

**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**

July 26, 2018

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):

Furnished as Exhibit 99.1 to this Report on Form 6-K is a press release of Yandex N.V. dated July 26, 2018, announcing the Company's results for the second quarter ended June 30, 2018.

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: July 26, 2018

By:
Greg Abovsky
Chief Financial Officer and
Chief Operating Officer

INDEX TO EXHIBITS

Number

Description

99.1

Press Release of Yandex N.V. dated July 26, 2018, announcing the Company's results for the second quarter ended June 30, 2018

Yandex Announces Second Quarter 2018 Financial Results

MOSCOW and AMSTERDAM, the Netherlands, July 26, 2018 -- 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 second quarter ended June 30, 2018.

Deconsolidation of Yandex.Market

On April 27, 2018, Yandex and Sberbank formed a joint venture based on the Yandex.Market platform. Since that date, each of Yandex and Sberbank hold an equal number of the outstanding shares in Yandex.Market, with up to 10% of outstanding shares allocated to management and an equity incentive pool. Accordingly, starting April 27, 2018, we deconsolidated Yandex.Market from Yandex's consolidated financial results and, under the equity method of accounting, we record our share of Yandex.Market's financial results within the other income/(loss), net line in the consolidated statements of income. Therefore, this financial release presents:

Consolidated financial results for the three months ended June 30, 2018, which include the results of Yandex.Market for 27 days in Q2 2018 and its results for the full quarter Q2 2017.

Consolidated financial results for the six months ended June 30, 2018, which include the results of Yandex.Market for the full quarter Q1 2018 and 27 days in Q2 2018 and its results for the full H1 2017.

Financial results excluding Yandex.Market, which exclude the results of Yandex.Market, gain from deconsolidation and Yandex's share of Yandex.Market's net income after the deconsolidation from the three and six months periods ended June 30, 2017 and 2018.

Financial results of Yandex.Market on a like-for-like basis, which present the standalone financial results of Yandex.Market on a full-quarter basis for Q2 2018.

Q2 2018 Financial Highlights(1)(2)

Q2 2018 consolidated financial results

- **Revenues** of RUB 29.7 billion (\$472.8 million), up 34% compared with Q2 2017
- **Net income** of RUB 33.3 billion (\$531.1 million), up 857% compared with Q2 2017, mainly due to effect of deconsolidation of Yandex.Market in the amount of RUB 28 billion; **net income margin** of 112.3%
- **Adjusted net income** of RUB 5.1 billion (\$80.9 million), up 27% compared with Q2 2017; **adjusted net income margin** of 17.1%
- **Adjusted EBITDA** of RUB 8.8 billion (\$140.9 million), up 23% compared with Q2 2017; **adjusted EBITDA margin** of 29.8%

Q2 2018 financial results excluding Yandex.Market in 2017 and 2018

- **Revenues excluding Yandex.Market** of RUB 29.4 billion (\$467.7 million), up 39% compared with Q2 2017
- **Net income excluding Yandex.Market** of RUB 5.3 billion (\$84.4 million), up 67% compared with Q2 2017
- **Adjusted net income excluding Yandex.Market** of RUB 5.3 billion (\$84.1 million), up 44% compared with Q2 2017; **adjusted net income margin excluding Yandex.Market** of 18.0%
- **Adjusted EBITDA excluding Yandex.Market** of RUB 8.9 billion (\$142.5 million), up 32% compared with Q2 2017; **adjusted EBITDA margin excluding Yandex.Market** of 30.5%
- **Cash, cash equivalents and term deposits as of June 30, 2018:**
 - RUB 97.0 billion (\$1,546.4 million) on a consolidated basis
 - Of which RUB 27.2 billion (\$433.0 million) related to Taxi segment
 - RUB 32.1 billion (\$511.8 million) related to Yandex.Market and not included in Yandex N.V. consolidated balance sheet

Q2 2018 Operational and Corporate Highlights

- **Share of Russian search market**, including mobile, averaged 56.2% in Q2 2018, up from 54.3% in Q2 2017 and down slightly from 56.5% in Q1 2018, according to Yandex.Radar
-

- **Search share on Android** in Russia was 47.8% in Q2 2018, up from 46.3% in Q1 2018 and 38.2% in Q2 2017
- **Search queries** in Russia grew 11% compared with Q2 2017
- **Paid clicks** on Yandex's and its partners' websites, in aggregate, increased 10% compared with Q2 2017
- Average **cost per click** grew 6% compared with Q2 2017
- **Number of rides in the Taxi segment** grew 207% year-on-year compared with Q2 2017; this includes the full quarter of Uber rides in Q2 2018
- Yandex introduced **Yandex.Station**, our smart speaker designed for the Russian market
- Yandex launched a subscription service, **Yandex.Plus**, providing users with a bundled offering of multiple Yandex services
- On April 27, 2018, **Yandex** and **Sberbank** completed the formation of **Yandex.Market** joint venture, which was followed by deconsolidation of Yandex.Market from Yandex group financial results
- Yandex announced a **share repurchase** program of up to \$100 million of Class A shares, which will be in effect for up to twelve months

"I am pleased to report a strong second quarter, with accelerating revenue growth and significant product introductions," said Arkady Volozh, Chief Executive Officer of Yandex. "We extended beyond traditional computing platforms with the introduction of Yandex.Station, the first smart speaker developed for the Russian market, and we launched Yandex.Plus, a subscription-based membership program that provides access to a bundle of Yandex services."

"We delivered 39% year-over-year revenue growth, excluding the results of recently deconsolidated Yandex.Market from both periods," said Greg Abovsky, Chief Operating Officer and Chief Financial Officer of Yandex. "We are particularly excited by the strength of our core business, driven by rapid revenue growth of search and other Yandex properties."

