy, one thing is clear: Governments are likely to become even more

focussed on our industry, and Internet businesses across the globe are going to need to continue to respond and adapt to new challenges.

In this regard Russia is no exception. We recognize the challenge and maintain a proactive, constructive dialogue with the relevant authorities in the markets we serve. It's yet one more way we strive to deliver the best possible results for our shareholders.

Looking ahead, we have in place an incredible management team with real depth and breadth. We were pleased to announce recently the appointment of Tigran Khudaverdyan as Deputy CEO. This promotion will further strengthen the management team at the Group level, and with Tigran taking on more of the day-to-day management, I will be able to focus on broader strategic opportunities.

So on behalf of the entire team at Yandex, I want to thank all of our shareholders for your support. We will keep working for you, as we take the company to new levels.

Arkady Volozh
Founder and CEO