

# YANDEX N.V.

## **FORM 6-K** (Report of Foreign Issuer)

Filed 02/16/16 for the Period Ending 02/16/16

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|-----------|---------------------------------------------------|
| Telephone | 31202066970                                       |
| CIK       | 0001513845                                        |
| Symbol    | YNDX                                              |
| SIC Code  | 7370 - Computer Programming, Data Processing, And |
| Industry  | Computer Services                                 |
| Sector    | Technology                                        |

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**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**

February 16, 2016

**YANDEX N.V.**

**Schiphol Boulevard 165  
1118 BG Schiphol  
Netherlands  
+31 (0)20 206 6970**

(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):

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Furnished as Exhibit 99.1 to this Report on Form 6-K is a press release of Yandex N.V. dated February 16, 2016, announcing the Company's fourth quarter and full-year 2015 financial results.

**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: February 16, 2016

By: /S/ GREG ABOVSKY

Greg Abovsky  
Chief Financial Officer

**INDEX TO EXHIBITS**

| <b>Number</b> | <b>Description</b>                                                                                                                 |
|---------------|------------------------------------------------------------------------------------------------------------------------------------|
| 99.1          | Press release of Yandex N.V. dated February 16, 2016, announcing the Company's fourth quarter and full-year 2015 financial results |

## Yandex Announces Fourth Quarter and Full-Year 2015 Financial Results

MOSCOW, Russia, and AMSTERDAM, the Netherlands, February 16, 2016 — Yandex (NASDAQ: YNDX), one of Europe's largest internet companies and the leading search provider in Russia, today announced its unaudited financial results for the fourth quarter and the full year ended December 31, 2015.

### Q4 2015 Financial Highlights (1)(2)

- **Revenues** of RUB 18.1 billion (\$248.3 million), up 23% compared with Q4 2014
- **Ex-TAC revenues** (excluding traffic acquisition costs) up 24% compared with Q4 2014
- **Income from operations** of RUB 2.7 billion (\$37.5 million), down 39% compared with Q4 2014
- **Adjusted EBITDA** of RUB 6.6 billion (\$90.0 million), up 8% compared with Q4 2014
- **Operating margin** of 15.1%
- **Adjusted EBITDA margin** of 36.3%
- **Adjusted ex-TAC EBITDA margin** of 45.6%
- **Net income** of RUB 2.9 billion (\$39.1 million), down 62% compared with Q4 2014
- **Adjusted net income** of RUB 3.6 billion (\$49.8 million), down 8% compared with Q4 2014
- **Net income margin** of 15.8%
- **Adjusted net income margin** of 20.1%
- **Adjusted ex-TAC net income margin** of 25.3%
- **Cash, cash equivalents, term deposits and short-term investments in debt securities** of RUB 60.7 billion (\$832.9 million) as of December 31, 2015

### FY 2015 Financial Highlights (1)(2)

- **Revenues** of RUB 59.8 billion (\$820.4 million), up 18% compared with FY 2014
- **Ex-TAC revenues** (excluding traffic acquisition costs) up 19% compared with FY 2014
- **Income from operations** of RUB 9.6 billion (\$131.6 million), down 37% compared with FY 2014
- **Adjusted EBITDA** of RUB 21.0 billion (\$287.7 million), flat compared with FY 2014
- **Operating margin** of 16.0%
- **Adjusted EBITDA margin** of 35.1%
- **Adjusted ex-TAC EBITDA margin** of 44.6%
- **Net income** of RUB 9.7 billion (\$132.8 million), down 43% compared with FY 2014
- **Adjusted net income** of RUB 12.2 billion (\$167.1 million), down 11% compared with FY 2014
- **Net income margin** of 16.2%
- **Adjusted net income margin** of 20.4%
- **Adjusted ex-TAC net income margin** of 25.9%

"I am very proud of our accomplishments in 2015," said Arkady Volozh, Chief Executive Officer of Yandex. "In the face of economic headwinds and a highly competitive environment, we managed to stabilize our market share, improve product quality, significantly increase the size of our web index, and introduce a sophisticated new auction model that is already having a material impact on monetization."

"Q4 was an excellent quarter in which we delivered strong top line growth at 23% year-over-year and served a record number of advertisers," said Alexander Shulgin, Chief Operating Officer of Yandex. "We

(1) Pursuant to SEC rules regarding convenience translations, Russian ruble (RUB) amounts have been translated into U.S. dollars at a rate of RUB 72.8827 to \$1.00, the official exchange rate quoted as of December 31, 2015 by the Central Bank of the Russian Federation.

(2) The following measures presented in this release are "non-GAAP financial measures": ex-TAC revenues; adjusted EBITDA; adjusted EBITDA margin; adjusted ex-TAC EBITDA margin; adjusted net income; adjusted net income margin and adjusted ex-TAC net income margin. Please see the section headed "Use of Non-GAAP Financial Measures" below for a discussion of how we define these measures, as well as reconciliations at the end of this release of each of these measures to the most directly comparable US GAAP measures.

continued to broaden our business beyond search with the creation of three new business units — Yandex.Taxi, Auto.ru, and Yandex.Market — in which we will invest aggressively to accelerate growth in 2016.”

The following table provides a summary of key financial results for the three and twelve months ended December 31, 2014 and 2015:

| In RUB millions        | Three months ended December 31, |        |        | Twelve months ended December 31, |        |        |
|------------------------|---------------------------------|--------|--------|----------------------------------|--------|--------|
|                        | 2014                            | 2015   | Change | 2014                             | 2015   | Change |
| Revenues               | 14,667                          | 18,094 | 23%    | 50,767                           | 59,792 | 18%    |
| Ex-TAC revenues (2)    | 11,572                          | 14,374 | 24%    | 39,691                           | 47,051 | 19%    |
| Income from operations | 4,478                           | 2,728  | -39%   | 15,323                           | 9,593  | -37%   |
| Adjusted EBITDA(2)     | 6,078                           | 6,560  | 8%     | 21,052                           | 20,969 | 0%     |
| Net income             | 7,572                           | 2,851  | -62%   | 17,020                           | 9,679  | -43%   |
| Adjusted net income(2) | 3,967                           | 3,632  | -8%    | 13,751                           | 12,179 | -11%   |