The following table provides a summary of our key **consolidated financial results** for the three and six months ended June 30, 2017 and 2018, which includes Yandex.Market financial results through April 27, 2018:

| <i>In RUB millions</i> | Three months ended June 30, | | | Six months ended June 30, | | |
|----------------------------------|------------------------------------|-------------|---------------|----------------------------------|-------------|---------------|
| | 2017 | 2018 | <i>Change</i> | 2017 | 2018 | <i>Change</i> |
| Revenues | 22,104 | 29,672 | 34% | 42,756 | 56,245 | 32% |
| Ex-TAC revenues ² | 17,888 | 24,948 | 39% | 34,605 | 47,204 | 36% |
| Income from operations | 2,997 | 4,348 | 45% | 6,372 | 7,507 | 18% |
| Adjusted EBITDA ² | 7,213 | 8,842 | 23% | 14,087 | 16,546 | 17% |
| Net income | 3,484 | 33,331 | 857% | 4,303 | 35,182 | 718% |
| Adjusted net income ² | 3,990 | 5,080 | 27% | 7,739 | 9,089 | 17% |

The table below provides a summary of our key **financial results excluding Yandex.Market** for the three and six months ended June 30, 2017 and 2018.

| <i>In RUB millions, excluding Yandex.Market</i> | Three months ended June 30, | | | Six months ended June 30, | | |
|--|------------------------------------|-------------|---------------|----------------------------------|-------------|---------------|
| | 2017 | 2018 | <i>Change</i> | 2017 | 2018 | <i>Change</i> |
| Revenues ex. Yandex.Market | 21,140 | 29,350 | 39% | 40,685 | 55,018 | 35% |
| Ex-TAC revenues ² ex. Yandex.Market | 16,966 | 24,633 | 45% | 32,659 | 46,011 | 41% |
| Income from operations ex. Yandex.Market | 2,596 | 4,463 | 72% | 5,443 | 7,826 | 44% |
| Adjusted EBITDA ² ex. Yandex.Market | 6,768 | 8,943 | 32% | 13,082 | 16,809 | 28% |
| Net income ex. Yandex.Market | 3,174 | 5,294 | 67% | 3,563 | 7,296 | 105% |
| Adjusted net income ² ex. Yandex.Market | 3,652 | 5,276 | 44% | 6,954 | 9,400 | 35% |

- (1) Pursuant to SEC rules regarding convenience translations, Russian ruble (RUB) amounts have been translated into U.S. dollars at a rate of RUB 62.7565 to \$1.00, the official exchange rate quoted as of June 30, 2018 by the Central Bank of the Russian Federation.
- (2) The following measures presented in this release are "non-GAAP financial measures": ex-TAC revenues; adjusted EBITDA; adjusted EBITDA margin; adjusted ex-TAC EBITDA margin; adjusted net income; adjusted net income

margin and adjusted ex-TAC net income margin. Please see the section headed “Use of Non-GAAP Financial Measures” below for a discussion of how we define these measures, as well as reconciliations at the end of this release of each of these measures to the most directly comparable U.S. GAAP measures.

Consolidated revenues breakdown

| <i>In RUB millions</i> | Three months ended June 30, | | | Six months ended June 30, | | |
|-----------------------------------|-----------------------------|--------|--------|---------------------------|--------|--------|
| | 2017 | 2018 | Change | 2017 | 2018 | Change |
| Online advertising revenues: | | | | | | |
| <i>Yandex properties</i> | 15,531 | 18,863 | 21% | 29,887 | 36,338 | 22% |
| <i>Advertising network</i> | 5,403 | 5,619 | 4% | 10,562 | 10,984 | 4% |
| Total online advertising revenues | 20,934 | 24,482 | 17% | 40,449 | 47,322 | 17% |
| Other | 1,170 | 5,190 | 344% | 2,307 | 8,923 | 287% |
| Total revenues | 22,104 | 29,672 | 34% | 42,756 | 56,245 | 32% |

Online advertising revenues grew 17% in Q2 2018 compared with Q2 2017 and generated 83% of total revenues. Online advertising revenues include revenues derived from performance and brand advertising on Yandex properties and in our advertising network. Excluding revenues of Yandex.Market from Q2 of 2017 and 2018, online advertising revenues grew 21% in Q2 2018 compared with Q2 2017.

Online advertising revenues from Yandex properties increased 21% in Q2 2018 compared with Q2 2017 and accounted for 64% of total revenues. Excluding revenues of Yandex.Market from Q2 of 2017 and 2018, online advertising revenues from Yandex properties increased 28% in Q2 2018 compared with Q2 2017.

Online advertising revenues from our advertising network increased 4% in Q2 2018 compared with Q2 2017 and accounted for 19% of total revenues.

Other revenues grew 344% in Q2 2018 compared with Q2 2017, and amounted to 17% of total revenues. The growth was mainly driven by increase in Yandex.Taxi revenues.

Segment revenues

| <i>In RUB millions</i> | Three months ended June 30, | | | Six months ended June 30, | | |
|--|-----------------------------|---------|--------|---------------------------|---------|--------|
| | 2017 | 2018 | Change | 2017 | 2018 | Change |
| Revenues: | | | | | | |
| Search and Portal | 20,166 | 24,682 | 22% | 38,837 | 46,967 | 21% |
| E-commerce* | 1,168 | 442 | -62% | 2,463 | 1,697 | -31% |
| Taxi | 772 | 4,064 | 426% | 1,550 | 7,180 | 363% |
| Classifieds | 456 | 915 | 101% | 823 | 1,621 | 97% |
| Media Services | 251 | 395 | 57% | 495 | 816 | 65% |
| Experiments | 65 | 414 | n/m | 131 | 596 | 355% |
| Eliminations | (774) | (1,240) | 60% | (1,543) | (2,632) | 71% |
| Total revenues | 22,104 | 29,672 | 34% | 42,756 | 56,245 | 32% |
| Total revenues, excluding Yandex.Market* | 21,140 | 29,350 | 39% | 40,685 | 55,018 | 35% |

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

| <i>In RUB millions</i> | Three months ended June 30, | | | Six months ended June 30, | | |
|------------------------|-----------------------------|------|--------|---------------------------|------|--------|
| | 2017 | 2018 | Change | 2017 | 2018 | Change |
| Revenues: | | | | | | |

| | | | | | | |
|------------------------------|-------|-------|-----|-------|-------|----|
| Yandex.Market, like-for-like | 1,168 | 1,411 | 21% | 2,463 | 2,666 | 8% |
|------------------------------|-------|-------|-----|-------|-------|----|

