

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

	<b>Three Months Ended</b>		
	<b>Mar. 31, 2017</b>	<b>Dec. 31, 2016</b>	<b>Mar. 31, 2016</b>
<b>Revenues:</b>			
Online advertising			
Brand advertising	\$ 81,412	\$ 98,695	\$ 125,503
Search and search-related	142,035	152,500	133,814
Subtotal	<u>223,447</u>	<u>251,195</u>	<u>259,317</u>
Online games	85,325	95,400	102,529
Others	<u>65,331</u>	<u>65,164</u>	<u>46,106</u>
Total revenues	<u>374,103</u>	<u>411,759</u>	<u>407,952</u>
<b>Cost of revenues:</b>			
Online advertising			
Brand advertising (includes stock-based compensation expense of \$159, \$-91, \$62, respectively)	80,197	89,658	85,636
Search and search-related (includes stock-based compensation expense of \$3, \$168, \$0, respectively)	82,107	79,611	62,092
Subtotal	<u>162,304</u>	<u>169,269</u>	<u>147,728</u>
Online games (includes stock-based compensation expense of \$24, \$-5, \$-7, respectively)	16,505	20,936	26,133
Others	<u>40,070</u>	<u>41,606</u>	<u>18,986</u>
Total cost of revenues	<u>218,879</u>	<u>231,811</u>	<u>192,847</u>
Gross profit	155,224	179,948	215,105
<b>Operating expenses:</b>			
Product development (includes stock-based compensation expense of \$2,327, \$3,383, \$-3, respectively)	84,098	91,499	82,679
Sales and marketing (includes stock-based compensation expense of \$665, \$1,467, \$14, respectively)	90,086	116,183	90,047
General and administrative (includes stock-based compensation expense of \$4,051, \$-1,949, \$367, respectively)	28,350	23,914	27,607
Total operating expenses	<u>202,534</u>	<u>231,596</u>	<u>200,333</u>
Operating (loss) /profit	(47,310)	(51,648)	14,772
Other income	4,099	6,258	3,924
Interest income	4,471	5,051	5,837
Interest expense	(175)	(205)	(698)
Exchange difference	<u>(766)</u>	<u>9,257</u>	<u>(1,022)</u>
(Loss) /income before income tax expense	(39,681)	(31,287)	22,813
Income tax expense	<u>10,672</u>	<u>5,800</u>	<u>11,868</u>
Net (loss) /income	<u>(50,353)</u>	<u>(37,087)</u>	<u>10,945</u>
Less: Net income attributable to the noncontrolling interest shareholders	<u>17,895</u>	<u>28,810</u>	<u>31,231</u>
Net loss attributable to Sohu.com Inc.	<u>(68,248)</u>	<u>(65,897)</u>	<u>(20,286)</u>
Basic net loss per share attributable to Sohu.com Inc.	\$ <u>(1.76)</u>	\$ <u>(1.70)</u>	\$ <u>(0.52)</u>
Shares used in computing basic net loss per share attributable to Sohu.com Inc.	<u>38,811</u>	<u>38,739</u>	<u>38,666</u>
Diluted net loss per share attributable to Sohu.com Inc.	\$ <u>(1.77)</u>	\$ <u>(1.71)</u>	\$ <u>(0.53)</u>
Shares used in computing diluted net loss per share attributable to Sohu.com Inc.	<u>38,811</u>	<u>38,739</u>	<u>38,666</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 Mar. 31, 2017			Three Months Ended Dec. 31, 2016			Three Months Ended Mar. 31, 2016		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 1,215	\$ 159	\$ 1,374	\$ 9,037	\$ (91)	\$ 8,946	\$ 39,867	\$ 62	\$ 39,929
Brand advertising gross margin	1%		2%	9%		9%	32%		32%
Search and search-related gross profit	\$ 59,928	\$ 3	\$ 59,931	\$ 72,889	\$ 168	\$ 73,057	\$ 71,722	\$ -	\$ 71,722
Search and search-related gross margin	42%		42%	48%		48%	54%		54%
Online advertising gross profit	\$ 61,143	\$ 162	\$ 61,305	\$ 81,926	\$ 77	\$ 82,003	\$ 111,589	\$ 62	\$ 111,651
Online advertising gross margin	27%		27%	33%		33%	43%		43%
Online games gross profit	\$ 68,820	\$ 24	\$ 68,844	\$ 74,464	\$ (5)	\$ 74,459	\$ 76,396	\$ (7)	\$ 76,389
Online games gross margin	81%		81%	78%		78%	75%		75%
Others gross profit	\$ 25,261	\$ -	\$ 25,261	\$ 23,558	\$ -	\$ 23,558	\$ 27,120	\$ -	\$ 27,120
Others gross margin	39%		39%	36%		36%	59%		59%
Gross profit	\$ 155,224	\$ 186	\$ 155,410	\$ 179,948	\$ 72	\$ 180,020	\$ 215,105	\$ 55	\$ 215,160
Gross margin	41%		42%	44%		44%	53%		53%
Operating expenses	\$ 202,534	\$ (7,043)	\$ 195,491	\$ 231,596	\$ (2,901)	\$ 228,695	\$ 200,333	\$ (378)	\$ 199,555
Operating (loss) /profit	\$ (47,310)	\$ 7,229	\$ (40,081)	\$ (51,648)	\$ 2,973	\$ (48,675)	\$ 14,772	\$ 433	\$ 15,205
Operating margin	-13%		-11%	-13%		-12%	4%		4%
Income tax expense	\$ 10,672	\$ -	\$ 10,672	\$ 5,800	\$ -	\$ 5,800	\$ 11,868	\$ -	\$ 11,868
		7,229	(a)		2,973	(a)		448	(a)

Net (loss)/income before non-controlling interest	\$ <u>(50,353)</u>	\$ <u>7,229</u>	\$ <u>(43,124)</u>	\$ <u>(37,087)</u>	\$ <u>2,973</u>	\$ <u>(34,114)</u>	\$ <u>10,945</u>	\$ <u>448</u>	\$ <u>11,393</u>
		7,229 (a)		2,973 (a)			448 (a)		
		<u>(6,302)</u> (b)		<u>(6,051)</u> (b)			<u>(1,403)</u> (b)		
Net loss attributable to Sohu.com Inc. for <b>diluted</b> net loss per share	\$ <u>(68,664)</u>	\$ <u>927</u>	\$ <u>(67,737)</u>	\$ <u>(66,411)</u>	\$ <u>(3,078)</u>	\$ <u>(69,489)</u>	\$ <u>(20,576)</u>	\$ <u>(955)</u>	\$ <u>(21,531)</u>
<b>Diluted</b> net loss per share attributable to Sohu.com Inc.	\$ <u>(1.77)</u>		\$ <u>(1.75)</u>	\$ <u>(1.71)</u>		\$ <u>(1.79)</u>	\$ <u>(0.53)</u>		\$ <u>(0.56)</u>
Shares used in computing <b>diluted</b> net loss per share attributable to Sohu.com Inc.	<u>38,811</u>		<u>38,811</u>	<u>38,739</u>		<u>38,739</u>	<u>38,666</u>		<u>38,666</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.