#### **Q4 2015 Operational and Corporate Highlights**

- **Share of Russian search market** (including mobile) averaged 57.3% in Q4 2015 compared to 57.1% in Q3 2015 (according to LiveInternet)
- **Search queries** in Russia grew 5% compared with Q4 2014
- **The number of advertisers** increased to 394,000, up 24% from Q4 2014 and up 11% from Q3 2015
- Launched cooperation with Microsoft to deliver **Windows 10 with Yandex search** in Russia, Ukraine, Turkey and several other countries

#### **Revenues**

| In RUB millions                     | Three months ended December 31, |               |            | Twelve months ended December 31, |               |            |
|-------------------------------------|---------------------------------|---------------|------------|----------------------------------|---------------|------------|
|                                     | 2014                            | 2015          | Change     | 2014                             | 2015          | Change     |
| Advertising revenues:               |                                 |               |            |                                  |               |            |
| Text-based advertising              |                                 |               |            |                                  |               |            |
| <i>Yandex websites</i>              | 9,965                           | 11,925        | 20%        | 35,228                           | 40,243        | 14%        |
| <i>Ad network</i>                   | 3,270                           | 4,411         | 35%        | 11,410                           | 14,506        | 27%        |
| <b>Total text-based advertising</b> | <b>13,235</b>                   | <b>16,336</b> | <b>23%</b> | <b>46,638</b>                    | <b>54,749</b> | <b>17%</b> |
| Display advertising                 |                                 |               |            |                                  |               |            |
| <i>Yandex websites</i>              | 997                             | 958           | -4%        | 3,034                            | 2,856         | -6%        |
| <i>Ad network</i>                   | 184                             | 224           | 22%        | 475                              | 605           | 27%        |
| <b>Total display advertising</b>    | <b>1,181</b>                    | <b>1,182</b>  | <b>0%</b>  | <b>3,509</b>                     | <b>3,461</b>  | <b>-1%</b> |
| Total advertising revenues          | 14,416                          | 17,518        | 22%        | 50,147                           | 58,210        | 16%        |
| Other                               | 251                             | 576           | 129%       | 620                              | 1,582         | 155%       |
| Total revenues                      | 14,667                          | 18,094        | 23%        | 50,767                           | 59,792        | 18%        |

**Text-based advertising revenues** grew 23% compared with Q4 2014 and continued to determine overall top-line performance, contributing 90% of total revenues in Q4 2015.

**Text-based advertising revenues from Yandex websites** increased 20% compared with Q4 2014 and accounted for 66% of total revenues during Q4 2015.

**Text-based advertising revenues from our ad network** increased 35% compared with Q4 2014 and contributed 24% of total revenues during Q4 2015, 2 percentage points higher than in Q4 2014.

**Paid clicks** on Yandex's and its partners' websites, in aggregate, increased 10% in Q4 2015 compared with Q4 2014. Our average cost per click in Q4 2015 grew 12% compared with Q4 2014.

**Display advertising revenue**, accounting for 7% of total revenues in Q4 2015, was flat compared with Q4 2014.

### Operating Costs and Expenses

Yandex's operating costs and expenses consist of cost of revenues, product development expenses, sales, general and administrative expenses (SG&A), depreciation and amortization expenses (D&A) and goodwill impairment. Apart from D&A and goodwill impairment, each of the above expense categories includes personnel-related costs and expenses, relevant office space rental, and related share-based compensation expense. Increases across all cost categories, excluding goodwill impairment, reflect investments in overall growth. In Q4 2015, Yandex added 51 full-time employees, an increase of 1% from September 30, 2015, and down 3% from December 31, 2014. The total number of full-time employees was 5,463 as of December 31, 2015.

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

| In RUB millions                                  | Three months ended December 31, |              |            | Twelve months ended December 31, |               |            |
|--------------------------------------------------|---------------------------------|--------------|------------|----------------------------------|---------------|------------|
|                                                  | 2014                            | 2015         | Change     | 2014                             | 2015          | Change     |
| <b>TAC:</b>                                      |                                 |              |            |                                  |               |            |
| Related to the Yandex ad network                 | 2,102                           | 2,669        | 27%        | 7,520                            | 8,981         | 19%        |
| Related to distribution partners                 | 993                             | 1,051        | 6%         | 3,556                            | 3,760         | 6%         |
| <b>Total TAC</b>                                 | <b>3,095</b>                    | <b>3,720</b> | <b>20%</b> | <b>11,076</b>                    | <b>12,741</b> | <b>15%</b> |
| <i>Total TAC as a % of total revenues</i>        | <i>21.1%</i>                    | <i>20.6%</i> |            | <i>21.8%</i>                     | <i>21.3%</i>  |            |
| Other cost of revenues                           | 912                             | 1,077        | 18%        | 3,260                            | 4,069         | 25%        |
| <i>Other cost of revenues as a % of revenues</i> | <i>6.2%</i>                     | <i>6.0%</i>  |            | <i>6.4%</i>                      | <i>6.8%</i>   |            |
| <b>Total cost of revenues</b>                    | <b>4,007</b>                    | <b>4,797</b> | <b>20%</b> | <b>14,336</b>                    | <b>16,810</b> | <b>17%</b> |
| <i>Total cost of revenues as a % of revenues</i> | <i>27.3%</i>                    | <i>26.5%</i> |            | <i>28.2%</i>                     | <i>28.1%</i>  |            |

TAC decreased as a percentage of total revenues from 21.1% in Q4 2014 to 20.6% in Q4 2015 and grew 20% compared with Q4 2014. Our ad network TAC grew 27% in Q4 2015 compared with Q4 2014, slower than revenues from our advertising network, primarily reflecting changes in our partner revenue mix. This partner TAC includes traffic acquisition costs related to both our text-based and our display advertising networks.

**Other cost of revenues** in Q4 2015 increased 18% compared with Q4 2014.

### Product development

| In RUB millions           | Three months ended December 31, |              |        | Twelve months ended December 31, |              |        |
|---------------------------|---------------------------------|--------------|--------|----------------------------------|--------------|--------|
|                           | 2014                            | 2015         | Change | 2014                             | 2015         | Change |
| Product development       | 2,673                           | 3,606        | 35%    | 8,842                            | 13,421       | 52%    |
| <i>As a % of revenues</i> | <i>18.2%</i>                    | <i>19.9%</i> |        | <i>17.4%</i>                     | <i>22.5%</i> |        |



Growth in product development costs in Q4 2015 primarily relates to salary increases we implemented in early 2015, as well as increases in our rent expenses attributable to the material appreciation of the U.S. dollar in Q4 2015 compared to Q4 2014, since the rent for our Moscow headquarters is U.S. dollar-denominated. In 2015, development headcount decreased 1% from 3,329 as of December 31, 2014, to 3,286 as of December 31, 2015, with 13 employees added since September 30, 2015.