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

- Search and Portal segment (including Geolocation Services) offers a broad range of services in Russia, Belarus and Kazakhstan (and, for periods prior to the imposition of sanctions on Yandex by the government of Ukraine in May 2017, all our services offered in Ukraine), other than those described below. Since Q1 2018 our Search and Portal segment also includes Search and Portal in Turkey and Yandex Launcher, previously reported in Experiments and Yandex.Travel, previously reported in Classifieds.
- E-commerce segment includes Yandex.Market service for the period prior to April 27, 2018, the date of the completion of the Yandex.Market joint venture between Yandex and Sberbank;
- Taxi segment includes our Taxi business (including Yandex.Taxi and Uber in Russia and neighboring countries) and Food Delivery business (including Yandex.EATs and UberEATs);
- Classifieds segment includes Auto.ru, Yandex.Realty and Yandex.Jobs;
- Media Services segment includes KinoPoisk, Yandex.Music, Yandex.Afisha and Yandex.TV program; Media Services were broken out from Experiments and now constitute a separate business unit;
- Experiments segment includes Zen, Yandex.Cloud, Yandex.Health, Yandex.Drive and Yandex Data Factory. Yandex.Cloud and Yandex.Health initiatives previously were a part of our Search and Portal segment. Yandex.Drive is our car sharing service, launched in February 2018.
- Eliminations represent the elimination of transactions between the reportable segments, primarily related to advertising.
- Prior periods were restated to conform to the current year presentation.

Consolidated Operating Costs and Expenses

Yandex's operating costs and expenses consist of cost of revenues, product development expenses, sales, general and administrative expenses (SG&A) and depreciation and amortization expenses (D&A). Apart from D&A, each of the above expense categories include personnel-related costs and expenses, relevant office space rental, and related share-based compensation expense. Increases across all cost categories reflect investments in overall growth. In Q2 2018 Yandex's headcount increased by 154 full-time employees. The total number of full-time employees was 8,288 as of June 30, 2018, up by 2% compared with March 31, 2018, and up 27% from June 30, 2017. Excluding the impact of the deconsolidation of Yandex.Market, the growth in the number of full-time employees was 12% compared with March 31, 2018 and 40% from June 30, 2017.

Cost of revenues, including traffic acquisition costs (TAC)

| In RUB millions | Three months ended June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|-------|--------|---------------------------|--------|--------|
| | 2017 | 2018 | Change | 2017 | 2018 | Change |
| TAC: | | | | | | |
| Related to the Yandex advertising network | 3,148 | 3,439 | 9% | 6,044 | 6,607 | 9% |
| Related to distribution partners | 1,068 | 1,285 | 20% | 2,107 | 2,434 | 16% |
| Total TAC | 4,216 | 4,724 | 12% | 8,151 | 9,041 | 11% |
| Total TAC as a % of total revenues | 19.1% | 15.9% | | 19.1% | 16.1% | |
| Other cost of revenues | 1,531 | 3,528 | 130% | 2,944 | 5,923 | 101% |
| Other cost of revenues as a % of revenues | 6.9% | 11.9% | | 6.9% | 10.5% | |
| Total cost of revenues | 5,747 | 8,252 | 44% | 11,095 | 14,964 | 35% |
| Total cost of revenues as a % of revenues | 26.0% | 27.8% | | 25.9% | 26.6% | |

TAC grew 12% in Q2 2018 compared with Q2 2017 and represented 15.9% of total revenues, 320 basis points lower than in Q2 2017 and 30 basis points lower compared with Q1 2018 due to revenue mix effect.

Other cost of revenues in Q2 2018 increased 130% compared with Q2 2017, mainly due to an increase of Taxi related outsourced costs and services provided to Taxi corporate clients, for which revenue and related costs are recorded on a gross basis.

Product development

| <i>In RUB millions</i> | Three months ended June 30, | | | Six months ended June 30, | | |
|---------------------------|-----------------------------|-------|--------|---------------------------|--------|--------|
| | 2017 | 2018 | Change | 2017 | 2018 | Change |
| Product development | 4,473 | 5,370 | 20% | 8,991 | 11,173 | 24% |
| <i>As a % of revenues</i> | 20.2% | 18.0% | | 21.0% | 20.0% | |

Product development expenses grew in line with revenues, driven by the growth of share-based compensation, new hires as well as salary increases in Q2 2018. Excluding Yandex.Market from Q2 of 2017 and 2018, product development expenses grew 28% in Q2 2018 compared with Q2 2017.

Sales, general and administrative (SG&A)

| <i>In RUB millions</i> | Three months ended June 30, | | | Six months ended June 30, | | |
|-----------------------------------|-----------------------------|-------|--------|---------------------------|--------|--------|
| | 2017 | 2018 | Change | 2017 | 2018 | Change |
| Sales, general and administrative | 6,064 | 8,776 | 45% | 11,012 | 16,785 | 52% |
| <i>As a % of revenues</i> | 27.4% | 29.6% | | 25.8% | 29.8% | |

SG&A expenses grew 45% in Q2 2018 compared to Q2 2017. The growth was mainly driven by our continuing investments in advertising and marketing to support our business units and core business, as well as by the growth of personnel costs due to new hires and salary increases.

Share-based compensation (SBC) expense

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

| <i>In RUB millions</i> | Three months ended June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|-------|--------|---------------------------|-------|--------|
| | 2017 | 2018 | Change | 2017 | 2018 | Change |
| SBC expense included in cost of revenues | 64 | 43 | -33% | 106 | 79 | -25% |
| SBC expense included in product development | 542 | 1,058 | 95% | 1,118 | 2,204 | 97% |
| SBC expense included in SG&A | 359 | 460 | 28% | 699 | 911 | 30% |
| Total SBC expense | 965 | 1,561 | 62% | 1,923 | 3,194 | 66% |
| <i>As a % of revenues</i> | 4.4% | 5.3% | | 4.5% | 5.7% | |

Total SBC expense increased 62% in Q2 2018 compared with Q2 2017. The growth primarily related to new equity-based grants made in 2017 and early 2018.

Depreciation and amortization (D&A) expense

| <i>In RUB millions</i> | Three months ended June 30, | | | Six months ended June 30, | | |
|-------------------------------|-----------------------------|-------|--------|---------------------------|-------|--------|
| | 2017 | 2018 | Change | 2017 | 2018 | Change |
| Depreciation and amortization | 2,823 | 2,926 | 4% | 5,286 | 5,816 | 10% |
| <i>As a % of revenues</i> | 12.8% | 9.9% | | 12.4% | 10.3% | |

D&A expense increased 4% in Q2 2018 compared with Q2 2017. D&A expense primarily reflects our investments in servers and data center equipment connected with the launch of our new data center in Vladimir, Russia, in 2017, which was partly offset by expiration of useful lives of part of our equipment and intangible assets.

