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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**

October 27, 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 October 27, 2016, announcing the Company's results for the second quarter ended September 30, 2016.

**SIGNATURES**

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

**YANDEX N.V.**

Date: October 27, 2016

By: /S/ GREG ABOVSKY  
Greg Abovsky  
Chief Financial Officer

## INDEX TO EXHIBITS

| <u>Number</u> | <u>Description</u>  |
|---------------|---|
| 99.1          | Press Release of Yandex N.V. dated October 27, 2016, announcing the Company's results for the second quarter ended September 30, 2016 |

## Yandex Announces Third Quarter 2016 Financial Results

MOSCOW, Russia and AMSTERDAM, the Netherlands, October 27, 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 third quarter ended September 30, 2016.

**Q3 2016 Financial Highlights(1)(2)**

- **Revenues** of RUB 19.3 billion (\$305.5 million), up 25% compared with Q3 2015
- **Adjusted EBITDA** of RUB 6.9 billion (\$109.1 million), up 14% compared with Q3 2015; **adjusted EBITDA margin** of 35.7%
- **Adjusted net income** of RUB 3.8 billion (\$60.1 million), up 8% compared with Q3 2015; **adjusted net income margin** of 19.7%
- **Cash, cash equivalents, term deposits and short-term investments in debt securities** of RUB 66.2 billion (\$1,048.9 million) as of September 30, 2016

**Q3 2016 Operational and Corporate Highlights**

- **Share of Russian search market**, including mobile, averaged 55.9% in Q3 2016 compared to 57.0% in Q2 2016 (according to LiveInternet)
- **Search queries** in Russia grew 5% compared with Q3 2015
- **Yandex.Taxi** introduced lower tariffs and rolled out surge pricing in Moscow
- Yandex announced **termination of agreement to acquire its Moscow headquarters**

“Revenue and EBITDA continued to grow strongly in Q3, boosted by innovation on our advertising platform,” said Arkady Volozh, Chief Executive Officer of Yandex. “We see new opportunities within our geolocation services to drive revenues from our maps and navigation products.”

“In Q3 we delivered 25% top line revenue growth and 36% adjusted EBITDA margins while deploying significant investments to our fast-growing business units,” said Alexander Shulgin, Chief Operating Officer of Yandex. “We are moving aggressively to expand Taxi’s leading market position and, following encouraging market tests, are accelerating Market’s transition to a CPA model.”

The following table provides a summary of our key **consolidated financial results** for the three months and nine months ended September 30, 2015 and 2016:

| <i>In RUB millions</i>           | <b>Three months ended September 30,</b> |             |               | <b>Nine months ended September 30,</b> |             |               |
|----------------------------------|---|-------------|---------------|--|-------------|---------------|
|                                  | <b>2015</b>                             | <b>2016</b> | <i>Change</i> | <b>2015</b>                            | <b>2016</b> | <i>Change</i> |
| Revenues                         | 15,439                                  | 19,293      | 25%           | 41,698                                 | 53,806      | 29%           |
| Ex-TAC revenues <sup>2</sup>     | 12,157                                  | 15,561      | 28%           | 32,677                                 | 43,130      | 32%           |
| Income from operations           | 3,183                                   | 3,553       | 12%           | 6,865                                  | 9,510       | 39%           |
| Adjusted EBITDA <sup>2</sup>     | 6,021                                   | 6,888       | 14%           | 14,409                                 | 19,420      | 35%           |
| Net income                       | 4,278                                   | 2,443       | -43%          | 6,828                                  | 5,570       | -18%          |
| Adjusted net income <sup>2</sup> | 3,507                                   | 3,793       | 8%            | 8,547                                  | 10,867      | 27%           |

- (1) Pursuant to SEC rules regarding convenience translations, Russian ruble (RUB) amounts have been translated into U.S. dollars at a rate of RUB 63.1581 to \$1.00, the official exchange rate quoted as of September 30, 2016 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 September 30, |        |        | Nine months ended September 30, |        |        |
|-----------------------------------|----------------------------------|--------|--------|---------------------------------|--------|--------|
|                                   | 2015                             | 2016   | Change | 2015                            | 2016   | Change |
| Online Advertising Revenues:      |                                  |        |        |                                 |        |        |
| <i>Yandex websites</i>            | 11,137                           | 13,435 | 21%    | 30,216                          | 37,401 | 24%    |
| <i>Advertising network</i>        | 3,931                            | 5,005  | 27%    | 10,476                          | 14,173 | 35%    |
| Total online advertising revenues | 15,068                           | 18,440 | 22%    | 40,692                          | 51,574 | 27%    |
| Other                             | 371                              | 853    | 130%   | 1,006                           | 2,232  | 122%   |
| Total revenues                    | 15,439                           | 19,293 | 25%    | 41,698                          | 53,806 | 29%    |

**Online advertising revenues** grew 22% compared with Q3 2015 and continued to determine overall top-line performance, contributing 96% of total revenues in Q3 2016. Online advertising revenues include revenues derived from text-based and display advertising on Yandex websites and in our ad network.