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

| In RUB millions                   | Three months ended December 31, |       |        | Twelve months ended December 31, |        |        |
|-----------------------------------|---------------------------------|-------|--------|----------------------------------|--------|--------|
|                                   | 2014                            | 2015  | Change | 2014                             | 2015   | Change |
| Sales, general and administrative | 2,303                           | 4,112 | 79%    | 7,782                            | 11,601 | 49%    |
| <i>As a % of revenues</i>         | 15.7%                           | 22.7% |        | 15.3%                            | 19.4%  |        |

SG&A costs grew 79% in Q4 2015 compared to Q4 2014. The growth was mainly driven by an increase in advertising and marketing spending aimed to support our core products and our business units.

### Share-based compensation (SBC) expense

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

| In RUB millions                             | Three months ended December 31, |      |        | Twelve months ended December 31, |       |        |
|---------------------------------------------|---------------------------------|------|--------|----------------------------------|-------|--------|
|                                             | 2014                            | 2015 | Change | 2014                             | 2015  | Change |
| SBC expense included in cost of revenues    | 32                              | 43   | 34%    | 101                              | 168   | 66%    |
| SBC expense included in product development | 254                             | 629  | 148%   | 780                              | 1,860 | 138%   |
| SBC expense included in SG&A                | 90                              | 221  | 146%   | 329                              | 690   | 110%   |
| Total SBC expense                           | 376                             | 893  | 138%   | 1,210                            | 2,718 | 125%   |
| <i>As a % of revenues</i>                   | 2.6%                            | 4.9% |        | 2.4%                             | 4.5%  |        |

Total SBC expense increased 138% in Q4 2015 compared with Q4 2014. The increase is primarily related to the material appreciation of the U.S. dollar during Q4 2015 as well as to new equity-based grants made in 2014 and 2015.

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

| In RUB millions               | Three months ended December 31, |       |        | Twelve months ended December 31, |       |        |
|-------------------------------|---------------------------------|-------|--------|----------------------------------|-------|--------|
|                               | 2014                            | 2015  | Change | 2014                             | 2015  | Change |
| Depreciation and amortization | 1,206                           | 2,275 | 89%    | 4,484                            | 7,791 | 74%    |
| <i>As a % of revenues</i>     | 8.2%                            | 12.6% |        | 8.8%                             | 13.0% |        |

D&A expense increased 89% in Q4 2015 compared with Q4 2014 and primarily reflected investments in servers and data centers made in 2014 and the first half of 2015.

### Goodwill impairment

| In RUB millions           | Three months ended December 31, |      |        | Twelve months ended December 31, |      |        |
|---------------------------|---------------------------------|------|--------|----------------------------------|------|--------|
|                           | 2014                            | 2015 | Change | 2014                             | 2015 | Change |
| Goodwill impairment       | —                               | 576  | n/m    | —                                | 576  | n/m    |
| <i>As a % of revenues</i> | 0.0%                            | 3.2% |        | 0.0%                             | 1.0% |        |

The goodwill impairment recorded in Q4 2015 of RUB 576 million relates to Kinopoisk acquisition and

was a result of the Company's annual goodwill impairment test reflecting more conservative projected free cash flows.

As a result of the factors described above, **income from operations** was RUB 2.7 billion (\$37.5 million) in Q4 2015, a 39% decrease from Q4 2014, while **adjusted EBITDA** reached RUB 6.6 billion (\$90.0 million) in Q4 2015, up 8% from Q4 2014.

**Interest income, net** in Q4 2015 was RUB 489 million, up from RUB 257 million in Q4 2014.

**Foreign exchange gain** in Q4 2015 was RUB 1,109 million, compared with a foreign exchange gain of RUB 4,707 million in Q4 2014. This gain is due to the material appreciation of the U.S. dollar during Q4 2015 from RUB 66.2367 to \$1.00 on September 30, 2015, to RUB 72.8827 to \$1.00 on December 31, 2015. Yandex's Russian operating subsidiaries' functional currency is the Russian ruble, and therefore changes due to exchange rate fluctuations in the ruble value of these subsidiaries' monetary assets and liabilities that are denominated in other currencies are recognized as foreign exchange gains or losses within Other income, net in the statements of income. Although the U.S. dollar value of Yandex's U.S. dollar-denominated assets and liabilities was not impacted by these currency fluctuations, they resulted in an upward revaluation of the ruble equivalent of these U.S. dollar-denominated monetary assets and liabilities in Q4 2015.

**Income tax expense** for Q4 2015 was RUB 1,503 million, down from RUB 2,338 million in Q4 2014. Our effective tax rate of 34.5% was higher in Q4 2015 than in Q4 2014 due to the effects of goodwill impairment, certain allowances recognized in Q4 2015, as well as an increase in SBC expense which is non-deductible. Adjusted for these effects, our effective tax rate is 25.8%, compared with 23.6% in Q4 2014.

**Adjusted net income** in Q4 2015 was RUB 3.6 billion (\$49.8 million), an 8% decrease from Q4 2014.

**Adjusted net income margin** was 20.1% in Q4 2015, compared with 27.0% in Q4 2014.

**Net income** was RUB 2.9 billion (\$39.1 million) in Q4 2015, down 62% compared with Q4 2014.

As of December 31, 2015, Yandex had **cash, cash equivalents, term deposits and short-term investments in debt securities** of RUB 60.7 billion (\$832.9 million).

**Net operating cash flow and capital expenditures** for Q4 2015 were inflow of RUB 5.5 billion (\$75.5 million) and outflow of RUB 1.7 billion (\$22.8 million), respectively.

During Q4 2015, we repurchased \$24.9 million in principal amount of our **1.125% convertible senior notes** due 2018 for approximately \$21.5 million.

The **total number of shares issued and outstanding** as of December 31, 2015 was 319,252,172, including 271,356,566 Class A shares, 47,895,605 Class B shares, and one Priority share and excluding 10,804,582 Class A shares held in treasury and all Class C shares outstanding solely as a result of the conversion of Class B shares into Class A shares; all such Class C shares will be cancelled. There were also employee share options outstanding to purchase up to an additional 4.0 million shares, at a weighted average exercise price of \$5.94 per share, all of which, excluding approximately 40,000 options, were fully vested; equity-settled share appreciation rights (SARs) equal to 0.3 million shares, at a weighted average measurement price of \$27.27, 0.2 million of which were fully vested; and restricted share units (RSUs) covering 7.4

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million shares, of which RSUs to acquire 1.8 million shares were fully vested.