Income from operations

| <i>In RUB millions</i> | Three months ended June 30, | | | Six months ended June 30, | | |
|------------------------|-----------------------------|------|--------|---------------------------|------|--------|
| | 2017 | 2018 | Change | 2017 | 2018 | Change |

| | | | | | | |
|------------------------|-------|-------|-----|-------|-------|-----|
| Income from operations | 2,997 | 4,348 | 45% | 6,372 | 7,507 | 18% |
|------------------------|-------|-------|-----|-------|-------|-----|

Income from operations increased 45% in Q2 2018 compared with Q2 2017.

Adjusted EBITDA

Consolidated adjusted EBITDA

| <i>In RUB millions</i> | Three months ended June 30, | | | Six months ended June 30, | | |
|------------------------|-----------------------------|-------|--------|---------------------------|--------|--------|
| | 2017 | 2018 | Change | 2017 | 2018 | Change |
| Adjusted EBITDA | 7,213 | 8,842 | 23% | 14,087 | 16,546 | 17% |

Adjusted EBITDA increased 23% in Q2 2018 compared with Q2 2017.

Adjusted EBITDA by segments

| <i>In RUB millions</i> | Three months ended June 30, | | | Six months ended June 30, | | |
|--|-----------------------------|---------|--------|---------------------------|---------|--------|
| | 2017 | 2018 | Change | 2017 | 2018 | Change |
| Adjusted EBITDA: | | | | | | |
| Search and Portal | 9,057 | 11,501 | 27% | 16,958 | 21,868 | 29% |
| E-commerce* | 445 | (101) | n/m | 1,005 | (263) | n/m |
| Taxi | (1,966) | (1,882) | -4% | (3,211) | (3,594) | 12% |
| Classifieds | (20) | 44 | -320% | (17) | (243) | n/m |
| Media Services | (106) | (260) | 145% | (256) | (357) | 39% |
| Experiments | (197) | (460) | 134% | (392) | (865) | 121% |
| Total adjusted EBITDA | 7,213 | 8,842 | 23% | 14,087 | 16,546 | 17% |
| Total adjusted EBITDA, excluding Yandex.Market | 6,768 | 8,943 | 32% | 13,082 | 16,809 | 28% |

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

| <i>In RUB millions</i> | Three months ended June 30, | | | Six months ended June 30, | | |
|------------------------------|-----------------------------|------|--------|---------------------------|-------|--------|
| | 2017 | 2018 | Change | 2017 | 2018 | Change |
| Adjusted EBITDA: | | | | | | |
| Yandex.Market, like-for-like | 445 | (9) | -102% | 1,005 | (171) | -117% |

Adjusted EBITDA excluding Yandex.Market increased 32% in Q2 2018 compared with Q2 2017.

Adjusted EBITDA of Taxi was negative RUB 1,882 million in Q2 2018. Adjusted EBITDA loss of Yandex.Taxi includes the full quarter of Uber losses and our investments in Food Delivery business.

Interest income in Q2 2018 was RUB 817 million, up compared with RUB 688 million in Q2 2017.

Interest expense in Q2 2018 was RUB 243 million, up from RUB 217 million in Q2 2017.

Foreign exchange gain in Q2 2018 was RUB 2,085 million, compared with a foreign exchange gain of RUB 1,273 million in Q2 2017. This gain reflects the depreciation of the Russian ruble during Q2 2018 from RUB 57.2649 to \$1.00 on March 31, 2018, to RUB 62.7565 to \$1.00 on June 30, 2018. Yandex's Russian operating subsidiaries' functional currency is the Russian ruble, and therefore changes due to exchange rate fluctuations in the ruble value of these subsidiaries' monetary assets and liabilities that are denominated in other currencies are recognized as foreign exchange gains or losses within the Other income/(loss), net line in the condensed consolidated statements of income. Although the U.S. dollar value of Yandex's U.S. dollar-denominated assets and liabilities was not impacted by these currency fluctuations, they resulted in an upward revaluation of the ruble equivalent of these U.S. dollar-denominated monetary assets and liabilities in Q2 2018.

Other income, net in Q2 2018 was RUB 30,668 million, significantly increased compared with RUB 1,389 million in Q2 2017, and included a gain from deconsolidation of Yandex.Market following the formation of the Yandex.Market joint venture between Sberbank and Yandex on April 27, 2018, in the amount of approximately RUB 28 billion. Starting April 27, 2018, the remaining investment in Yandex.Market is accounted under equity method and Yandex's share of the results of the investee is recorded within the other income, net line in the consolidated statements of income.

Income tax expense for Q2 2018 was RUB 2,259 million, up from RUB 1,373 million in Q2 2017. Our effective tax rate of 6.3% in Q2 2018 was lower than in Q2 2017, primarily due to the gain from deconsolidation of Yandex.Market recognized in Q2 2018 which is non-taxable. Adjusted for this effect, SBC expense and also for deferred tax asset valuation allowances provided on operations of our newly acquired Uber and Food Delivery businesses, our effective tax rate for Q2 2018 was 23.1%, compared with 23.1% for Q2 2017 as also adjusted for SBC expense, provision of certain reserves resulting from sanctions in Ukraine in Q2 2017, partly offset by the effects of certain provisions reversed in Q2 2017 related to the results of prior years' tax audits.

Net income was RUB 33.3 billion (\$531.1 million) in Q2 2018, up 857% compared with Q2 2017, mainly due to effect of deconsolidation of Yandex.Market. Excluding Yandex.Market, net income increased 67% in Q2 2018 compared to Q2 2017.

Adjusted net income in Q2 2018 was RUB 5.1 billion (\$80.9 million), a 27% increase from Q2 2017. Excluding Yandex.Market, adjusted net income increased 44% in Q2 2018 compared to Q2 2017.

Adjusted net income margin was 17.1% in Q2 2018, compared with 18.1% in Q2 2017.

As of June 30, 2018, Yandex had **cash, cash equivalents and term deposits** of RUB 97.0 billion (\$1,546.4 million), including cash, cash equivalents and term deposits of Yandex.Taxi in total amount of RUB 27.2 billion (\$433.0 million). Cash, cash equivalents and term deposits of the Yandex.Market joint venture, which are not included in Yandex N.V. consolidated balance sheet, amounted to RUB 32.1 billion (\$511.8 million) as of June 30, 2018.

