

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

	Three Months Ended			Twelve Months Ended	
	Dec. 31, 2015	Sep. 30, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Revenues:					
Online advertising					
Brand advertising	\$ 140,927	\$ 151,517	\$ 147,824	\$ 577,114	\$ 541,158
Search and search-related	151,251	147,938	110,029	539,521	357,839
Subtotal	<u>292,178</u>	<u>299,455</u>	<u>257,853</u>	<u>1,116,635</u>	<u>898,997</u>
Online games	127,001	152,501	184,405	636,846	652,008
Others	46,924	70,134	34,938	183,610	122,072
Total revenues	<u>466,103</u>	<u>522,090</u>	<u>477,196</u>	<u>1,937,091</u>	<u>1,673,077</u>
Cost of revenues:					
Online advertising					
Brand advertising (includes stock-based compensation expense of \$534, \$184, \$167, \$1,381 and \$823, respectively)	87,625	91,163	77,246	383,187	307,708
Search and search-related (includes stock-based compensation expense of \$211, \$12, \$386, \$330 and \$1,092, respectively)	68,108	62,365	45,386	238,944	163,918
Subtotal	<u>155,733</u>	<u>153,528</u>	<u>122,632</u>	<u>622,131</u>	<u>471,626</u>
Online games (includes stock-based compensation expense of \$45, \$-96, \$-37, \$37 and \$55, respectively)	28,266	34,635	51,754	156,315	142,552
Others (includes stock-based compensation expense of \$0, \$0, \$2, \$0 and \$2, respectively)	17,552	25,996	21,204	80,618	71,456
Total cost of revenues	<u>201,551</u>	<u>214,159</u>	<u>195,590</u>	<u>859,064</u>	<u>685,634</u>
Gross profit	264,552	307,931	281,606	1,078,027	987,443
Operating expenses:					
Product development (includes stock-based compensation expense of \$9,665, \$-1,332, \$8,983, \$19,343 and \$24,982, respectively)	102,402	92,779	81,374	398,143	409,285
Sales and marketing (includes stock-based compensation expense of \$1,482, \$466, \$1,894, \$3,055 and \$5,645, respectively)	98,230	98,596	115,812	383,931	526,514
General and administrative (includes stock-based compensation expense of \$13,042, \$-1,536, \$16,442, \$29,297 and \$41,843, respectively)	44,946	33,330	65,995	173,160	204,325
Goodwill impairment and impairment of intangibles via acquisitions of businesses	-	40,324	52,282	40,324	52,282
Total operating expenses	<u>245,578</u>	<u>265,029</u>	<u>315,463</u>	<u>995,558</u>	<u>1,192,406</u>
Operating profit /(loss)	18,974	42,902	(33,857)	82,469	(204,963)
Other income	1,590	70,219	4,619	74,526	9,959
Interest income	6,004	5,192	6,273	23,459	30,977
Exchange difference	1,885	4,322	(1,169)	5,337	(1,142)
Income /(loss) before income tax expense	28,453	122,635	(24,134)	185,791	(165,169)
Income tax expense	19,656	29,461	8,612	76,936	6,050
Net Income /(loss)	<u>8,797</u>	<u>93,174</u>	<u>(32,746)</u>	<u>108,855</u>	<u>(171,219)</u>
Less: Net income /(loss) attributable to the noncontrolling interest shareholders	39,197	42,142	(13,171)	146,542	(32,309)
Deemed dividend to non-controlling Sogou series A preferred shareholders	-	11,911	-	11,911	27,747
Net income /(loss) attributable to Sohu.com Inc.	<u>(30,400)</u>	<u>39,121</u>	<u>(19,575)</u>	<u>(49,598)</u>	<u>(166,657)</u>
Basic net income /(loss) per share attributable to Sohu.com Inc.	\$ (0.79)	\$ 1.01	\$ (0.51)	\$ (1.28)	\$ (4.33)
Shares used in computing basic net income /(loss) per share attributable to Sohu.com Inc.	<u>38,646</u>	<u>38,633</u>	<u>38,501</u>	<u>38,598</u>	<u>38,468</u>
Diluted net income /(loss) per share attributable to Sohu.com Inc.	\$ (0.80)	\$ 1.00	\$ (0.52)	\$ (1.32)	\$ (4.43)
Shares used in computing diluted net income /(loss) per share attributable to Sohu.com Inc.	<u>38,646</u>	<u>38,665</u>	<u>38,501</u>	<u>38,598</u>	<u>38,468</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 Dec. 31, 2015			Three Months Ended Sep. 30, 2015			Three Months Ended Dec. 31, 2014		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 53,302	\$ 534	\$ 53,836	\$ 60,354	\$ 184	\$ 60,538	\$ 70,578	\$ 167	\$ 70,745
Brand advertising gross margin	38%		38%	40%		40%	48%		48%
Search and search-related gross profit	\$ 83,143	\$ 211	\$ 83,354	\$ 85,573	\$ 12	\$ 85,585	\$ 64,643	\$ 386	\$ 65,029
Search and search-related gross margin	55%		55%	58%		58%	59%		59%
Online advertising gross profit	\$ 136,445	\$ 745	\$ 137,190	\$ 145,927	\$ 196	\$ 146,123	\$ 135,221	\$ 553	\$ 135,774
Online advertising gross margin	47%		47%	49%		49%	52%		53%
Online games gross profit	\$ 98,735	\$ 45	\$ 98,780	\$ 117,866	\$ (96)	\$ 117,770	\$ 132,651	\$ (37)	\$ 132,614
Online games gross margin	78%		78%	77%		77%	72%		72%
Others gross profit	\$ 29,372	\$ -	\$ 29,372	\$ 44,138	\$ -	\$ 44,138	\$ 13,734	\$ 2	\$ 13,736
Others gross margin	63%		63%	63%		63%	39%		39%
Gross profit	\$ 264,552	\$ 790	\$ 265,342	\$ 307,931	\$ 100	\$ 308,031	\$ 281,606	\$ 518	\$ 282,124
Gross margin	57%		57%	59%		59%	59%		59%
Operating profit /(loss)	\$ 18,974	\$ 24,979	\$ 43,953	\$ 42,902	\$ (2,302)	\$ 40,600	\$ (33,857)	\$ 27,837	\$ (6,020)
Operating margin	4%		9%	8%		8%	-7%		-1%
Net income /(loss) before Non-Controlling Interest	\$ 8,797	\$ 25,047	\$ 33,844	\$ 93,174	\$ (2,302)	\$ 90,872	\$ (32,746)	\$ 27,837	\$ (4,909)