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## **Financial outlook**

We expect our ruble-based revenue to grow in the range of 12% to 18% in the full year 2016 compared with 2015.

This outlook reflects our current and preliminary view, based on the trends that we currently see.

## **Conference Call Information**

Yandex's management will hold an earnings conference call on February 16, 2016 at 8:00 AM U.S. Eastern Time (4:00 PM Moscow time; 1:00 PM London time).

To access the conference call live, please dial:

US: +1 646 254 3365  
UK/International: +44 (0) 20 3427 1908  
Russia: 8 800 500 9311

Passcode: 8412945#

A replay of the call will be available until February 22, 2016. To access the replay, please dial:

US: +1 866 932 5017,  
UK/International: +44 (0) 20 3427 0598  
Russia: 8 10 800 2870 1012  
Passcode: 8412945#

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

<http://edge.media-server.com/m/p/qgc3d7gr>

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## **ABOUT YANDEX**

Yandex (NASDAQ:YNDX) is one of the largest European internet companies, providing a wide variety of search and other online services. Yandex's mission is to help users solve their everyday problems by building people-centric products and services. Based on innovative technologies, the company provides the most relevant, locally tailored experience on all digital platforms and devices. Yandex operates Russia's most popular search engine and also serves Ukraine, Belarus, Kazakhstan and Turkey.

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

## **FORWARD-LOOKING STATEMENTS**

This press release contains forward-looking statements that involve risks and uncertainties. These include statements regarding our anticipated revenues for full-year 2016. 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, competitive pressures, changes in advertising patterns, changes in user preferences, changes in the political, legal and/or regulatory environment, technological developments, and our need to expend capital to accommodate the growth of the business, as well as those risks and uncertainties included under the captions "Risk Factors" and "Operating and Financial Review and Prospects" in our Annual Report on Form 20-F for the year ended December 31, 2014, which is on file with the Securities and Exchange Commission and is available on our investor relations website at <http://ir.yandex.com/sec.cfm> and on the SEC website at [www.sec.gov](http://www.sec.gov). All information in this release and in the attachments is as of February 16, 2016, and Yandex undertakes no duty to update this information unless required by law.

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## USE OF NON-GAAP FINANCIAL MEASURES

To supplement our consolidated financial statements, which are prepared and presented in accordance with US GAAP, we present the following non-GAAP financial measures: ex-TAC revenue, adjusted EBITDA, adjusted EBITDA margin, adjusted ex-TAC EBITDA margin, adjusted net income, adjusted net income margin and adjusted ex-TAC net income margin. The presentation of these financial measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with US 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 US GAAP measures”, included following the accompanying financial tables. We define the various non-GAAP financial measures we use as follows:

- **Ex-TAC revenue** means US GAAP revenues less total traffic acquisition costs (TAC)
- **Adjusted EBITDA** means net income plus (1) depreciation and amortization, (2) share-based compensation expense, (3) accrual of expense related to the contingent compensation that may be payable to employees in connection with certain business combinations, (4) goodwill impairment related to Kinopoisk and (5) provision for income taxes, less (A) interest income and (B) other income, net
- **Adjusted EBITDA margin** means adjusted EBITDA divided by US GAAP revenues
- **Adjusted ex-TAC EBITDA margin** means adjusted EBITDA divided by ex-TAC revenues
- **Adjusted net income** means US GAAP net income plus (1) share-based compensation expense adjusted for the income tax reduction attributable to share-based compensation expense, (2) accrual of expense related to the contingent compensation that may be payable to certain employees in connection with certain business combinations, (3) impairment of investment in equity securities recorded in Q3 2014 adjusted for reduction in income tax attributable to impairment of investment in such securities, (4) goodwill impairment related to Kinopoisk and (5) amortization of debt discount related to our convertible debt adjusted for the related reduction in income tax; less (A) foreign exchange gains adjusted for the increase in income tax attributable to the foreign exchange gains and (B) gain from repurchases of our convertible notes adjusted for the related increase in income tax
- **Adjusted net income margin** means adjusted net income divided by US GAAP revenues
- **Adjusted ex-TAC net income margin** means adjusted net income divided by ex-TAC revenues

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

Although our management uses these non-GAAP financial measures for operational decision making and considers these financial measures to be useful for analysts and investors, we recognize that there are a number of limitations related to such measures. In particular, it should be noted that several of these measures exclude some costs, particularly share-based compensation, that are recurring. 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 US GAAP financial measures:

### *TAC*

We believe that it may be useful for investors and analysts to review certain measures both in accordance with US GAAP and net of the effect of TAC, which we view as comparable to sales commissions but, unlike sales commissions, are not deducted from US GAAP revenues. By presenting revenue, adjusted

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EBITDA margin and adjusted net income margin net of TAC, we believe that investors and analysts are able to obtain a clearer picture of our business without the impact of the revenues we share with our partners.

#### *SBC*

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

#### *Acquisition-related costs*

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

#### *Foreign exchange gains and losses*

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

#### *Impairment of investment in equity securities*

Adjusted net income for Q3 2014 excludes a loss from the impairment of our equity investment in Blekko Inc. We review our investments quarterly for indicators of other-than-temporary impairment. In Q3 2014 our review identified certain adverse external and internal events indicating that the decline in fair value of our investment in Blekko Inc. is other-than-temporary and recorded an impairment charge of RUB 700 million. We believe that it is useful to present adjusted net income and related margin measures excluding impacts not related to our core operations.

#### *Goodwill impairment*

Adjusted net income and adjusted EBITDA for Q4 2015 exclude a loss from goodwill impairment related to Kinopoisk. We test our goodwill annually for impairment. In Q4 2015, we recognized a goodwill impairment charge for RUB 576 million which is the amount by which the carrying value of goodwill exceeds its implied fair value. We believe that it is useful to present adjusted net income and related margin measures excluding impacts not indicative of our ongoing operating performance.

#### *Amortization of debt discount*

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

#### *Gain from repurchases of convertible debt*

Adjusted net income also excludes a gain from repurchase of \$24.9 million in principal of our 1.125%

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convertible senior notes due 2018 for approximately \$21.5 million that we recorded in Q4 2015. We have eliminated this gain from adjusted net income as it is not indicative of our ongoing operating performance.