Net cash flow provided by operating activities for Q2 2018 was RUB 6.8 billion (\$108.0 million) and **capital expenditures** were RUB 9.0 billion (\$143.5 million).

During Q2 2018 there were no repurchases of convertible debt notes.

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

The **total number of shares issued and outstanding** as of June 30, 2018 was 328,402,391 including 290,523,732 Class A shares, 37,878,658 Class B shares, and one Priority share and excluding 1,913,923 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 3.6 million shares, at a weighted average exercise price of \$34.19 per share, 0.6 million of which were fully vested; equity-settled share appreciation rights (SARs) for 0.2 million shares, at a weighted average measurement price of \$32.25, all of which, excluding SARs for approximately 1,000 shares, were fully vested; and restricted share units (RSUs) covering 13.5 million shares, of which RSUs to acquire 4.7 million shares were fully vested.

Financial outlook

Based on our recent performance and taking into account the deconsolidation of Yandex.Market from our consolidated financial results, we now provide revenue outlook for the full year 2018 which excludes Yandex.Market from prior periods. We currently expect our ruble-based revenues excluding Yandex.Market from 2017 and 2018 results to grow in the range of 30% to 35% for the full year 2018 compared with 2017.

Based on the recent performance of Search and Portal, we narrow our outlook and now expect our Search and Portal ruble-based revenue growth to be in the range of 20% to 22% in the full year 2018 compared with 2017.

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

Conference Call Information

Yandex's management will hold an earnings conference call on July 26, 2018 at 8:00 AM U.S. Eastern Time (3:00 PM Moscow time; 1:00 PM London time).

To access the conference call live, please dial:

US: +1 929 477 0448
UK/International: +44 (0) 330 336 9411
Russia: 8 10 800 2867 5011
Passcode: 4056605

A replay of the call will be available until August 2, 2018. To access the replay, please dial:

US: +1 719 457 0820
UK/International: +44 (0) 207 660 0134
Russia: 8 10 800 2702 1012
Passcode: 4056605

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

<https://edge.media-server.com/m6/p/2f6a6asa>

ABOUT YANDEX

Yandex (NASDAQ:YNDX) is a technology company that builds intelligent products and services powered by machine learning. Our goal is to help consumers and businesses better navigate the online and offline world. Since 1997, we have delivered world-class, locally relevant search and information services. Additionally, we have developed market-leading on-demand transportation services, navigation products, and other mobile applications for millions of consumers across the globe. Yandex, which has 21 offices worldwide, has been listed on the NASDAQ since 2011. More information on Yandex can be found at <https://yandex.com/company>.

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements that involve risks and uncertainties. These include statements regarding our anticipated revenues for full year 2018. 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, 2017, which is on file with the U.S. Securities and Exchange Commission (SEC) and is available on our investor relations website at <http://ir.yandex.com/sec.cfm> and on the SEC website at www.sec.gov. All information in this release and in the attachments is as of July 26, 2018, and Yandex undertakes no duty to update this information unless required by law.

USE OF NON-GAAP FINANCIAL MEASURES

To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with U.S. GAAP, we present the following non-GAAP financial measures: ex-TAC revenues, adjusted EBITDA, adjusted

EBITDA margin, adjusted ex-TAC EBITDA margin, adjusted net income, adjusted net income margin and adjusted ex-TAC net income margin. The presentation of these financial measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with U.S. GAAP. For more information on these non-GAAP financial measures, please see the tables captioned “Reconciliations of non-GAAP financial measures to the nearest comparable U.S. GAAP measures”, included following the accompanying financial tables. We define the various non-GAAP financial measures we use as follows:

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

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

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

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

TAC

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

SBC

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

Acquisition-related costs

We may incur expenses in connection with acquisitions that are not indicative of our recurring core operating performance. In particular, we are required under U.S. GAAP to accrue as expense the contingent compensation that is

payable to certain employees in connection with certain business combinations. We eliminate these acquisition-related expenses from adjusted EBITDA and adjusted net income to provide management and investors a tool for comparing on a period-to-period basis our operating performance in the ordinary course of operations.

Foreign exchange gains

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

Amortization of debt discount

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

Gains and losses from repurchases of convertible debt

Adjusted net income for Q2 2017 also excludes a loss from the repurchase of \$4.0 million in principal of our 1.125% convertible senior notes due 2018 for approximately \$3.9 million. We have eliminated this loss from adjusted net income for the three months ended June 30, 2017 as it is not indicative of our ongoing operating performance.

Losses resulting from sanctions in Ukraine

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

Effect of deconsolidation of Yandex.Market

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

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

YANDEX N.V.

