

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

	Three Months Ended		
	Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2020
Revenues:			
Brand advertising	\$ 30,741	\$ 41,810	\$ 25,621
Online games	176,495	196,063	133,360
Others	14,857	15,362	19,819
Total revenues	<u>222,093</u>	<u>253,235</u>	<u>178,800</u>
Cost of revenues:			
Brand advertising (includes share-based compensation expense of \$19, \$-59, and \$-40, respectively)	24,532	28,836	25,519
Online games (includes share-based compensation expense of \$77, \$79, and \$161, respectively)	18,560	19,154	28,389
Others	3,784	5,086	3,798
Total cost of revenues	<u>46,876</u>	<u>53,076</u>	<u>57,706</u>
Gross profit	175,217	200,159	121,094
Operating expenses:			
Product development (includes share-based compensation expense of \$1,051, \$966, and \$1,816, respectively)	69,319	65,671	58,413
Sales and marketing (includes share-based compensation expense of \$59, \$-95, and \$-36, respectively)	36,988	51,945	34,623
General and administrative (includes share-based compensation expense of \$1,093, \$459, and \$1,395, respectively)	18,127	15,696	12,180
Total operating expenses	<u>124,434</u>	<u>133,312</u>	<u>105,216</u>
Operating profit	50,783	66,847	15,878
Other income, net	3,882	1,738	5,676
Interest income	3,861	2,670	1,383
Interest expense	(2,511)	(1,176)	(2,275)
Exchange difference	(1,304)	(2,080)	494
Income before income tax expense	<u>54,711</u>	<u>67,999</u>	<u>21,156</u>
Income tax expense	23,177	21,416	14,562
Net income from continuing operations:	<u>31,534</u>	<u>46,583</u>	<u>6,594</u>
Net income/(loss) from discontinued operations, net of tax ^{6,7}	<u>52,252</u>	<u>(9,212)</u>	<u>(31,708)</u>
Net income/(loss)	<u>83,786</u>	<u>37,371</u>	<u>(25,114)</u>
Less: Net income/(loss) from continuing operations attributable to the noncontrolling interest shareholders:			
Less: Net income/(loss) from discontinued operations attributable to the noncontrolling interest shareholders:	<u>(1)</u>	<u>2</u>	<u>15,856</u>
Net income/(loss) from continuing operations attributable to Sohu.com Limited	<u>31,535</u>	<u>46,581</u>	<u>(9,262)</u>
Net income/(loss) from discontinued operations attributable to Sohu.com Limited	<u>17,661</u>	<u>(3,093)</u>	<u>(10,844)</u>
Net income/(loss) attributable to Sohu.com Limited	<u>49,196</u>	<u>43,488</u>	<u>(20,106)</u>
Basic net income/(loss) from continuing operations per share/ADS attributable to Sohu.com Limited ⁸	<u>\$ 0.80</u>	<u>\$ 1.18</u>	<u>\$ (0.24)</u>
Basic net income/(loss) from discontinued operations per share/ADS attributable to Sohu.com Limited	<u>\$ 0.45</u>	<u>\$ (0.08)</u>	<u>\$ (0.28)</u>
Basic net income/(loss) per share/ADS attributable to Sohu.com Limited	<u>\$ 1.25</u>	<u>\$ 1.10</u>	<u>\$ (0.51)</u>
Shares/ADSs used in computing basic net income/(loss) per share/ADS attributable to Sohu.com Limited	<u>39,509</u>	<u>39,508</u>	<u>39,270</u>
Diluted net income/(loss) from continuing operations per share/ADS attributable to Sohu.com Limited	<u>\$ 0.80</u>	<u>\$ 1.18</u>	<u>\$ (0.24)</u>
Diluted net income/(loss) from discontinued operations per share/ADS attributable to Sohu.com Limited	<u>\$ 0.44</u>	<u>\$ (0.08)</u>	<u>\$ (0.28)</u>
Diluted net income/(loss) per share/ADS attributable to Sohu.com Limited	<u>\$ 1.24</u>	<u>\$ 1.10</u>	<u>\$ (0.52)</u>
Shares/ADSs used in computing diluted net income/(loss) per share/ADS attributable to Sohu.com Limited	<u>39,509</u>	<u>39,508</u>	<u>39,270</u>

⁶ On September 29, 2020, the Company entered into a Share Purchase Agreement with Tencent's subsidiary TitanSupernova Limited ("Parent"), pursuant to which the Company's wholly-owned subsidiary Sohu.com (Search) Limited agreed to sell all of the Sogou Class A ordinary shares and Sogou Class B ordinary shares owned by it to Parent at a purchase price of \$9.00 per share. In view of the Share Purchase Agreement, the results of operations for Sogou have been excluded from the Company's results from continuing operations in the condensed consolidated statements of operations for the third quarter and are presented in separate line items as discontinued operations. Retrospective adjustments to the historical statements have been made in order to provide a consistent basis of comparison. Unless indicated otherwise, results presented are related to continuing operations only.

⁷ For the first quarter of 2021, the net income from discontinued operations included a \$77 million unrealized gain from a change in the fair value of Sogou's equity investment in Zhihu Inc. (NYSE: ZH), which completed an IPO in March 2021.

⁸ Each share represents one ADS.