**Online advertising revenues from Yandex websites** increased 21% compared with Q3 2015 and accounted for 70% of total revenues during Q3 2016.

**Online advertising revenues from our ad network** increased 27% compared with Q3 2015 and contributed 26% of total revenues during Q3 2016, 50 basis points higher than in Q3 2015.

**Other revenues** grew 130% compared with Q3 2015, and were mainly driven by growth in Yandex.Taxi revenues.

**Paid clicks** on Yandex's and its partners' websites, in aggregate, increased 12% compared with Q3 2015.

Our average **cost per click** grew 10% compared with Q3 2015.

## Segment revenues

| <i>In RUB millions</i> | Three months ended September 30, |        |        | Nine months ended September 30, |         |        |
|------------------------|----------------------------------|--------|--------|---------------------------------|---------|--------|
|                        | 2015                             | 2016   | Change | 2015                            | 2016    | Change |
| Revenues:              |                                  |        |        |                                 |         |        |
| Search and Portal      | 14,505                           | 17,482 | 21%    | 39,232                          | 49,161  | 25%    |
| E-commerce             | 827                              | 1,200  | 45%    | 2,228                           | 3,312   | 49%    |
| Taxi                   | 234                              | 587    | 151%   | 589                             | 1,560   | 165%   |
| Classifieds            | 243                              | 352    | 45%    | 633                             | 906     | 43%    |
| Experiments            | 106                              | 210    | 98%    | 299                             | 548     | 83%    |
| Eliminations           | (476)                            | (538)  | 13%    | (1,283)                         | (1,681) | 31%    |
| Total Revenues         | 15,439                           | 19,293 | 25%    | 41,698                          | 53,806  | 29%    |

*Search and Portal segment includes all our services offered in Russia, Ukraine, Belarus and Kazakhstan, other than those described below;*

*E-commerce segment includes our Yandex.Market service;*

*Taxi segment includes our Yandex.Taxi service;*

*Classifieds segment includes Auto.ru, Yandex.Realty, Yandex.Jobs and Yandex.Travel;*

*Experiments segment includes Media Services (including KinoPoisk, Yandex.Music, Yandex.Radio, Yandex.Tickets, Yandex.Afisha and Yandex TV program), Yandex Data Factory, Discovery services (including Yandex Zen and Yandex Launcher) and Search and Portal in Turkey.*

*Eliminations represent the elimination of transaction results between the reportable segments, primarily related to advertising.*

## 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 includes 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 Q3 2016, Yandex hired 350 full-time employees. The total number of full-time employees was 5,909 as of September 30, 2016, an increase of 6% from June 30, 2016, and up 9% from September 30, 2015.

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

| <i>In RUB millions</i>                    | Three months ended September 30, |       |        | Nine months ended September 30, |        |        |
|---|----------------------------------|-------|--------|---------------------------------|--------|--------|
|   | 2015                             | 2016  | Change | 2015                            | 2016   | Change |
| TAC:                                      |                                  |       |        |                                 |        |        |
| Related to the Yandex ad network          | 2,333                            | 2,778 | 19%    | 6,312                           | 7,914  | 25%    |
| Related to distribution partners          | 949                              | 954   | 1%     | 2,709                           | 2,762  | 2%     |
| Total TAC                                 | 3,282                            | 3,732 | 14%    | 9,021                           | 10,676 | 18%    |
| Total TAC as a % of total revenues        | 21.3%                            | 19.3% |        | 21.6%                           | 19.8%  |        |
| Other cost of revenues                    | 1,036                            | 1,186 | 14%    | 2,992                           | 3,442  | 15%    |
| Other cost of revenues as a % of revenues | 6.7%                             | 6.1%  |        | 7.2%                            | 6.4%   |        |
| Total cost of revenues                    | 4,318                            | 4,918 | 14%    | 12,013                          | 14,118 | 18%    |
| Total cost of revenues as a % of revenues | 28.0%                            | 25.5% |        | 28.8%                           | 26.2%  |        |

TAC grew 14% compared with Q3 2015 and represented 19.3% of total revenues in Q3 2016, 200 basis points lower than in Q3 2015 and 40 basis points lower than in Q2 2016. The slowdown in the growth of partner TAC was mostly due to changes in partner revenue mix.

Other cost of revenues in Q3 2016 increased 14% compared with Q3 2015.

#### Product development

| <i>In RUB millions</i> | Three months ended September 30, |       |        | Nine months ended September 30, |        |        |
|------------------------|----------------------------------|-------|--------|---------------------------------|--------|--------|
|                        | 2015                             | 2016  | Change | 2015                            | 2016   | Change |
| Product development    | 3,168                            | 3,858 | 22%    | 9,815                           | 11,529 | 17%    |
| As a % of revenues     | 20.5%                            | 20.0% |        | 23.5%                           | 21.4%  |        |

Growth in product development costs in Q3 2016 primarily reflects salary increases in early 2016 and new hires.