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

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**YANDEX N.V.**  
**Unaudited Condensed Consolidated Balance Sheets**

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

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | As of                        |                             |                            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------|----------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | December 31,<br>2014*<br>RUB | December 31,<br>2015<br>RUB | December 31,<br>2015<br>\$ |
| <b>ASSETS</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                              |                             |                            |
| Current assets:                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                              |                             |                            |
| Cash and cash equivalents                                                                                                                                                                                                                                                                                                                                                                                                                                              | 17,645                       | 24,238                      | 332.6                      |
| Term deposits                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 5,863                        | 15,150                      | 207.9                      |
| Investments in debt securities                                                                                                                                                                                                                                                                                                                                                                                                                                         | 3,124                        | 2,915                       | 40.0                       |
| Accounts receivable, net                                                                                                                                                                                                                                                                                                                                                                                                                                               | 3,703                        | 5,586                       | 76.6                       |
| Prepaid expenses                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 1,508                        | 1,505                       | 20.6                       |
| Other current assets                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 3,736                        | 3,835                       | 52.6                       |
| <b>Total current assets</b>                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>35,579</b>                | <b>53,229</b>               | <b>730.3</b>               |
| Property and equipment, net                                                                                                                                                                                                                                                                                                                                                                                                                                            | 17,107                       | 24,337                      | 333.9                      |
| Intangible assets, net                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 2,425                        | 2,511                       | 34.5                       |
| Goodwill                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 8,920                        | 8,581                       | 117.7                      |
| Long-term prepaid expenses                                                                                                                                                                                                                                                                                                                                                                                                                                             | 1,436                        | 1,488                       | 20.5                       |
| Restricted cash                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 932                          | 533                         | 7.3                        |
| Term deposits                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 25,663                       | 18,399                      | 252.4                      |
| Investments in non-marketable equity securities                                                                                                                                                                                                                                                                                                                                                                                                                        | 871                          | 1,122                       | 15.4                       |
| Deferred tax assets                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 56                           | 226                         | 3.1                        |
| Other non-current assets                                                                                                                                                                                                                                                                                                                                                                                                                                               | 1,605                        | 1,392                       | 19.1                       |
| <b>TOTAL ASSETS</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>94,594</b>                | <b>111,818</b>              | <b>1,534.2</b>             |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                                                                                                                                                                                                                                                                                                                                                                                                            |                              |                             |                            |
| Current liabilities:                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                              |                             |                            |
| Accounts payable and accrued liabilities                                                                                                                                                                                                                                                                                                                                                                                                                               | 5,053                        | 6,994                       | 96.0                       |
| Taxes payable                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 2,930                        | 2,800                       | 38.4                       |
| Deferred revenue                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 1,808                        | 1,875                       | 25.7                       |
| <b>Total current liabilities</b>                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>9,791</b>                 | <b>11,669</b>               | <b>160.1</b>               |
| Convertible debt                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 26,123                       | 27,374                      | 375.6                      |
| Deferred tax liabilities                                                                                                                                                                                                                                                                                                                                                                                                                                               | 1,464                        | 1,552                       | 21.3                       |
| Other accrued liabilities                                                                                                                                                                                                                                                                                                                                                                                                                                              | 1,480                        | 1,126                       | 15.4                       |
| <b>Total liabilities</b>                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>38,858</b>                | <b>41,721</b>               | <b>572.4</b>               |
| Commitments and contingencies                                                                                                                                                                                                                                                                                                                                                                                                                                          |                              |                             |                            |
| Shareholders' equity:                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                              |                             |                            |
| Priority share: €1.00 par value; 1 share authorized, issued and outstanding                                                                                                                                                                                                                                                                                                                                                                                            | —                            | —                           | —                          |
| Preference shares: € 0.01 par value; 1,000,000,001 shares authorized, nil shares issued and outstanding                                                                                                                                                                                                                                                                                                                                                                | —                            | —                           | —                          |
| Ordinary shares: par value (Class A €0.01 , Class B €0.10 and Class C € 0.09 ); shares authorized (Class A: 1,000,000,000, Class B: 71,870,411 and 61,295,523, and Class C: 71,870,411 and 61,295,523); shares issued (Class A: 267,970,405 and 282,161,148, Class B: 62,051,348 and 47,895,605, and Class C: 8,919,063 and 12,000,000, respectively); shares outstanding (Class A: 255,592,322 and 271,356,566, Class B: 62,051,348 and 47,895,605, and Class C: nil) | 182                          | 75                          | 1.0                        |
| Treasury shares at cost (Class A: 12,378,083 and 10,804,582)                                                                                                                                                                                                                                                                                                                                                                                                           | (14,179)                     | (12,531)                    | (171.9)                    |
| Additional paid-in capital                                                                                                                                                                                                                                                                                                                                                                                                                                             | 16,192                       | 17,257                      | 236.8                      |
| Accumulated other comprehensive income                                                                                                                                                                                                                                                                                                                                                                                                                                 | 1,023                        | 3,099                       | 42.5                       |
| Retained earnings                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 52,518                       | 62,197                      | 853.4                      |
| <b>Total shareholders' equity</b>                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>55,736</b>                | <b>70,097</b>               | <b>961.8</b>               |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>94,594</b>                | <b>111,818</b>              | <b>1,534.2</b>             |

\* In Q4 2015, Yandex elected to early adopt Accounting Standards Update ("ASU") No. 2015-03—Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, which requires the presentation of debt issuance costs as a direct deduction from the related debt liability rather than an asset, on a retrospective basis. In Q4 2015, Yandex also elected to early adopt ASU No. 2015-17—Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, which requires the classification of deferred tax liabilities and assets as non-current, on a retrospective basis. Prior period amounts have been adjusted accordingly

YANDEX N.V.