					(2,302)	(a)												
		25,047	(a)		725	(b)		27,837	(a)									
		<u>(7,352)</u>	(b)		<u>11,911</u>	(c)		<u>(21,757)</u>	(b)									
Net income /(loss) attributable to Sohu.com Inc. for diluted net income /(loss) per share	\$	<u>(30,746)</u>	\$	<u>17,695</u>	\$	<u>(13,051)</u>	\$	<u>38,796</u>	\$	<u>10,334</u>	\$	<u>49,130</u>	\$	<u>(20,082)</u>	\$	<u>6,080</u>	\$	<u>(14,002)</u>
Diluted net income /(loss) per share attributable to Sohu.com Inc.	\$	<u>(0.80)</u>	\$	<u>(0.34)</u>	\$	<u>1.00</u>	\$	<u>1.27</u>	\$	<u>(0.52)</u>	\$	<u>(0.36)</u>						
Shares used in computing diluted net income /(loss) per share attributable to Sohu.com Inc.		<u>38,646</u>		<u>38,646</u>		<u>38,665</u>		<u>38,701</u>		<u>38,501</u>		<u>38,501</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.
- (c) Deemed dividend to non-controlling Sogou series A preferred shareholders.

SOHU.COM INC.

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

(UNAUDITED, IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Twelve Months Ended Dec. 31, 2015			Twelve Months Ended Dec. 31, 2014		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 193,927	\$ 1,381	\$ 195,308	\$ 233,450	\$ 823	\$ 234,273
Brand advertising gross margin	34%		34%	43%		43%
Search and search-related gross profit	\$ 300,577	\$ 330	\$ 300,907	\$ 193,921	\$ 1,092	\$ 195,013
Search and search-related gross margin	56%		56%	54%		54%
Online advertising gross profit	\$ 494,504	\$ 1,711	\$ 496,215	\$ 427,371	\$ 1,915	\$ 429,286
Online advertising gross margin	44%		44%	48%		48%
Online games gross profit	\$ 480,531	\$ 37	\$ 480,568	\$ 509,456	\$ 55	\$ 509,511
Online games gross margin	75%		75%	78%		78%
Others gross profit	\$ 102,992	\$ -	\$ 102,992	\$ 50,616	\$ 2	\$ 50,618
Others gross margin	56%		56%	41%		41%
Gross profit	\$ 1,078,027	\$ 1,748	\$ 1,079,775	\$ 987,443	\$ 1,972	\$ 989,415
Gross margin	56%		56%	59%		59%
Operating profit/(loss)	\$ 82,469	\$ 53,443	\$ 135,912	\$ (204,963)	\$ 74,442	\$ (130,521)
Operating margin	4%		7%	-12%		-8%
Net income/(loss) before non-controlling interest	\$ 108,855	\$ 53,511	\$ 162,366	\$ (171,219)	\$ 74,442	\$ (96,777)
Net loss attributable to Sohu.com Inc for diluted net loss per share	\$ (50,829)	\$ 47,192	\$ (3,637)	\$ (170,576)	\$ 50,907	\$ (119,669)
Diluted net loss per share attributable to Sohu.com Inc.	\$ (1.32)		\$ (0.09)	\$ (4.43)		\$ (3.11)
Shares used in computing diluted net loss per share attributable to Sohu.com Inc.	38,598		38,693	38,468		38,468

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.
- (c) Dividend or deemed dividend to non-controlling Sogou series A preferred shareholders.