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

| <i>In RUB millions</i>            | Three months ended September 30, |       |        | Nine months ended September 30, |        |        |
|-----------------------------------|----------------------------------|-------|--------|---------------------------------|--------|--------|
|                                   | 2015                             | 2016  | Change | 2015                            | 2016   | Change |
| Sales, general and administrative | 2,618                            | 4,475 | 71%    | 7,489                           | 11,450 | 53%    |
| As a % of revenues                | 17.0%                            | 23.2% |        | 18.0%                           | 21.3%  |        |

SG&A costs grew faster than revenue, increasing by 71% in Q3 2016 compared to Q3 2015 as a result of growth in advertising and marketing expenses which were aimed at supporting our core products, including search and Yandex.Browser, as well as our business units, including Taxi, E-Commerce and Classifieds.

#### 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 September 30, |      |        | Nine months ended September 30, |       |        |
|---|----------------------------------|------|--------|---------------------------------|-------|--------|
|   | 2015                             | 2016 | Change | 2015                            | 2016  | Change |
| SBC expense included in cost of revenues    | 41                               | 50   | 22%    | 125                             | 145   | 16%    |
| SBC expense included in product development | 457                              | 532  | 16%    | 1,231                           | 1,672 | 36%    |
| SBC expense included in SG&A                | 173                              | 203  | 17%    | 469                             | 740   | 58%    |
| Total SBC expense                           | 671                              | 785  | 17%    | 1,825                           | 2,557 | 40%    |
| As a % of revenues                          | 4.3%                             | 4.1% |        | 4.4%                            | 4.8%  |        |

Total SBC expense increased 17% in Q3 2016 compared with Q3 2015. The increase is primarily related to new equity-based grants made in 2015-2016.

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

| <i>In RUB millions</i>        | Three months ended September 30, |       |        | Nine months ended September 30, |       |        |
|-------------------------------|----------------------------------|-------|--------|---------------------------------|-------|--------|
|                               | 2015                             | 2016  | Change | 2015                            | 2016  | Change |
| Depreciation and amortization | 2,152                            | 2,489 | 16%    | 5,516                           | 7,199 | 31%    |
| <i>As a % of revenues</i>     | 13.9%                            | 12.9% |        | 13.2%                           | 13.4% |        |

D&A expense increased 16% in Q3 2016 compared with Q3 2015 and primarily reflected investments in servers and data centers made in 2015 and 2016.

As a result of the factors described above, **income from operations** was RUB 3.6 billion (\$56.3 million) in Q3 2016, a 12% increase from Q3 2015, while adjusted EBITDA reached RUB 6.9 billion (\$109.1 million) in Q3 2016, up 14% from Q3 2015.

#### Adjusted EBITDA

Consolidated adjusted EBITDA

| <i>In RUB millions</i> | Three months ended September 30, |       |        | Nine months ended September 30, |        |        |
|------------------------|----------------------------------|-------|--------|---------------------------------|--------|--------|
|                        | 2015                             | 2016  | Change | 2015                            | 2016   | Change |
| Adjusted EBITDA        | 6,021                            | 6,888 | 14%    | 14,409                          | 19,420 | 35%    |

Adjusted EBITDA by segments

| <i>In RUB millions</i> | Three months ended September 30, |       |        | Nine months ended September 30, |         |        |
|------------------------|----------------------------------|-------|--------|---------------------------------|---------|--------|
|                        | 2015                             | 2016  | Change | 2015                            | 2016    | Change |
| Adjusted EBITDA:       |                                  |       |        |                                 |         |        |
| Search and Portal      | 6,041                            | 7,484 | 24%    | 14,523                          | 20,322  | 40%    |
| E-commerce             | 436                              | 386   | -11%   | 1,240                           | 1,091   | -12%   |
| Taxi                   | 44                               | (633) | n/m    | 181                             | (786)   | n/m    |
| Classifieds            | 83                               | 26    | -69%   | 160                             | 43      | -73%   |
| Experiments            | (583)                            | (375) | -36%   | (1,695)                         | (1,250) | -26%   |
| Total adjusted EBITDA  | 6,021                            | 6,888 | 14%    | 14,409                          | 19,420  | 35%    |

**Interest income, net** in Q3 2016 was RUB 351 million, down from RUB 415 million in Q3 2015.

**Foreign exchange loss** in Q3 2016 was RUB 432 million, compared with a foreign exchange gain of RUB 1,947 million in Q3 2015. This loss reflects the appreciation of the Russian ruble during Q3 2016 from RUB 64.2575 to \$1.00 on June 30, 2016, to RUB 63.1581 to \$1.00 on September 30, 2016. 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/(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 a downward revaluation of the ruble equivalent of these U.S. dollar-denominated monetary assets and liabilities in Q3 2016.