Unaudited Condensed Consolidated Statements of Income

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

|                                                                   | Three months ended December 31, |             |             |
|-------------------------------------------------------------------|---------------------------------|-------------|-------------|
|                                                                   | 2014<br>RUB                     | 2015<br>RUB | 2015<br>\$  |
| Revenues                                                          | 14,667                          | 18,094      | 248.3       |
| Operating costs and expenses:                                     |                                 |             |             |
| Cost of revenues(1)                                               | 4,007                           | 4,797       | 65.8        |
| Product development(1)                                            | 2,673                           | 3,606       | 49.5        |
| Sales, general and administrative(1)                              | 2,303                           | 4,112       | 56.4        |
| Depreciation and amortization                                     | 1,206                           | 2,275       | 31.2        |
| Goodwill impairment                                               | —                               | 576         | 7.9         |
| Total operating costs and expenses                                | 10,189                          | 15,366      | 210.8       |
| Income from operations                                            | 4,478                           | 2,728       | 37.5        |
| Interest income, net                                              | 257                             | 489         | 6.7         |
| Other income, net                                                 | 5,175                           | 1,137       | 15.5        |
| Net income before income taxes                                    | 9,910                           | 4,354       | 59.7        |
| Provision for income taxes                                        | 2,338                           | 1,503       | 20.6        |
| Net income                                                        | 7,572                           | 2,851       | 39.1        |
| Net income per Class A and Class B share:                         |                                 |             |             |
| Basic                                                             | 23.83                           | 8.93        | 0.12        |
| Diluted                                                           | 23.44                           | 8.82        | 0.12        |
| Weighted average number of Class A and Class B shares outstanding |                                 |             |             |
| Basic                                                             | 317,775,863                     | 319,101,598 | 319,101,598 |
| Diluted                                                           | 323,082,053                     | 323,077,175 | 323,077,175 |

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

|                                   |     |     |     |
|-----------------------------------|-----|-----|-----|
| Cost of revenues                  | 32  | 43  | 0.6 |
| Product development               | 254 | 629 | 8.6 |
| Sales, general and administrative | 90  | 221 | 3.1 |

YANDEX N.V.

Unaudited Condensed Consolidated Statements of Income

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

|                                                                   | Twelve months ended December 31, |             |             |
|-------------------------------------------------------------------|----------------------------------|-------------|-------------|
|                                                                   | 2014*<br>RUB                     | 2015<br>RUB | 2015<br>\$  |
| Revenues                                                          | 50,767                           | 59,792      | 820.4       |
| Operating costs and expenses:                                     |                                  |             |             |
| Cost of revenues(1)                                               | 14,336                           | 16,810      | 230.6       |
| Product development(1)                                            | 8,842                            | 13,421      | 184.1       |
| Sales, general and administrative(1)                              | 7,782                            | 11,601      | 159.3       |
| Depreciation and amortization                                     | 4,484                            | 7,791       | 106.9       |
| Goodwill impairment                                               | —                                | 576         | 7.9         |
| Total operating costs and expenses                                | 35,444                           | 50,199      | 688.8       |
| Income from operations                                            | 15,323                           | 9,593       | 131.6       |
| Interest income, net                                              | 856                              | 1,744       | 23.9        |
| Other income, net                                                 | 6,296                            | 2,259       | 31.0        |
| Net income before income taxes                                    | 22,475                           | 13,596      | 186.5       |
| Provision for income taxes                                        | 5,455                            | 3,917       | 53.7        |
| Net income                                                        | 17,020                           | 9,679       | 132.8       |
| Net income per Class A and Class B share:                         |                                  |             |             |
| Basic                                                             | 53.30                            | 30.39       | 0.42        |
| Diluted                                                           | 52.27                            | 29.90       | 0.41        |
| Weighted average number of Class A and Class B shares outstanding |                                  |             |             |
| Basic                                                             | 319,336,782                      | 318,541,887 | 318,541,887 |
| Diluted                                                           | 325,610,277                      | 323,713,437 | 323,713,437 |

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

|                                   |     |       |      |
|-----------------------------------|-----|-------|------|
| Cost of revenues                  | 101 | 168   | 2.3  |
| Product development               | 780 | 1,860 | 25.5 |
| Sales, general and administrative | 329 | 690   | 9.5  |

\* Derived from audited financial statements

YANDEX N.V.

Unaudited Condensed Consolidated Statements of Cash Flows

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

|                                                                                   | Three months ended December 31, |                |               |
|-----------------------------------------------------------------------------------|---------------------------------|----------------|---------------|
|                                                                                   | 2014<br>RUB                     | 2015<br>RUB    | 2015<br>\$    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                      |                                 |                |               |
| Net income                                                                        | 7,572                           | 2,851          | 39.1          |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |                |               |
| Depreciation and amortization of property and equipment                           | 1,091                           | 2,112          | 29.0          |
| Amortization of intangible assets                                                 | 115                             | 163            | 2.2           |
| Amortization of debt discount and issuance costs                                  | 240                             | 235            | 3.2           |
| Share-based compensation expense                                                  | 376                             | 893            | 12.3          |
| Deferred income taxes                                                             | 136                             | (87)           | (1.2)         |
| Foreign exchange gains                                                            | (4,707)                         | (1,109)        | (15.2)        |
| Goodwill impairment                                                               | —                               | 576            | 7.9           |
| Gain from repurchases of convertible debt                                         | (548)                           | (67)           | (0.9)         |
| Other                                                                             | 33                              | 13             | 0.2           |
| Changes in operating assets and liabilities excluding the effect of acquisitions: |                                 |                |               |
| Accounts receivable, net                                                          | (352)                           | (900)          | (12.3)        |
| Prepaid expenses and other assets                                                 | (941)                           | 106            | 1.5           |
| Accounts payable and accrued liabilities                                          | 498                             | 499            | 6.8           |
| Deferred revenue                                                                  | 212                             | 215            | 2.9           |
| Net cash provided by operating activities                                         | <u>3,725</u>                    | <u>5,500</u>   | <u>75.5</u>   |
| <b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:</b>                               |                                 |                |               |
| Purchase of property and equipment                                                | (2,998)                         | (1,659)        | (22.8)        |
| Proceeds from sale of property and equipment                                      | 96                              | 60             | 0.8           |
| Acquisitions of businesses, net of cash acquired                                  | (531)                           | (212)          | (2.9)         |
| Investments in non-marketable equity securities                                   | —                               | (35)           | (0.5)         |
| Investments in debt securities                                                    | —                               | (2,564)        | (35.2)        |
| Proceeds from maturity of debt securities                                         | 575                             | —              | —             |
| Investments in term deposits                                                      | (935)                           | (15,150)       | (207.9)       |
| Maturities of term deposits                                                       | 5,518                           | 20,044         | 275.0         |
| Loans granted                                                                     | 2                               | (38)           | (0.4)         |
| Net cash provided by investing activities                                         | <u>1,727</u>                    | <u>446</u>     | <u>6.1</u>    |
| <b>CASH FLOWS USED IN FINANCING ACTIVITIES:</b>                                   |                                 |                |               |
| Proceeds from exercise of share options                                           | 68                              | 29             | 0.4           |
| Repurchases of convertible debt                                                   | (4,675)                         | (1,187)        | (16.3)        |
| Repurchases of ordinary shares                                                    | (1,066)                         | —              | —             |
| Payment for contingent consideration                                              | —                               | (35)           | (0.5)         |
| Dividends received from equity securities                                         | —                               | 29             | 0.4           |
| Net cash used in financing activities                                             | <u>(5,673)</u>                  | <u>(1,164)</u> | <u>(16.0)</u> |
| Effect of exchange rate changes on cash and cash equivalents                      | 4,947                           | 1,417          | 19.5          |
| Net change in cash and cash equivalents                                           | <u>4,726</u>                    | <u>6,199</u>   | <u>85.1</u>   |
| Cash and cash equivalents at beginning of period                                  | 12,919                          | 18,039         | 247.5         |
| Cash and cash equivalents at end of period                                        | 17,645                          | 24,238         | 332.6         |