Unaudited Condensed Consolidated Balance Sheets

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

| | As of | | |
|---|-----------------------|------------------|------------------|
| | December 31, 2017* | June 30, 2018 | June 30, 2018 |
| | RUB | RUB | \$ |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | 42,662 | 35,930 | 572.5 |
| Term deposits | 23,040 | 60,121 | 958.0 |
| Accounts receivable, net | 9,746 | 10,772 | 171.6 |
| Prepaid expenses | 1,269 | 2,223 | 35.5 |
| Other current assets | 4,039 | 4,426 | 70.5 |
| Total current assets | 80,756 | 113,472 | 1,808.1 |
| Property and equipment, net | 21,171 | 26,757 | 426.4 |
| Intangible assets, net | 5,023 | 11,974 | 190.8 |
| Goodwill | 9,328 | 51,639 | 822.8 |
| Long-term prepaid expenses | 1,788 | 1,616 | 25.7 |
| Term deposits, non-current | 5,005 | 998 | 15.9 |
| Investments in non-marketable equity securities | 2,001 | 36,873 | 587.6 |
| Deferred tax assets | 2,171 | 2,612 | 41.6 |
| Other non-current assets | 3,301 | 4,071 | 64.9 |
| TOTAL ASSETS | 130,544 | 250,012 | 3,983.8 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 11,111 | 13,474 | 214.8 |
| Taxes payable | 4,213 | 4,256 | 67.8 |
| Deferred revenue | 2,464 | 2,265 | 36.1 |
| Convertible debt | 17,834 | 19,809 | 315.6 |
| Total current liabilities | 35,622 | 39,804 | 634.3 |
| Deferred tax liabilities | 959 | 1,648 | 26.3 |
| Other accrued liabilities | 1,316 | 446 | 7.0 |
| Total liabilities | 37,897 | 41,898 | 667.6 |
| Commitments and contingencies | | | |
| Redeemable noncontrolling interests | 9,821 | 6,639 | 105.8 |
| Shareholders' equity: | | | |
| Priority share: €1.00 par value; 1 share authorized, issued and outstanding | — | — | — |
| Preference shares: €0.01 par value; 1,000,000,001 shares authorized, nil shares issued and outstanding | — | — | — |
| Ordinary shares: par value (Class A €0.01, Class B €0.10 and Class C €0.09); shares authorized (Class A: 1,000,000,000, Class B: 46,997,887 and Class C: 46,997,887); shares issued (Class A: 289,364,467 and 292,437,655, Class B: 40,692,286 and 37,878,658, and Class C: 4,166,448 and 6,980,076, respectively); shares outstanding (Class A: 285,612,556 and 290,523,732, Class B: 40,692,286 and 37,878,658, and Class C: nil) | 271 | 264 | 4.2 |
| Treasury shares at cost (Class A: 3,751,911 and 1,913,923, respectively) | (3,814) | (1,891) | (30.1) |
| Additional paid-in capital | 16,469 | 67,964 | 1,083.0 |
| Accumulated other comprehensive income | 1,864 | 5,568 | 88.7 |
| Retained earnings | 68,036 | 107,570 | 1,714.1 |
| Total equity attributable to Yandex N.V. | 82,826 | 179,475 | 2,859.9 |
| Noncontrolling interests | - | 22,000 | 350.5 |
| Total shareholders' equity | 82,826 | 201,475 | 3,210.4 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 130,544 | 250,012 | 3,983.8 |

* Derived from audited consolidated financial statements

YANDEX N.V.

Unaudited Condensed Consolidated Statements of Income

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

| | Three months ended June 30, | | |
|---|-----------------------------|---------------|--------------|
| | 2017 RUB | 2018 RUB | 2018 \$ |
| Revenues | 22,104 | 29,672 | 472.8 |
| Operating costs and expenses: | | | |
| Cost of revenues(1) | 5,747 | 8,252 | 131.5 |
| Product development(1) | 4,473 | 5,370 | 85.6 |
| Sales, general and administrative(1) | 6,064 | 8,776 | 139.8 |
| Depreciation and amortization | 2,823 | 2,926 | 46.6 |
| Total operating costs and expenses | 19,107 | 25,324 | 403.5 |
| Income from operations | 2,997 | 4,348 | 69.3 |
| Interest income | 688 | 817 | 13.0 |
| Interest expense | (217) | (243) | (3.9) |
| Other income, net | 1,389 | 30,668 | 488.7 |
| Net income before income taxes | 4,857 | 35,590 | 567.1 |
| Provision for income taxes | 1,373 | 2,259 | 36.0 |
| Net income | 3,484 | 33,331 | 531.1 |
| Net loss attributable to noncontrolling interests | 30 | 715 | 11.4 |
| Net income attributable to Yandex N.V. | 3,514 | 34,046 | 542.5 |
| Net income per Class A and Class B share: | | | |
| Basic | 10.83 | 103.75 | 1.65 |
| Diluted | 10.65 | 101.25 | 1.61 |
| Weighted average number of Class A and Class B shares outstanding | | | |
| Basic | 324,355,605 | 328,163,442 | 328,163,442 |
| Diluted | 330,036,917 | 336,270,128 | 336,270,128 |

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

| | | | |
|-----------------------------------|-----|-------|------|
| Cost of revenues | 64 | 43 | 0.7 |
| Product development | 542 | 1,058 | 16.9 |
| Sales, general and administrative | 359 | 460 | 7.3 |

YANDEX N.V.

Unaudited Condensed Consolidated Statements of Income

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

| | Six months ended June 30, | | |
|---|---------------------------|---------------|--------------|
| | 2017 | 2018 | 2018 |
| | RUB | RUB | \$ |
| Revenues | 42,756 | 56,245 | 896.2 |
| Operating costs and expenses: | | | |
| Cost of revenues(1) | 11,095 | 14,964 | 238.4 |
| Product development(1) | 8,991 | 11,173 | 178.0 |
| Sales, general and administrative(1) | 11,012 | 16,785 | 267.5 |
| Depreciation and amortization | 5,286 | 5,816 | 92.7 |
| Total operating costs and expenses | <u>36,384</u> | <u>48,738</u> | <u>776.6</u> |
| Income from operations | 6,372 | 7,507 | 119.6 |
| Interest income | 1,397 | 1,525 | 24.3 |
| Interest expense | (445) | (464) | (7.4) |
| Other (loss)/income, net | (866) | 30,268 | 482.3 |
| Net income before income taxes | 6,458 | 38,836 | 618.8 |
| Provision for income taxes | 2,155 | 3,654 | 58.2 |
| Net income | <u>4,303</u> | <u>35,182</u> | <u>560.6</u> |
| Net loss attributable to noncontrolling interests | 46 | 1,244 | 19.8 |
| Net income attributable to Yandex N.V. | <u>4,349</u> | <u>36,426</u> | <u>580.4</u> |
| Net income per Class A and Class B share: | | | |
| Basic | 13.43 | 111.18 | 1.77 |
| Diluted | <u>13.20</u> | <u>108.41</u> | <u>1.73</u> |
| Weighted average number of Class A and Class B shares outstanding | | | |
| Basic | 323,803,590 | 327,618,094 | 327,618,094 |
| Diluted | 329,455,881 | 335,991,164 | 335,991,164 |

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

| | | | |
|-----------------------------------|-------|-------|------|
| Cost of revenues | 106 | 79 | 1.3 |
| Product development | 1,118 | 2,204 | 35.1 |
| Sales, general and administrative | 699 | 911 | 14.5 |

YANDEX N.V.

