

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

	Three Months Ended		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Revenues:			
Online advertising			
Brand advertising	\$ 25,580	\$ 41,599	\$ 42,981
Search and search-related advertising	237,589	274,590	234,130
Subtotal	<u>263,169</u>	<u>316,189</u>	<u>277,111</u>
Online games	133,360	131,689	99,054
Others	39,471	41,769	35,106
Total revenues	<u>436,000</u>	<u>489,647</u>	<u>411,271</u>
Cost of revenues:			
Online advertising			
Brand advertising (includes stock-based compensation expense of \$-40, \$2, and \$38, respectively)	25,519	28,677	34,305
Search and search-related advertising (includes stock-based compensation expense of \$77, \$256, and \$27, respectively)	212,210	163,384	178,824
Subtotal	<u>237,729</u>	<u>192,061</u>	<u>213,129</u>
Online games (includes stock-based compensation expense of \$161, \$137, and \$0, respectively)	28,389	33,181	14,362
Others	8,568	12,198	14,051
Total cost of revenues	<u>274,686</u>	<u>237,440</u>	<u>241,542</u>
Gross profit	161,314	252,207	169,729
Operating expenses:			
Product development (includes stock-based compensation expense of \$2,429, \$4,594, and \$1,019, respectively)	103,412	105,425	100,434
Sales and marketing (includes stock-based compensation expense of \$-415, \$797, and \$120, respectively)	62,841	78,375	80,550
General and administrative (includes stock-based compensation expense of \$1,561, \$1,518, and \$911, respectively)	19,296	26,901	23,088
Goodwill impairment and impairment of intangibles assets acquired as part of business acquisitions	-	-	7,245
Total operating expenses	<u>185,549</u>	<u>210,701</u>	<u>211,317</u>
Operating profit/(loss)	(24,235)	41,506	(41,588)
Other income/(expense), net	10,645	(13,787) <sup>1</sup>	14,219
Interest income	2,126	1,508	3,793
Interest expense	(2,275)	(2,501)	(5,501)
Exchange difference	2,225	(2,324)	(2,662)
Income/(loss) before income tax expense/(benefit)	<u>(11,514)</u>	<u>24,402</u>	<u>(31,739)</u>
Income tax expense/(benefit)	13,600	(954)	11,178
Net income/(loss) from continuing operations	<u>(25,114)</u>	<u>25,356</u>	<u>(42,917)</u>
Net loss from discontinued operations, net of tax	-	-	(4,255)
Net income/(loss)	<u>(25,114)</u>	<u>25,356</u>	<u>(47,172)</u>
Less: Net income/(loss) from continuing operations attributable to the noncontrolling interest shareholders	(5,008)	42,451	10,644
Less: Net loss from discontinued operations attributable to the noncontrolling interest shareholders	-	-	(1,387)
Net loss from continuing operations attributable to Sohu.com Limited	(20,106)	(17,095)	(53,561)
Net loss from discontinued operations attributable to Sohu.com Limited	-	-	(2,868)
Net loss attributable to Sohu.com Limited	<u>(20,106)</u>	<u>(17,095)</u>	<u>(56,429)</u>
Basic net loss from continuing operations per ADS attributable to Sohu.com Limited	<u>(0.51)</u>	<u>(0.44)</u>	<u>(1.37)</u>
Basic net loss from discontinued operations per ADS attributable to Sohu.com Limited	-	-	(0.07)
Basic net loss per ADS attributable to Sohu.com Limited	<u>\$ (0.51)</u>	<u>\$ (0.44)</u>	<u>\$ (1.44)</u>
ADS used in computing basic net loss per ADS attributable to Sohu.com Limited	<u>39,270</u>	<u>39,263</u>	<u>39,236</u>

<sup>1</sup> Other expenses in the fourth quarter of 2019 mainly included an impairment charge of approximately US\$23 million recognized for the quarter for an investment unrelated to the Company' core businesses, and an impairment loss of approximately US\$9 million on certain Sogou equity investments.

Diluted net loss from continuing operations per ADS attributable to Sohu.com Limited	<u>(0.52)</u>	<u>(0.45)</u>	<u>(1.37)</u>
Diluted net loss from discontinued operations per ADS attributable to Sohu.com Limited	<u>-</u>	<u>-</u>	<u>(0.07)</u>
Diluted net loss per ADS attributable to Sohu.com Limited	<u>\$ (0.52)</u>	<u>\$ (0.45)</u>	<u>\$ (1.44)</u>
ADS used in computing diluted net loss per ADS attributable to Sohu.com Limited	<u>39,270</u>	<u>39,263</u>	<u>39,236</u>