YANDEX N.V.

Unaudited Condensed Consolidated Statements of Cash Flows

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

|                                                                                   | Twelve months ended December 31, |                 |                |
|-----------------------------------------------------------------------------------|----------------------------------|-----------------|----------------|
|                                                                                   | 2014*<br>RUB                     | 2015<br>RUB     | 2015<br>\$     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                      |                                  |                 |                |
| Net income                                                                        | 17,020                           | 9,679           | 132.8          |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                  |                 |                |
| Depreciation and amortization of property and equipment                           | 4,242                            | 7,289           | 100.0          |
| Amortization of intangible assets                                                 | 242                              | 502             | 6.9            |
| Amortization of debt discount and issuance costs                                  | 811                              | 967             | 13.3           |
| Share-based compensation expense                                                  | 1,210                            | 2,718           | 37.3           |
| Deferred income taxes                                                             | 115                              | (188)           | (2.6)          |
| Foreign exchange gains                                                            | (6,553)                          | (1,903)         | (26.1)         |
| Impairment of investment in equity securities                                     | 700                              | —               | —              |
| Goodwill impairment                                                               | —                                | 576             | 7.9            |
| Gain from repurchases of convertible debt                                         | (548)                            | (310)           | (4.3)          |
| Other                                                                             | 38                               | (83)            | (1.1)          |
| Changes in operating assets and liabilities excluding the effect of acquisitions: |                                  |                 |                |
| Accounts receivable, net                                                          | (714)                            | (1,763)         | (24.2)         |
| Prepaid expenses and other assets                                                 | (3,069)                          | 888             | 12.2           |
| Accounts payable and accrued liabilities                                          | 1,817                            | 1,160           | 15.9           |
| Deferred revenue                                                                  | 235                              | 44              | 0.6            |
| Net cash provided by operating activities                                         | <b>15,546</b>                    | <b>19,576</b>   | <b>268.6</b>   |
| <b>CASH FLOWS USED IN INVESTING ACTIVITIES:</b>                                   |                                  |                 |                |
| Purchase of property and equipment                                                | (9,679)                          | (13,045)        | (179.0)        |
| Proceeds from sale of property and equipment                                      | 132                              | 95              | 1.3            |
| Acquisitions of businesses, net of cash acquired                                  | (6,360)                          | (398)           | (5.5)          |
| Investments in non-marketable equity securities                                   | (45)                             | (110)           | (1.5)          |
| Proceeds from sale of equity securities                                           | 120                              | —               | —              |
| Investments in debt securities                                                    | (2,546)                          | (2,564)         | (35.2)         |
| Proceeds from maturity of debt securities                                         | 575                              | 3,426           | 47.0           |
| Investments in term deposits                                                      | (17,157)                         | (41,760)        | (573.0)        |
| Maturities of term deposits                                                       | 7,234                            | 42,682          | 585.6          |
| Loans granted                                                                     | (207)                            | (60)            | (0.7)          |
| Escrow cash deposit                                                               | (656)                            | 58              | 0.8            |
| Net cash used in investing activities                                             | <b>(28,589)</b>                  | <b>(11,676)</b> | <b>(160.2)</b> |
| <b>CASH FLOWS USED IN FINANCING ACTIVITIES:</b>                                   |                                  |                 |                |
| Proceeds from exercise of share options                                           | 191                              | 168             | 2.3            |
| Proceeds from issuance of convertible debt                                        | 2,981                            | —               | —              |
| Repurchases of convertible debt                                                   | (6,414)                          | (6,096)         | (83.6)         |
| Payment of debt issuance costs                                                    | (42)                             | —               | —              |
| Repurchases of ordinary shares                                                    | (8,423)                          | —               | —              |
| Payment for contingent consideration                                              | —                                | (124)           | (1.7)          |
| Dividends received from equity securities                                         | —                                | 29              | 0.4            |
| Net cash used in financing activities                                             | <b>(11,707)</b>                  | <b>(6,023)</b>  | <b>(82.6)</b>  |
| Effect of exchange rate changes on cash and cash equivalents                      | 9,001                            | 4,716           | 64.7           |
| Net change in cash and cash equivalents                                           | <b>(15,749)</b>                  | <b>6,593</b>    | <b>90.5</b>    |
| Cash and cash equivalents at beginning of period                                  | 33,394                           | 17,645          | 242.1          |
| Cash and cash equivalents at end of period                                        | 17,645                           | 24,238          | 332.6          |

\* Derived from audited financial statements

### Reconciliation of Ex-TAC Revenues to US GAAP Revenues

| In RUB millions                       | Three months<br>ended December 31, |        |        | Twelve months<br>ended December 31, |        |        |
|---------------------------------------|------------------------------------|--------|--------|-------------------------------------|--------|--------|
|                                       | 2014                               | 2015   | Change | 2014                                | 2015   | Change |
| Total revenues                        | 14,667                             | 18,094 | 23%    | 50,767                              | 59,792 | 18%    |
| Less: traffic acquisition costs (TAC) | 3,095                              | 3,720  | 20%    | 11,076                              | 12,741 | 15%    |
| Ex-TAC revenues                       | 11,572                             | 14,374 | 24%    | 39,691                              | 47,051 | 19%    |