Unaudited Condensed Consolidated Statements of Cash Flows

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

| | Three months ended June 30, | | |
|---|-----------------------------|-----------------|----------------|
| | 2017 | 2018 | 2018 |
| | RUB | RUB | \$ |
| CASH FLOWS PROVIDED BY OPERATING ACTIVITIES: | | | |
| Net income | 3,484 | 33,331 | 531.1 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation of property and equipment | 2,205 | 2,376 | 37.8 |
| Amortization of intangible assets | 618 | 550 | 8.8 |
| Amortization of debt discount and issuance costs | 165 | 187 | 3.0 |
| Share-based compensation expense | 965 | 1,561 | 24.9 |
| Deferred income taxes | (249) | (530) | (8.4) |
| Foreign exchange gains | (1,273) | (2,085) | (33.2) |
| Effect of deconsolidation of Yandex.Market | - | (28,244) | (450.1) |
| Losses from repurchases of convertible debt | 3 | - | - |
| Income from equity method investments | (67) | (213) | (3.4) |
| Other | 28 | (90) | (1.5) |
| Changes in operating assets and liabilities excluding the effect of acquisitions: | | | |
| Accounts receivable, net | (172) | (747) | (11.9) |
| Prepaid expenses and other assets | (72) | (2,551) | (40.6) |
| Accounts payable and accrued liabilities | 1,384 | 3,083 | 49.1 |
| Deferred revenue | 152 | 194 | 3.1 |
| Net cash provided by operating activities | 7,171 | 6,822 | 108.7 |
| CASH FLOWS USED IN INVESTING ACTIVITIES: | | | |
| Purchases of property and equipment and intangible assets | (3,864) | (9,005) | (143.5) |
| Proceeds from sale of property and equipment | 14 | 147 | 2.4 |
| Acquisitions of businesses, net of cash acquired | (364) | - | - |
| Investments in non-marketable equity securities | (69) | (38) | (0.6) |
| Proceeds from maturity of debt securities | 1,702 | - | - |
| Investments in term deposits | (18,224) | (10,953) | (174.5) |
| Maturities of term deposits | 8,122 | 3,448 | 54.9 |
| Deconsolidation of cash and cash equivalents of Yandex.Market | - | (2,181) | (34.8) |
| Loans granted, net of proceeds from repayments | (41) | (48) | (0.8) |
| Net cash used in investing activities | (12,724) | (18,630) | (296.9) |
| CASH FLOWS USED IN FINANCING ACTIVITIES: | | | |
| Proceeds from exercise of share options | 167 | 52 | 0.8 |
| Repurchases of convertible debt | (220) | - | - |
| Repurchases of ordinary shares | - | (221) | (3.5) |
| Payment for contingent consideration | - | (156) | (2.5) |
| Other financing activities | (63) | (44) | (0.7) |
| Net cash used in financing activities | (116) | (369) | (5.9) |
| Effect of exchange rate changes on cash and cash balances | 345 | 1,681 | 26.9 |
| Net change in cash and cash balances | (5,324) | (10,496) | (167.2) |
| Cash and cash balances at beginning of period | 20,524 | 46,612 | 742.7 |
| Cash and cash balances at end of period | 15,200 | 36,116 | 575.5 |
| Reconciliation of cash and cash balances: | | | |
| Cash and cash equivalents, beginning of period | 19,983 | 46,443 | 740.1 |
| Restricted cash, beginning of period | 541 | 169 | 2.6 |
| Cash and cash balances, beginning of period | 20,524 | 46,612 | 742.7 |
| Cash and cash equivalents, end of period | 14,606 | 35,930 | 572.5 |
| Restricted cash, end of period | 594 | 186 | 3.0 |
| Cash and cash balances, end of period | 15,200 | 36,116 | 575.5 |

YANDEX N.V.

Unaudited Condensed Consolidated Statements of Cash Flows

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

| | Six months ended June 30, | | |
|---|---------------------------|-----------------|----------------|
| | 2017 RUB | 2018 RUB | 2018 \$ |
| CASH FLOWS PROVIDED BY OPERATING ACTIVITIES: | | | |
| Net income | 4,303 | 35,182 | 560.6 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation of property and equipment | 4,170 | 4,728 | 75.4 |
| Amortization of intangible assets | 1,116 | 1,088 | 17.3 |
| Amortization of debt discount and issuance costs | 338 | 357 | 5.7 |
| Share-based compensation expense | 1,923 | 3,194 | 50.9 |
| Deferred income taxes | (232) | (1,241) | (19.8) |
| Foreign exchange losses/(gains) | 932 | (1,603) | (25.5) |
| Effect of deconsolidation of Yandex.Market | - | (28,244) | (450.1) |
| Losses from repurchases of convertible debt | 6 | - | - |
| Income from equity method investments | (132) | (304) | (4.8) |
| Other | 170 | (149) | (2.3) |
| Changes in operating assets and liabilities excluding the effect of acquisitions: | | | |
| Accounts receivable, net | (28) | (1,152) | (18.4) |
| Prepaid expenses and other assets | (999) | (2,929) | (46.7) |
| Accounts payable and accrued liabilities | 1,336 | 3,148 | 50.2 |
| Deferred revenue | 12 | (66) | (1.1) |
| Net cash provided by operating activities | <u>12,915</u> | <u>12,009</u> | <u>191.4</u> |
| CASH FLOWS USED IN INVESTING ACTIVITIES: | | | |
| Purchases of property and equipment and intangible assets | (7,729) | (10,161) | (161.9) |
| Proceeds from sale of property and equipment | 20 | 164 | 2.6 |
| Acquisitions of businesses, net of cash acquired | (364) | 20,763 | 330.9 |
| Investments in non-marketable equity securities | (103) | (139) | (2.2) |
| Proceeds from sale of equity securities | 216 | - | - |
| Proceeds from maturity of debt securities | 1,702 | - | - |
| Investments in term deposits | (58,482) | (55,592) | (885.8) |
| Maturities of term deposits | 39,560 | 27,100 | 431.8 |
| Deconsolidation of cash and cash equivalents of Yandex.Market | - | (2,181) | (34.8) |
| Loans granted, net of proceeds from repayments | (39) | (189) | (3.0) |
| Net cash used in investing activities | <u>(25,219)</u> | <u>(20,235)</u> | <u>(322.4)</u> |
| CASH FLOWS USED IN FINANCING ACTIVITIES: | | | |
| Proceeds from exercise of share options | 258 | 104 | 1.7 |
| Repurchases of convertible debt | (668) | - | - |
| Repurchases of ordinary shares | - | (221) | (3.5) |
| Payment for contingent consideration | (195) | (641) | (10.3) |
| Other financing activities | 10 | (63) | (1.0) |
| Net cash used in financing activities | <u>(595)</u> | <u>(821)</u> | <u>(13.1)</u> |
| Effect of exchange rate changes on cash and cash balances | (711) | 1,932 | 30.7 |
| Net change in cash and cash balances | <u>(13,610)</u> | <u>(7,115)</u> | <u>(113.4)</u> |
| Cash and cash balances at beginning of period | 28,810 | 43,231 | 688.9 |
| Cash and cash balances at end of period | 15,200 | 36,116 | 575.5 |
| Reconciliation of cash and cash balances: | | | |
| Cash and cash equivalents, beginning of period | 28,232 | 42,662 | 679.8 |
| Restricted cash, beginning of period | 578 | 569 | 9.1 |
| Cash and cash balances, beginning of period | 28,810 | 43,231 | 688.9 |
| Cash and cash equivalents, end of period | 14,606 | 35,930 | 572.5 |
| Restricted cash, end of period | 594 | 186 | 3.0 |
| Cash and cash balances, end of period | 15,200 | 36,116 | 575.5 |