**Income tax expense** for Q3 2016 was RUB 1,243 million, down from RUB 1,396 million in Q3 2015. Our effective tax rate of 33.7% in Q3 2016 was higher than in Q3 2015. Adjusted for SBC expense, our effective tax rate for Q3 2016 was 27.8%, compared to 22.7% in 2015 as adjusted for SBC expense and one-off effects in 2015. The increase in the adjusted effective tax rate was primarily driven by additional provisions we have taken in Q3 2016 related to certain past tax audits.

**Net income** was RUB 2.4 billion (\$38.7 million) in Q3 2016, down 43% compared with Q3 2015, mainly due to foreign exchange loss and an increase in SG&A, which grew faster than total revenue.

**Adjusted net income** in Q3 2016 was RUB 3.8 billion (\$60.1 million), a 8% increase from Q3 2015.

**Adjusted net income margin** was 19.7% in Q3 2016, compared with 22.7% in Q3 2015.

As of September 30, 2016, Yandex had **cash, cash equivalents, term deposits and short-term investments in debt securities** of RUB 66.2 billion (\$1,048.9 million).

**Net operating cash flow** for Q3 2016 was RUB 6.2 billion (\$98.1 million) and **capital expenditures** were RUB 2.8 billion (\$43.7 million), respectively.

During Q3 2016, we repurchased \$4.6 million in principal of our **1.125% convertible senior notes** due 2018 for approximately \$4.5 million.

**Redeemable noncontrolling interests** presented in our consolidated balance sheets relate to the equity incentive program to the employees of the E-Commerce, Taxi and Classifieds segments.

The **total number of shares issued and outstanding** as of September 30, 2016 was 321,798,510 including 276,248,540 Class A shares, 45,549,969 Class B shares, and one Priority share and excluding 8,258,244 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 2.6 million shares, at a weighted average exercise price of \$5.25 per share, all of which, excluding options for approximately 2,000 shares, were fully vested; equity-settled share appreciation rights (SARs) for 0.2 million shares, at a weighted average measurement price of \$29.87, all of which, excluding SARs for approximately 1,000 shares, were fully vested; and restricted share units (RSUs) covering 7.7 million shares, of which RSUs to acquire 2.0 million shares were fully vested.

*Please note, that historical information on revenues and adjusted EBITDA of our segments is provided in the supplementary slides accompanying our Q3 2016 earnings release, including quarterly data for the seven quarters from Q1 2015 through Q3 2016 and annual data for the three years from 2013 through 2015.*

#### **Financial outlook**

Based on our current outlook, we are raising revenue growth outlook for the calendar year 2016. We now expect our revenue to grow in the range of 22% to 24% in 2016 compared with 2015.

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 October 27, 2016 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: +1 877 280 2296  
UK/International: +44 20 3427 1905  
Russia: 8 800 500 9311  
Passcode: 3577902#

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A replay of the call will be available until November 2, 2016. To access the replay, please dial:

US: +1 866 932 5017  
UK/International: +44 20 3427 0598  
Russia: 810 800 2870 1012  
Passcode: 3577902#

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

<http://edge.media-server.com/m/p/hiwq9at6>

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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 user-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, 2015, 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](http://www.sec.gov). All information in this release and in the attachments is as of October 27, 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 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 and (4) provision for income taxes, less (A) interest income, net and (B) 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 and (3) amortization of debt discount related to our convertible debt adjusted for the related reduction in income tax; less (A) foreign exchange gains (plus foreign exchange losses) adjusted for the increase (reduction) in income tax attributable to the foreign exchange gains (losses) 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 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.

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*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 and losses*

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.

