

SOHU.COM INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED, IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Three Months Ended		
	Jun. 30, 2016	Mar. 31, 2016	Jun. 30, 2015
Revenues:			
Online advertising			
Brand advertising	\$ 112,887	\$ 125,503	\$ 150,849
Search and search-related	160,152	133,814	135,206
Subtotal	<u>273,039</u>	<u>259,317</u>	<u>286,055</u>
Online games	99,227	102,529	172,350
Others	47,872	46,106	35,161
Total revenues	<u>420,138</u>	<u>407,952</u>	<u>493,566</u>
Cost of revenues:			
Online advertising			
Brand advertising (includes stock-based compensation expense of \$-73, \$62 and \$508, respectively)	93,654	85,636	99,847
Search and search-related (includes stock-based compensation expense of \$0, \$0 and \$54, respectively)	71,998	62,092	58,552
Subtotal	<u>165,652</u>	<u>147,728</u>	<u>158,399</u>
Online games (includes stock-based compensation expense of \$17, \$-7 and \$44, respectively)	25,380	26,133	43,929
Others	21,226	18,986	18,872
Total cost of revenues	<u>212,258</u>	<u>192,847</u>	<u>221,200</u>
Gross profit	207,880	215,105	272,366
Operating expenses:			
Product development (includes stock-based compensation expense of \$1,699, \$-3 and \$6,234, respectively)	88,959	82,679	100,771
Sales and marketing (includes stock-based compensation expense of \$161, \$14 and \$862, respectively)	117,966	90,047	103,977
General and administrative (includes stock-based compensation expense of \$740, \$367 and \$10,838, respectively)	29,650	27,607	49,720
Total operating expenses	<u>236,575</u>	<u>200,333</u>	<u>254,468</u>
Operating (loss) /profit	(28,695)	14,772	17,898
Other (expense) /income	(24,573)	3,924	(437)
Interest income	5,040	5,139	6,228
Exchange difference	3,866	(1,022)	(687)
(Loss) /income before income tax expense	<u>(44,362)</u>	<u>22,813</u>	<u>23,002</u>
Income tax expense	2,430	11,868	11,519
Net (loss) /income	<u>(46,792)</u>	<u>10,945</u>	<u>11,483</u>
Less: Net income attributable to the noncontrolling interest shareholders	16,232	31,231	38,682
Net loss attributable to Sohu.com Inc.	<u>(63,024)</u>	<u>(20,286)</u>	<u>(27,199)</u>
Basic net loss per share attributable to Sohu.com Inc.	\$ (1.63)	\$ (0.52)	\$ (0.70)
Shares used in computing basic net loss per share attributable to Sohu.com Inc.	<u>38,691</u>	<u>38,666</u>	<u>38,587</u>
Diluted net loss per share attributable to Sohu.com Inc.	\$ (1.64)	\$ (0.53)	\$ (0.71)
Shares used in computing diluted net loss per share attributable to Sohu.com Inc.	<u>38,691</u>	<u>38,666</u>	<u>38,587</u>

SOHU.COM INC.

RECONCILIATIONS OF NON-GAAP RESULTS OF OPERATION MEASURES TO THE NEAREST COMPARABLE GAAP MEASURES

(UNAUDITED, IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Three Months Ended Jun. 30, 2016			Three Months Ended Mar. 31, 2016			Three Months Ended Jun. 30, 2015		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 19,233	\$ (73)	(a) \$ 19,160	\$ 39,867	\$ 62	(a) \$ 39,929	\$ 51,002	\$ 508	(a) \$ 51,510
Brand advertising gross margin	17%		17%	32%		32%	34%		34%
Search and search-related gross profit	\$ 88,154	\$ -	(a) \$ 88,154	\$ 71,722	\$ -	(a) \$ 71,722	\$ 76,654	\$ 54	(a) \$ 76,708
Search and search-related gross margin	55%		55%	54%		54%	57%		57%
Online advertising gross profit	\$ 107,387	\$ (73)	(a) \$ 107,314	\$ 111,589	\$ 62	(a) \$ 111,651	\$ 127,656	\$ 562	(a) \$ 128,218
Online advertising gross margin	39%		39%	43%		43%	45%		45%
Online games gross profit	\$ 73,847	\$ 17	(a) \$ 73,864	\$ 76,396	\$ (7)	(a) \$ 76,389	\$ 128,421	\$ 44	(a) \$ 128,465
Online games gross margin	74%		74%	75%		75%	75%		75%
Others gross profit	\$ 26,646	\$ -	(a) \$ 26,646	\$ 27,120	\$ -	(a) \$ 27,120	\$ 16,289	\$ -	(a) \$ 16,289
Others gross margin	56%		56%	59%		59%	46%		46%
Gross profit	\$ 207,880	\$ (56)	(a) \$ 207,824	\$ 215,105	\$ 55	(a) \$ 215,160	\$ 272,366	\$ 606	(a) \$ 272,972
Gross margin	49%		49%	53%		53%	55%		55%
Operating (loss) /profit	\$ (28,695)	\$ 2,544	(a) \$ (26,151)	\$ 14,772	\$ 433	(a) \$ 15,205	\$ 17,898	\$ 18,540	(a) \$ 36,438
Operating margin	-7%		-6%	4%		4%	4%		7%
Net (loss) /income before non-controlling interest	\$ (46,792)	\$ 2,550	(a) \$ (44,242)	\$ 10,945	\$ 448	(a) \$ 11,393	\$ 11,483	\$ 18,540	(a) \$ 30,023

		2,550	(a)		448	(a)		18,540	(a)									
		<u>(2,001)</u>	(b)		<u>(1,403)</u>	(b)		<u>(5,452)</u>	(b)									
Net loss attributable to Sohu.com Inc. for diluted net loss per share	\$	<u>(63,386)</u>	\$	<u>549</u>	\$	<u>(62,837)</u>	\$	<u>(20,576)</u>	\$	<u>(955)</u>	\$	<u>(21,531)</u>	\$	<u>(27,538)</u>	\$	<u>13,088</u>	\$	<u>(14,450)</u>
Diluted net loss per share attributable to Sohu.com Inc.	\$	<u>(1.64)</u>	\$	<u>(1.62)</u>	\$	<u>(0.53)</u>	\$	<u>(0.56)</u>	\$	<u>(0.71)</u>	\$	<u>(0.37)</u>						
Shares used in computing diluted net loss per share attributable to Sohu.com Inc.		<u>38,691</u>		<u>38,691</u>		<u>38,666</u>		<u>38,666</u>		<u>38,587</u>		<u>38,587</u>						

Note:

(a) To eliminate the impact of share-based awards as measured using the fair value method.

(b) To adjust Sohu's economic interests in Changyou and Sogou under the treasury stock method.