SOHU.COM LIMITED

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

(UNAUDITED, IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Three Months Ended Mar. 31, 2020			Three Months Ended Dec. 31, 2019			Three Months Ended Mar. 31, 2019		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 61	\$ (40)	(a) \$ 21	\$ 12,922	\$ 2	(a) \$ 12,924	\$ 8,676	\$ 38	(a) \$ 8,714
Brand advertising gross margin	0%		0%	31%		31%	20%		20%
Search and search-related advertising gross profit	\$ 25,379	\$ 77	(a) \$ 25,456	\$ 111,206	\$ 256	(a) \$ 111,462	\$ 55,306	\$ 27	(a) \$ 55,333
Search and search-related advertising gross margin	11%		11%	40%		41%	24%		24%
Online advertising gross profit	\$ 25,440	\$ 37	(a) \$ 25,477	\$ 124,128	\$ 258	(a) \$ 124,386	\$ 63,982	\$ 65	(a) \$ 64,047
Online advertising gross margin	10%		10%	39%		39%	23%		23%
Online games gross profit	\$ 104,971	\$ 161	(a) \$ 105,132	\$ 98,508	\$ 137	(a) \$ 98,645	\$ 84,692	\$ -	(a) \$ 84,692
Online games gross margin	79%		79%	75%		75%	86%		86%
Others gross profit	\$ 30,903	\$ -	(a) \$ 30,903	\$ 29,571	\$ -	(a) \$ 29,571	\$ 21,055	\$ -	(a) \$ 21,055
Others gross margin	78%		78%	71%		71%	60%		60%
Gross profit	\$ 161,314	\$ 198	(a) \$ 161,512	\$ 252,207	\$ 395	(a) \$ 252,602	\$ 169,729	\$ 65	(a) \$ 169,794
Gross margin	37%		37%	52%		52%	41%		41%
Operating expenses	\$ 185,549	\$ (3,575)	(a) \$ 181,974	\$ 210,701	\$ (6,909)	(a) \$ 203,792	\$ 211,317	\$ (2,050)	(a) \$ 209,267
Operating profit/(loss)	\$ (24,235)	\$ 3,773	(a) \$ (20,462)	\$ 41,506	\$ 7,304	(a) \$ 48,810	\$ (41,588)	\$ 2,115	(a) \$ (39,473)

Operating margin		<u>-6%</u>		<u>-5%</u>	<u>8%</u>		<u>10%</u>	<u>-10%</u>		<u>-10%</u>										
Income tax expense	\$	<u>(13,600)</u>	\$	<u>2,195</u>	(c,d)	\$	<u>(11,405)</u>	\$	<u>954</u>	\$	<u>2,737</u>	(c,d)	\$	<u>3,691</u>	\$	<u>(11,178)</u>	\$	<u>1,778</u>	\$	<u>(9,400)</u>
				3,773	(a)		7,304	(a)		2,115	(a)									
				(855)	(c)		(2,490)	(c)		(744)	(c)									
				1,910	(d)		1,907	(d)		1,531	(d)									
				-			23,154	(e)		-										
Net income/(loss) before non-controlling interest	\$	<u>(25,114)</u>	\$	<u>4,828</u>		\$	<u>(20,286)</u>	\$	<u>25,356</u>	\$	<u>29,875</u>		\$	<u>55,231</u>	\$	<u>(42,917)</u>	\$	<u>2,902</u>	\$	<u>(40,015)</u>
				3,773	(a)		7,304	(a)		2,115	(a)									
				(2,761)	(b)		(5,416)	(b)		(798)	(b)									
				(855)	(c)		(2,490)	(c)		(744)	(c)									
				1,910	(d)		1,907	(d)		1,531	(d)									
				-			23,154	(e)		-										
Net income/(loss) from continuing operations attributable to Sohu.com Limited for <b>diluted</b> net loss per ADS	\$	<u>(20,441)</u>	\$	<u>2,067</u>		\$	<u>(18,374)</u>	\$	<u>(17,613)</u>	\$	<u>24,459</u>		\$	<u>6,846</u>	\$	<u>(53,808)</u>	\$	<u>2,104</u>	\$	<u>(51,704)</u>
Net loss from discontinued operations attributable to Sohu.com Limited for <b>diluted</b> net loss per ADS		<u>-</u>		<u>-</u>			<u>-</u>		<u>-</u>		<u>-</u>			<u>(2,842)</u>		<u>-</u>		<u>-</u>		<u>(2,842)</u>
Net income/(loss) attributable to Sohu.com Limited for <b>diluted</b> net loss per ADS		<u>(20,441)</u>		<u>2,067</u>			<u>(18,374)</u>		<u>(17,613)</u>		<u>24,459</u>			<u>(56,650)</u>		<u>2,104</u>		<u>-</u>		<u>(54,546)</u>
<b>Diluted</b> net income/(loss) from continuing operations per ADS attributable to Sohu.com Limited	\$	<u>(0.52)</u>					<u>(0.47)</u>	\$	<u>(0.45)</u>					<u>0.17</u>	\$	<u>(1.37)</u>				<u>(1.32)</u>
<b>Diluted</b> net loss from discontinued operations per ADS attributable to Sohu.com Limited		<u>-</u>					<u>-</u>		<u>-</u>		<u>-</u>			<u>(0.07)</u>						<u>(0.07)</u>
<b>Diluted</b> net income/(loss) per ADS attributable to Sohu.com Limited		<u>(0.52)</u>					<u>(0.47)</u>		<u>(0.45)</u>					<u>0.17</u>		<u>(1.44)</u>				<u>(1.39)</u>

Shares used in computing  
**diluted** net loss per ADS  
attributable to Sohu.com  
Limited

39,270

39,270

39,263

39,396

39,236

39,236

Note:

- (a) To eliminate the impact of share-based awards as measured using the fair value method. This adjustment does not have an impact on income tax expense.
- (b) To adjust Sohu's economic interests in Changyou and Sogou attributable to the above non-GAAP adjustments. This adjustment does not have an impact on income tax expense.
- (c) To adjust for a change in the fair value of the Company's investment in Hylink and the income tax effect.
- (d) To adjust for the effect of the U.S. TCJA.
- (e) To adjust for a one-time impairment charge recognized for an investment unrelated to the Company's core businesses