*Gain from repurchases of convertible debt*

Adjusted net income also excludes a gain from the repurchase of \$4.6 million in principal of our 1.125% convertible senior notes due 2018 for approximately \$4.5 million that we recorded in Q3 2016. 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 U.S. 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>2015* | September 30,<br>2016 | September 30,<br>2016 |
|   | RUB                   | RUB                   | \$                    |
| <b>ASSETS</b>   |                       |                       |                       |
| Current assets:   |                       |                       |                       |
| Cash and cash equivalents   | 24,238                | 51,695                | 818.5                 |
| Term deposits   | 15,150                | 12,654                | 200.4                 |
| Investments in debt securities  | 2,915                 | 1,895                 | 30.0                  |
| Accounts receivable, net  | 5,586                 | 6,293                 | 99.6                  |
| Prepaid expenses  | 1,505                 | 1,298                 | 20.6                  |
| Other current assets  | 3,835                 | 2,863                 | 45.3                  |
| Total current assets  | 53,229                | 76,698                | 1,214.4               |
| Property and equipment, net   | 20,860                | 18,844                | 298.4                 |
| Intangible assets, net  | 5,988                 | 5,975                 | 94.6                  |
| Goodwill  | 8,581                 | 8,466                 | 134.0                 |
| Long-term prepaid expenses  | 1,488                 | 1,422                 | 22.5                  |
| Restricted cash, non-current  | 533                   | 462                   | 7.3                   |
| Term deposits, non-current  | 18,399                | -                     | -                     |
| Investments in non-marketable equity securities   | 1,122                 | 1,343                 | 21.3                  |
| Deferred tax assets   | 226                   | 367                   | 5.8                   |
| Other non-current assets  | 1,392                 | 1,864                 | 29.5                  |
| <b>TOTAL ASSETS</b>   | <b>111,818</b>        | <b>115,441</b>        | <b>1,827.8</b>        |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                       |                       |                       |
| Current liabilities:  |                       |                       |                       |
| Accounts payable and accrued liabilities  | 6,994                 | 7,917                 | 125.4                 |
| Taxes payable   | 2,800                 | 3,003                 | 47.5                  |
| Deferred revenue  | 1,875                 | 1,840                 | 29.1                  |
| Total current liabilities   | 11,669                | 12,760                | 202.0                 |
| Convertible debt  | 27,374                | 22,799                | 361.0                 |
| Deferred tax liabilities  | 1,552                 | 1,445                 | 22.9                  |
| Other accrued liabilities   | 1,126                 | 971                   | 15.4                  |
| Total liabilities   | 41,721                | 37,975                | 601.3                 |
| Commitments and contingencies   |                       |                       |                       |
| Redeemable noncontrolling interests   | -                     | 789                   | 12.5                  |
| 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: 61,295,523 and 46,997,887 and Class C: 61,295,523 and 46,997,887); shares issued (Class A: 282,161,148 and 284,506,784, Class B: 47,895,605 and 45,549,969, and Class C: 12,000,000 and 48,000, respectively); shares outstanding (Class A: 271,356,566 and 276,248,540, Class B: 47,895,605 and 45,549,969, and Class C: nil) | 75                    | 286                   | 4.5                   |
| Treasury shares at cost (Class A: 10,804,582 and 8,258,244, respectively)   | (12,531)              | (9,446)               | (149.6)               |
| Additional paid-in capital  | 17,257                | 16,803                | 266.0                 |
| Accumulated other comprehensive income  | 3,099                 | 2,056                 | 32.6                  |
| Retained earnings   | 62,197                | 66,978                | 1,060.5               |
| Total shareholders' equity  | 70,097                | 76,677                | 1,214.0               |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>   | <b>111,818</b>        | <b>115,441</b>        | <b>1,827.8</b>        |

\* 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 September 30, |             |             |
|---|----------------------------------|-------------|-------------|
|   | 2015                             | 2016        | 2016        |
|   | RUB                              | RUB         | \$          |
| Revenues  | 15,439                           | 19,293      | 305.5       |
| Operating costs and expenses:                                     |                                  |             |             |
| Cost of revenues(1)   | 4,318                            | 4,918       | 77.9        |
| Product development(1)  | 3,168                            | 3,858       | 61.1        |
| Sales, general and administrative(1)                              | 2,618                            | 4,475       | 70.8        |
| Depreciation and amortization                                     | 2,152                            | 2,489       | 39.4        |
| Total operating costs and expenses                                | 12,256                           | 15,740      | 249.2       |
| Income from operations  | 3,183                            | 3,553       | 56.3        |
| Interest income, net  | 415                              | 351         | 5.6         |
| Other income/(loss), net  | 2,076                            | (218)       | (3.5)       |
| Net income before income taxes                                    | 5,674                            | 3,686       | 58.4        |
| Provision for income taxes  | 1,396                            | 1,243       | 19.7        |
| Net income  | 4,278                            | 2,443       | 38.7        |
| Net income per Class A and Class B share:                         |                                  |             |             |
| Basic   | 13.42                            | 7.60        | 0.12        |
| Diluted   | 13.28                            | 7.47        | 0.12        |
| Weighted average number of Class A and Class B shares outstanding |                                  |             |             |
| Basic   | 318,800,527                      | 321,342,428 | 321,342,428 |
| Diluted   | 322,118,209                      | 326,825,443 | 326,825,443 |

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

|                                   |     |     |     |
|-----------------------------------|-----|-----|-----|
| Cost of revenues                  | 41  | 50  | 0.8 |
| Product development               | 457 | 532 | 8.4 |
| Sales, general and administrative | 173 | 203 | 3.2 |

YANDEX N.V.