### Reconciliation of Adjusted EBITDA to US GAAP Net Income

| In RUB millions                                                  | Three months<br>ended December 31, |         |        | Twelve months<br>ended December 31, |         |        |
|------------------------------------------------------------------|------------------------------------|---------|--------|-------------------------------------|---------|--------|
|                                                                  | 2014                               | 2015    | Change | 2014                                | 2015    | Change |
| Net income                                                       | 7,572                              | 2,851   | -62%   | 17,020                              | 9,679   | -43%   |
| Add: depreciation and amortization                               | 1,206                              | 2,275   | 89%    | 4,484                               | 7,791   | 74%    |
| Add: share-based compensation expense                            | 376                                | 893     | 138%   | 1,210                               | 2,718   | 125%   |
| Add: compensation expense related to<br>contingent consideration | 18                                 | 88      | n/m    | 35                                  | 291     | n/m    |
| Add: goodwill impairment                                         | —                                  | 576     | n/m    | —                                   | 576     | n/m    |
| Less: interest income, net                                       | (257)                              | (489)   | 90%    | (856)                               | (1,744) | 104%   |
| Less: other income, net                                          | (5,175)                            | (1,137) | -78%   | (6,296)                             | (2,259) | -64%   |
| Add: provision for income taxes                                  | 2,338                              | 1,503   | -36%   | 5,455                               | 3,917   | -28%   |
| Adjusted EBITDA                                                  | 6,078                              | 6,560   | 8%     | 21,052                              | 20,969  | 0%     |

### Reconciliation of Adjusted Net Income to US GAAP Net Income

| In RUB millions                                                                                   | Three months<br>ended December 31, |         |        | Twelve months<br>ended December 31, |         |        |
|---------------------------------------------------------------------------------------------------|------------------------------------|---------|--------|-------------------------------------|---------|--------|
|                                                                                                   | 2014                               | 2015    | Change | 2014                                | 2015    | Change |
| Net income                                                                                        | 7,572                              | 2,851   | -62%   | 17,020                              | 9,679   | -43%   |
| Add: SBC expense                                                                                  | 376                                | 893     | 138%   | 1,210                               | 2,718   | 125%   |
| Less: reduction in income tax attributable to<br>SBC expense                                      | (5)                                | (11)    | 120%   | (20)                                | (41)    | 105%   |
| Add: compensation expense related to<br>contingent consideration                                  | 18                                 | 88      | n/m    | 35                                  | 291     | n/m    |
| Less: foreign exchange gain                                                                       | (4,707)                            | (1,109) | -76%   | (6,553)                             | (1,903) | -71%   |
| Add: increase in income tax attributable to<br>foreign exchange gain                              | 937                                | 216     | -77%   | 1,324                               | 355     | -73%   |
| Add: impairment of investment in equity<br>securities                                             | —                                  | —       | n/m    | 700                                 | —       | -100%  |
| Less: reduction in income tax attributable to<br>impairment of investment in equity<br>securities | —                                  | —       | n/m    | (175)                               | —       | -100%  |
| Add: goodwill impairment                                                                          | —                                  | 576     | n/m    | —                                   | 576     | n/m    |
| Less: gain from repurchases of convertible<br>debt                                                | (548)                              | (67)    | -88%   | (548)                               | (310)   | -43%   |
| Add: increase in income tax attributable to<br>gain from repurchases of convertible debt          | 137                                | 16      | -88%   | 137                                 | 77      | -44%   |
| Add: amortization of debt discount                                                                | 243                                | 235     | -3%    | 811                                 | 967     | 19%    |
| Less: reduction in income tax attributable to<br>amortization of debt discount                    | (56)                               | (56)    | 0%     | (190)                               | (230)   | 21%    |
| Adjusted net income                                                                               | 3,967                              | 3,632   | -8%    | 13,751                              | 12,179  | -11%   |

YANDEX N.V.

RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES  
TO THE NEAREST COMPARABLE US GAAP MEASURES

Reconciliation of Adjusted EBITDA Margin and Adjusted Ex-TAC EBITDA Margin to US GAAP Net Income Margin

| In RUB millions                       | US GAAP Actual Net Income | Net Income Margin (1) | Adjustment (2) | Adjusted EBITDA | Adjusted EBITDA Margin (3) | Adjusted Ex-TAC EBITDA Margin (4) |
|---------------------------------------|---------------------------|-----------------------|----------------|-----------------|----------------------------|-----------------------------------|
| Three months ended December 31, 2015  | 2,851                     | 15.8%                 | 3,709          | 6,560           | 36.3%                      | 45.6%                             |
| Twelve months ended December 31, 2015 | 9,679                     | 16.2%                 | 11,290         | 20,969          | 35.1%                      | 44.6%                             |

(1) Net income margin is defined as net income divided by total revenues.

(2) Adjusted to eliminate depreciation and amortization expense, SBC expense, expense related to contingent compensation, goodwill impairment, interest income, net, other income, net, and provision for income taxes. For a reconciliation of adjusted EBITDA to net income, please see the table above.

(3) Adjusted EBITDA margin is defined as adjusted EBITDA divided by total revenues.

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

Reconciliation of Adjusted Net Income Margin and Adjusted Ex-TAC Net Income Margin to US GAAP Net Income Margin

| In RUB millions                       | US GAAP Actual Net Income | Net Income Margin (1) | Adjustment (2) | Adjusted Net Income | Adjusted Net Income Margin (3) | Adjusted Ex-TAC Net Income Margin (4) |
|---------------------------------------|---------------------------|-----------------------|----------------|---------------------|--------------------------------|---------------------------------------|
| Three months ended December 31, 2015  | 2,851                     | 15.8%                 | 781            | 3,632               | 20.1%                          | 25.3%                                 |
| Twelve months ended December 31, 2015 | 9,679                     | 16.2%                 | 2,500          | 12,179              | 20.4%                          | 25.9%                                 |

(1) Net income margin is defined as net income divided by total revenues.

(2) Adjusted to eliminate SBC expense (as adjusted for the income tax reduction attributable to SBC expense), expense related to contingent compensation, foreign exchange gain (as adjusted for the increase in income tax attributable to the gain), impairment of investment in equity securities (as adjusted for the income tax reduction attributable to the expense), goodwill impairment, gain from repurchases of convertible debt (as adjusted for the increase in income tax attributable to the gain) and amortization of debt discount (as adjusted for the reduction in income tax attributable to the expense). For a reconciliation of adjusted net income to net income, please see the table above.

(3) Adjusted net income margin is defined as adjusted net income divided by total revenues.

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

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