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, 2021			Three Months Ended Dec. 31, 2020			Three Months Ended Mar. 31, 2020		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 6,209	\$ 19 (a)	\$ 6,228	\$ 12,974	\$ (59) (a)	\$ 12,915	\$ 102	\$ (40) (a)	\$ 62
Brand advertising gross margin	<u>20%</u>	<u>20%</u>	<u>20%</u>	<u>31%</u>	<u>31%</u>	<u>31%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Online games gross profit	\$ 157,935	\$ 77 (a)	\$ 158,012	\$ 176,909	\$ 79 (a)	\$ 176,988	\$ 104,971	\$ 161 (a)	\$ 105,132
Online games gross margin	<u>89%</u>	<u>90%</u>	<u>90%</u>	<u>90%</u>	<u>90%</u>	<u>90%</u>	<u>79%</u>	<u>79%</u>	<u>79%</u>
Others gross profit	\$ 11,073	\$ - (a)	\$ 11,073	\$ 10,276	\$ - (a)	\$ 10,276	\$ 16,021	\$ - (a)	\$ 16,021
Others gross margin	<u>75%</u>	<u>75%</u>	<u>75%</u>	<u>67%</u>	<u>67%</u>	<u>67%</u>	<u>81%</u>	<u>81%</u>	<u>81%</u>
Gross profit	\$ 175,217	\$ 96 (a)	\$ 175,313	\$ 200,159	\$ 20 (a)	\$ 200,179	\$ 121,094	\$ 121 (a)	\$ 121,215
Gross margin	<u>79%</u>	<u>79%</u>	<u>79%</u>	<u>79%</u>	<u>79%</u>	<u>79%</u>	<u>68%</u>	<u>68%</u>	<u>68%</u>
Operating expenses	\$ 124,434	\$ (2,203) (a)	\$ 122,231	\$ 133,312	\$ (1,330) (a)	\$ 131,982	\$ 105,216	\$ (3,175) (a)	\$ 102,041
Operating profit	\$ 50,783	\$ 2,299 (a)	\$ 53,082	\$ 66,847	\$ 1,350 (a)	\$ 68,197	\$ 15,878	\$ 3,296 (a)	\$ 19,174
Operating margin	<u>23%</u>	<u>24%</u>	<u>24%</u>	<u>26%</u>	<u>27%</u>	<u>27%</u>	<u>9%</u>	<u>11%</u>	<u>11%</u>
Income tax expense	\$ 23,177	\$ (618) (c,d)	\$ 22,559	\$ 21,416	\$ (8) (c,d)	\$ 21,408	\$ 14,562	\$ (2,195) (c,d)	\$ 12,367
Net income before non-controlling interest	\$ 31,534	\$ 5,154	\$ 36,688	\$ 46,583	\$ 6,087	\$ 52,670	\$ 6,594	\$ 4,351	\$ 10,945
Net income/(loss) from continuing operations attributable to Sohu.com Limited for diluted net loss per share/ADS	\$ 31,535	\$ 5,154	\$ 36,689	\$ 46,581	\$ 6,087	\$ 52,668	\$ (9,593)	\$ 1,905	\$ (7,688)
Net income/(loss) from discontinued operations attributable to Sohu.com Limited for diluted net loss per share/ADS ¹⁰	\$ 17,556	\$ 405	\$ 17,961	\$ (3,093)	\$ 425	\$ (2,668)	\$ (10,848)	\$ 162	\$ (10,686)
Net income/(loss) attributable to Sohu.com Limited for diluted net loss per share/ADS	\$ 49,091	\$ 5,559	\$ 54,650	\$ 43,488	\$ 6,512	\$ 50,000	\$ (20,441)	\$ 2,067	\$ (18,374)
Diluted net income/(loss) from continuing operations per share/ADS attributable to Sohu.com Limited	\$ 0.80	\$ 0.93	\$ 1.18	\$ 1.33	\$ (0.24)	\$ (0.20)	\$ (0.24)	\$ (0.20)	\$ (0.20)
Diluted net income/(loss) from discontinued operations per share/ADS attributable to Sohu.com Limited	\$ 0.44	\$ 0.45	\$ (0.08)	\$ (0.06)	\$ (0.28)	\$ (0.27)	\$ (0.28)	\$ (0.27)	\$ (0.27)
Diluted net income/(loss) per share/ADS attributable to Sohu.com Limited	\$ 1.24	\$ 1.38	\$ 1.10	\$ 1.27	\$ (0.52)	\$ (0.47)	\$ (0.52)	\$ (0.47)	\$ (0.47)
Shares/ADSs used in computing diluted net income/(loss) per share/ADS attributable to Sohu.com Limited	<u>39,509</u>	<u>39,509</u>	<u>39,508</u>	<u>39,508</u>	<u>39,508</u>	<u>39,508</u>	<u>39,270</u>	<u>39,270</u>	<u>39,270</u>

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 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.

¹⁰ On September 29, 2020, the Company entered into a Share Purchase Agreement with Tencent's subsidiary TitanSupernova Limited ("Parent"), pursuant to which the Company's wholly-owned subsidiary Sohu.com (Search) Limited has agreed to sell all of the Sogou Class A ordinary share and Sogou Class B ordinary shares owned by it to Parent at a purchase price of \$9.00 per share. In view of the Share Purchase Agreement, the results of operations for Sogou have been excluded from the Company's results from continuing operations in the condensed consolidated statements of operations for the third quarter and are presented in separate line items as discontinued operations. Retrospective adjustments to the historical statements have been made in order to provide a consistent basis of comparison. Unless indicated otherwise, results presented are related to continuing operations only.