Unaudited Condensed Consolidated Statements of Income

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

|   | Nine months ended September 30, |             |             |
|---|---------------------------------|-------------|-------------|
|   | 2015<br>RUB                     | 2016<br>RUB | 2016<br>\$  |
| Revenues  | 41,698                          | 53,806      | 851.9       |
| Operating costs and expenses:                                     |                                 |             |             |
| Cost of revenues(1)   | 12,013                          | 14,118      | 223.5       |
| Product development(1)  | 9,815                           | 11,529      | 182.5       |
| Sales, general and administrative(1)                              | 7,489                           | 11,450      | 181.4       |
| Depreciation and amortization                                     | 5,516                           | 7,199       | 114.0       |
| Total operating costs and expenses                                | 34,833                          | 44,296      | 701.4       |
| Income from operations  | 6,865                           | 9,510       | 150.5       |
| Interest income, net  | 1,255                           | 1,311       | 20.8        |
| Other income/(loss), net  | 1,122                           | (2,241)     | (35.5)      |
| Net income before income taxes                                    | 9,242                           | 8,580       | 135.8       |
| Provision for income taxes  | 2,414                           | 3,010       | 47.6        |
| Net income  | 6,828                           | 5,570       | 88.2        |
| Net income per Class A and Class B share:                         |                                 |             |             |
| Basic   | 21.45                           | 17.39       | 0.28        |
| Diluted   | 21.15                           | 17.11       | 0.27        |
| Weighted average number of Class A and Class B shares outstanding |                                 |             |             |
| Basic   | 318,353,267                     | 320,370,040 | 320,370,040 |
| Diluted   | 322,791,055                     | 325,618,354 | 325,618,354 |

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

|                                   |       |       |      |
|-----------------------------------|-------|-------|------|
| Cost of revenues                  | 125   | 145   | 2.3  |
| Product development               | 1,231 | 1,672 | 26.5 |
| Sales, general and administrative | 469   | 740   | 11.7 |

YANDEX N.V.

Unaudited Condensed Consolidated Statements of Cash Flows

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

|   | <b>Three months ended September 30,</b> |               |              |
|---|---|---------------|--------------|
|   | <b>2015</b>                             | <b>2016</b>   | <b>2016</b>  |
|   | <b>RUB</b>                              | <b>RUB</b>    | <b>\$</b>    |
| <b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:</b>                               |   |               |              |
| Net income  | 4,278                                   | 2,443         | 38.7         |
| Adjustments to reconcile net income to net cash provided by operating activities: |   |               |              |
| Depreciation of property and equipment  | 1,749                                   | 1,972         | 31.2         |
| Amortization of intangible assets   | 403                                     | 517           | 8.2          |
| Amortization of debt discount and issuance costs                                  | 241                                     | 223           | 3.5          |
| Share-based compensation expense  | 671                                     | 785           | 12.4         |
| Deferred income taxes   | 4                                       | 23            | 0.4          |
| Foreign exchange (gains)/losses   | (1,947)                                 | 432           | 6.8          |
| Gain from sale of equity securities   | -                                       | (157)         | (2.5)        |
| Gain from repurchases of convertible debt   | (93)                                    | -             | -            |
| Other   | (31)                                    | 1             | 0.1          |
| Changes in operating assets and liabilities excluding the effect of acquisitions: |   |               |              |
| Accounts receivable, net  | (80)                                    | (669)         | (10.6)       |
| Prepaid expenses and other assets   | 121                                     | (379)         | (6.0)        |
| Accounts payable and accrued liabilities  | 1,394                                   | 973           | 15.4         |
| Deferred revenue  | (127)                                   | 29            | 0.5          |
| Net cash provided by operating activities   | <b>6,583</b>                            | <b>6,193</b>  | <b>98.1</b>  |
| <b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:</b>                               |   |               |              |
| Purchases of property and equipment and intangible assets                         | (2,524)                                 | (2,761)       | (43.7)       |
| Proceeds from sale of property and equipment                                      | 8                                       | 93            | 1.5          |
| Investments in non-marketable equity securities                                   | (21)                                    | (119)         | (1.9)        |
| Investments in debt securities  | -                                       | (1,906)       | (30.2)       |
| Proceeds from maturity of debt securities   | 582                                     | 2,525         | 40.0         |
| Investments in term deposits  | (4,700)                                 | (3,554)       | (56.3)       |
| Maturities of term deposits   | 7,263                                   | 22,836        | 361.6        |
| Loans granted   | (22)                                    | (167)         | (2.7)        |
| Net cash provided by investing activities   | <b>586</b>                              | <b>16,947</b> | <b>268.3</b> |
| <b>CASH FLOWS USED IN FINANCING ACTIVITIES:</b>                                   |   |               |              |
| Proceeds from exercise of share options   | 48                                      | 121           | 1.9          |
| Repurchases of convertible debt   | (2,192)                                 | (589)         | (9.3)        |
| Payments of contingent consideration  | (89)                                    | -             | -            |
| Other financing activities  | -                                       | (17)          | (0.3)        |
| Net cash used in financing activities   | <b>(2,233)</b>                          | <b>(485)</b>  | <b>(7.7)</b> |
| Effect of exchange rate changes on cash and cash equivalents                      | 3,673                                   | (466)         | (7.4)        |
| Net change in cash and cash equivalents   | <b>8,609</b>                            | <b>22,189</b> | <b>351.3</b> |
| Cash and cash equivalents at beginning of period                                  | 9,430                                   | 29,506        | 467.2        |
| Cash and cash equivalents at end of period  | 18,039                                  | 51,695        | 818.5        |

YANDEX N.V.