YANDEX N.V.

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

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

| <i>In RUB millions</i> | Three months ended June 30, | | | Six months ended June 30, | | |
|---------------------------------------|-----------------------------|--------|--------|---------------------------|--------|--------|
| | 2017 | 2018 | Change | 2017 | 2018 | Change |
| Total revenues | 22,104 | 29,672 | 34% | 42,756 | 56,245 | 32% |
| Less: traffic acquisition costs (TAC) | 4,216 | 4,724 | 12% | 8,151 | 9,041 | 11% |
| Ex-TAC revenues | 17,888 | 24,948 | 39% | 34,605 | 47,204 | 36% |

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

| <i>In RUB millions</i> | Three months ended June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|----------|--------|---------------------------|----------|--------|
| | 2017 | 2018 | Change | 2017 | 2018 | Change |
| Net income | 3,484 | 33,331 | n/m | 4,303 | 35,182 | n/m |
| Add: depreciation and amortization | 2,823 | 2,926 | 4% | 5,286 | 5,816 | 10% |
| Add: share-based compensation expense | 965 | 1,561 | 62% | 1,923 | 3,194 | 66% |
| Add: compensation expense related to contingent consideration | 41 | 7 | -83% | 119 | 29 | -76% |
| Less: interest income | (688) | (817) | 19% | (1,397) | (1,525) | 9% |
| Add: interest expense | 217 | 243 | 12% | 445 | 464 | 4% |
| Less: other (income)/loss, net | (1,389) | (30,668) | n/m | 866 | (30,268) | n/m |
| Add: provision for income taxes | 1,373 | 2,259 | 65% | 2,155 | 3,654 | 70% |
| Add: operating losses resulting from sanctions in Ukraine | 387 | - | n/m | 387 | - | n/m |
| Adjusted EBITDA | 7,213 | 8,842 | 23% | 14,087 | 16,546 | 17% |

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

| <i>In RUB millions</i> | Three months ended June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|----------|--------|---------------------------|----------|--------|
| | 2017 | 2018 | Change | 2017 | 2018 | Change |
| Net income | 3,484 | 33,331 | n/m | 4,303 | 35,182 | n/m |
| Add: SBC expense | 965 | 1,561 | 62% | 1,923 | 3,194 | 66% |
| Less: reduction in income tax attributable to SBC expense | (16) | (27) | 69% | (28) | (47) | 68% |
| Add: compensation expense related to contingent consideration | 41 | 7 | -83% | 119 | 29 | -76% |
| Less: foreign exchange (gains)/losses | (1,273) | (2,085) | 64% | 932 | (1,603) | n/m |
| Add: increase/(reduction) in income tax attributable to foreign exchange (gains)/losses | 270 | 396 | 47% | (161) | 310 | n/m |
| Less: effect of deconsolidation of Yandex.Market | - | (28,244) | n/m | - | (28,244) | n/m |
| Add: losses from repurchases of convertible debt | 3 | - | n/m | 6 | - | n/m |
| Less: reduction in income tax attributable to losses from repurchases of convertible debt | - | - | n/m | (1) | - | n/m |
| Add: amortization of debt discount | 165 | 187 | 13% | 338 | 357 | 6% |
| Less: reduction in income tax attributable to amortization of debt discount | (42) | (46) | 10% | (85) | (89) | 5% |
| Add: losses resulting from sanctions in Ukraine | 393 | - | n/m | 393 | - | n/m |

| | | | | | | |
|---------------------|-------|-------|-----|-------|-------|-----|
| Adjusted net income | 3,990 | 5,080 | 27% | 7,739 | 9,089 | 17% |
|---------------------|-------|-------|-----|-------|-------|-----|

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

| <i>In RUB millions</i> | | | | | | |
|----------------------------------|-----------------------------|-----------------------|----------------|-----------------|----------------------------|-----------------------------------|
| | U.S. 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 June 30, 2018 | 33,331 | 112.3% | (24,489) | 8,842 | 29.8% | 35.4% |
| Six months ended June 30, 2018 | 35,182 | 62.6% | (18,636) | 16,546 | 29.4% | 35.1% |

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

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

| <i>In RUB millions</i> | | | | | | |
|----------------------------------|-----------------------------|-----------------------|----------------|---------------------|--------------------------------|---------------------------------------|
| | U.S. 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 June 30, 2018 | 33,331 | 112.3% | (28,251) | 5,080 | 17.1% | 20.4% |
| Six months ended June 30, 2018 | 35,182 | 62.6% | (26,093) | 9,089 | 16.2% | 19.3% |

- (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 (gains)/losses as adjusted for the increase/(reduction) in income tax attributable to the (gains)/losses, effect of deconsolidation of Yandex.Market, losses from repurchases of convertible debt (as adjusted for the related reduction in income tax), amortization of debt discount (as adjusted for the related reduction in income tax). For a reconciliation of adjusted net income to net income, please see the table above.
- (3) Adjusted net income margin is defined as adjusted net income divided by total revenues.
- (4) Adjusted ex-TAC net income margin is defined as adjusted net income divided by ex-TAC revenues. For a reconciliation of ex-TAC revenues to U.S. GAAP revenues, please see the table above.

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