Unaudited Condensed Consolidated Statements of Cash Flows

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

|   | <b>Nine months ended September 30,</b> |                |               |
|---|--|----------------|---------------|
|   | <b>2015</b>                            | <b>2016</b>    | <b>2016</b>   |
|   | <b>RUB</b>                             | <b>RUB</b>     | <b>\$</b>     |
| <b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:</b>                               |  |                |               |
| Net income  | 6,828                                  | 5,570          | 88.2          |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |                |               |
| Depreciation of property and equipment  | 4,397                                  | 5,742          | 90.9          |
| Amortization of intangible assets   | 1,119                                  | 1,457          | 23.1          |
| Amortization of debt discount and issuance costs                                  | 732                                    | 710            | 11.2          |
| Share-based compensation expense  | 1,825                                  | 2,557          | 40.5          |
| Deferred income taxes   | (101)                                  | (191)          | (3.0)         |
| Foreign exchange (gains)/losses   | (794)                                  | 2,671          | 42.3          |
| Gain from sale of equity securities   | -                                      | (157)          | (2.5)         |
| Gain from repurchases of convertible debt   | (243)                                  | (53)           | (0.8)         |
| Other   | (96)                                   | (147)          | (2.5)         |
| Changes in operating assets and liabilities excluding the effect of acquisitions: |  |                |               |
| Accounts receivable, net  | (863)                                  | (872)          | (13.8)        |
| Prepaid expenses and other assets   | 782                                    | 821            | 13.0          |
| Accounts payable and accrued liabilities  | 661                                    | 2,019          | 32.0          |
| Deferred revenue  | (171)                                  | (8)            | (0.1)         |
| Net cash provided by operating activities   | <b>14,076</b>                          | <b>20,119</b>  | <b>318.5</b>  |
| <b>CASH FLOWS (USED IN)/PROVIDED BY INVESTING ACTIVITIES:</b>                     |  |                |               |
| Purchases of property and equipment and intangible assets                         | (11,386)                               | (6,702)        | (106.1)       |
| Proceeds from sale of property and equipment                                      | 35                                     | 158            | 2.5           |
| Acquisitions of businesses, net of cash acquired                                  | (186)                                  | -              | -             |
| Investments in non-marketable equity securities                                   | (75)                                   | (361)          | (5.7)         |
| Investments in debt securities  | -                                      | (1,906)        | (30.2)        |
| Proceeds from maturity of debt securities   | 3,426                                  | 2,525          | 40.0          |
| Investments in term deposits  | (26,610)                               | (37,396)       | (592.1)       |
| Maturities of term deposits   | 22,638                                 | 55,815         | 883.7         |
| Loans granted   | (22)                                   | (273)          | (4.3)         |
| Escrow cash deposit   | 58                                     | -              | -             |
| Net cash (used in)/provided by investing activities                               | <b>(12,122)</b>                        | <b>11,860</b>  | <b>187.8</b>  |
| <b>CASH FLOWS USED IN FINANCING ACTIVITIES:</b>                                   |  |                |               |
| Proceeds from exercise of share options   | 139                                    | 331            | 5.2           |
| Repurchases of convertible debt   | (4,909)                                | (2,079)        | (32.9)        |
| Payments of contingent consideration  | (89)                                   | (65)           | (1.0)         |
| Other financing activities  | -                                      | (17)           | (0.3)         |
| Net cash used in financing activities   | <b>(4,859)</b>                         | <b>(1,830)</b> | <b>(29.0)</b> |
| Effect of exchange rate changes on cash and cash equivalents                      | 3,299                                  | (2,692)        | (42.6)        |
| Net change in cash and cash equivalents   | <b>394</b>                             | <b>27,457</b>  | <b>434.7</b>  |
| Cash and cash equivalents at beginning of period                                  | 17,645                                 | 24,238         | 383.8         |
| Cash and cash equivalents at end of period  | 18,039                                 | 51,695         | 818.5         |

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

| <i>In RUB millions</i>                       | <b>Three months ended September 30,</b> |             |               | <b>Nine months ended September 30,</b> |             |               |
|--|---|-------------|---------------|--|-------------|---------------|
|  | <b>2015</b>                             | <b>2016</b> | <i>Change</i> | <b>2015</b>                            | <b>2016</b> | <i>Change</i> |
| Total revenues                               | 15,439                                  | 19,293      | 25%           | 41,698                                 | 53,806      | 29%           |
| <i>Less: traffic acquisition costs (TAC)</i> | 3,282                                   | 3,732       | 14%           | 9,021                                  | 10,676      | 18%           |
| Ex-TAC revenues                              | 12,157                                  | 15,561      | 28%           | 32,677                                 | 43,130      | 32%           |

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

| <i>In RUB millions</i>   | <b>Three months ended September 30,</b> |             |               | <b>Nine months ended September 30,</b> |             |               |
|--|---|-------------|---------------|--|-------------|---------------|
|  | <b>2015</b>                             | <b>2016</b> | <i>Change</i> | <b>2015</b>                            | <b>2016</b> | <i>Change</i> |
| Net income   | 4,278                                   | 2,443       | -43%          | 6,828                                  | 5,570       | -18%          |
| <i>Add: depreciation and amortization</i>                            | 2,152                                   | 2,489       | 16%           | 5,516                                  | 7,199       | 31%           |
| <i>Add: share-based compensation expense</i>                         | 671                                     | 785         | 17%           | 1,825                                  | 2,557       | 40%           |
| <i>Add: compensation expense related to contingent consideration</i> | 15                                      | 61          | n/m           | 203                                    | 154         | -24%          |
| <i>Less: interest income, net</i>                                    | (415)                                   | (351)       | -15%          | (1,255)                                | (1,311)     | 4%            |
| <i>Less: other (income)/loss, net</i>                                | (2,076)                                 | 218         | -111%         | (1,122)                                | 2,241       | n/m           |
| <i>Add: provision for income taxes</i>                               | 1,396                                   | 1,243       | -11%          | 2,414                                  | 3,010       | 25%           |
| Adjusted EBITDA  | 6,021                                   | 6,888       | 14%           | 14,409                                 | 19,420      | 35%           |

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

| <i>In RUB millions</i>  | <b>Three months ended September 30,</b> |             |               | <b>Nine months ended September 30,</b> |             |               |
|---|---|-------------|---------------|--|-------------|---------------|
|   | <b>2015</b>                             | <b>2016</b> | <i>Change</i> | <b>2015</b>                            | <b>2016</b> | <i>Change</i> |
| Net income  | 4,278                                   | 2,443       | -43%          | 6,828                                  | 5,570       | -18%          |
| <i>Add: SBC expense</i>   | 671                                     | 785         | 17%           | 1,825                                  | 2,557       | 40%           |
| <i>Less: reduction in income tax attributable to SBC expense</i>                              | (10)                                    | (12)        | 20%           | (30)                                   | (36)        | 20%           |
| <i>Add: compensation expense related to contingent consideration</i>                          | 15                                      | 61          | n/m           | 203                                    | 154         | -24%          |
| <i>Less: foreign exchange (gains)/losses</i>  | (1,947)                                 | 432         | -122%         | (794)                                  | 2,671       | n/m           |
| <i>Add: increase/(decrease) in income tax attributable to foreign exchange gains/(losses)</i> | 386                                     | (83)        | -122%         | 139                                    | (541)       | n/m           |
| <i>Less: gain from repurchases of convertible debt</i>  | (93)                                    | -           | -100%         | (243)                                  | (53)        | -78%          |
| <i>Add: increase in income tax attributable to gain from repurchases of convertible debt</i>  | 23                                      | -           | -100%         | 61                                     | 13          | -79%          |
| <i>Add: amortization of debt discount</i>   | 241                                     | 223         | -7%           | 732                                    | 710         | -3%           |
| <i>Less: reduction in income tax attributable to amortization of debt discount</i>            | (57)                                    | (56)        | -2%           | (174)                                  | (178)       | 2%            |
| Adjusted net income   | 3,507                                   | 3,793       | 8%            | 8,547                                  | 10,867      | 27%           |

YANDEX N.V.

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

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.<br>GAAP<br>Actual<br>Net<br>Income | Net<br>Income<br>Margin<br>(1) | Adjustment<br>(2) | Adjusted<br>EBITDA | Adjusted<br>EBITDA<br>Margin<br>(3) | Adjusted<br>Ex-TAC<br>EBITDA<br>Margin (4) |
| Three months ended September 30, 2016 | 2,443                                   | 12.7%                          | 4,445             | 6,888              | 35.7%                               | 44.3%                                      |
| Nine months ended September 30, 2016  | 5,570                                   | 10.4%                          | 13,850            | 19,420             | 36.1%                               | 45.0%                                      |

- (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, net, other 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 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.<br>GAAP<br>Actual Net<br>Income | Net<br>Income<br>Margin<br>(1) | Adjustment<br>(2) | Adjusted<br>Net<br>Income | Adjusted<br>Net<br>Income<br>Margin<br>(3) | Adjusted<br>Ex-TAC<br>Net Income<br>Margin (4) |
| Three months ended September 30, 2016 | 2,443                                | 12.7%                          | 1,350             | 3,793                     | 19.7%                                      | 24.4%  |
| Nine months ended September 30, 2016  | 5,570                                | 10.4%                          | 5,297             | 10,867                    | 20.2%                                      | 25.2%  |

- (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 losses (as adjusted for the decrease in income tax attributable to the losses), 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 U.S. GAAP revenues, please see the table above.