

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

	Three Months Ended		
	Sep. 30, 2013	Jun. 30, 2013	Sep. 30, 2012
Revenues:			
Online advertising			
Brand advertising	\$ 124,780	\$ 100,191	\$ 77,874
Search and others	52,305	46,171	35,284
Subtotal	<u>177,085</u>	<u>146,362</u>	<u>113,158</u>
Online games	161,494	168,295	150,263
Mobile	14,524	15,313	14,312
Others	15,220	8,934	7,645
Total revenues	<u>368,323</u>	<u>338,904</u>	<u>285,378</u>
Cost of revenues:			
Online advertising			
Brand advertising (includes stock-based compensation expense of \$66, \$67 and \$150, respectively)	63,780	51,556	37,476
Search and others (includes stock-based compensation expense of \$24, \$3 and \$21, respectively)	26,785	24,498	19,736
Subtotal	<u>90,565</u>	<u>76,054</u>	<u>57,212</u>
Online games (includes stock-based compensation expense of \$38, \$28 and \$61, respectively)	21,750	22,981	20,753
Mobile (includes stock-based compensation expense of \$0, \$0, and \$0, respectively)	8,108	8,963	9,474
Others (includes stock-based compensation expense of \$0, \$0 and \$0, respectively)	5,067	5,647	9,310
Total cost of revenues	<u>125,490</u>	<u>113,645</u>	<u>96,749</u>
Gross profit	242,833	225,259	188,629
Operating expenses:			
Product development (includes stock-based compensation expense of \$912, \$408 and \$1,316, respectively)	70,551	63,361	46,994
Sales and marketing (includes stock-based compensation expense of \$359, \$201 and \$582, respectively)	90,728	71,678	58,250
General and administrative (includes stock-based compensation expense of \$1,799, \$532 and \$1,713, respectively)	29,365	25,772	19,666
Total operating expenses	<u>190,644</u>	<u>160,811</u>	<u>124,910</u>
Operating profit	52,189	64,448	63,719
Other income/(expense)	1,533	1,532	(111)
Interest income	7,595	5,498	5,974
Exchange difference	(1,305)	(1,984)	667
Income before income tax expense	<u>60,012</u>	<u>69,494</u>	<u>70,249</u>
Income tax expense	18,923	16,251	18,727
Net Income	<u>41,089</u>	<u>53,243</u>	<u>51,522</u>
Less: Net income attributable to the mezzanine classified noncontrolling interest shareholders	-	7,112	4,495
Net income attributable to the noncontrolling interest shareholders	22,855	24,505	21,146
Dividend to non-controlling Sogou series A preferred shareholders (a)	<u>82,423</u>	<u>-</u>	<u>-</u>
Net income (loss) attributable to Sohu.com Inc.	<u>(64,189)</u>	<u>21,626</u>	<u>25,881</u>
Basic net income (loss) per share attributable to Sohu.com Inc.	<u>\$ (1.68)</u>	<u>\$ 0.57</u>	<u>\$ 0.68</u>
Shares used in computing basic net income per share attributable to Sohu.com Inc.	<u>38,288</u>	<u>38,259</u>	<u>38,022</u>
Diluted net income (loss) per share attributable to Sohu.com Inc.	<u>\$ (1.69)</u>	<u>\$ 0.56</u>	<u>\$ 0.63</u>
Shares used in computing diluted net income (loss) per share attributable to Sohu.com Inc.	<u>38,522</u>	<u>38,492</u>	<u>38,344</u>

Note:

(a) On September 17, 2013, Sogou paid a special dividend to the three holders of Series A Preferred Shares of Sogou in an aggregate amount of \$301 million, of which Sohu received \$161 million, Photon received \$43 million, and China Web received \$97 million. The portion of the special dividend paid to noncontrolling Sogou series A Preferred Shareholders (Photon and China Web) proportionately contributed by Sohu (as the controlling shareholder of Sogou), consisting of \$82.4 million out of the US\$140 million paid to Photon and China Web, was charged to Retained Earnings, and subtracted from the Net income attributable to Sohu.com Inc. in the calculation of EPS, causing GAAP fully diluted EPS to decrease by US\$2.14.

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 Sep. 30, 2013			Three Months Ended Jun. 30, 2013			Three Months Ended Sep. 30, 2012		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 61,000	\$ 66 (a)	\$ 61,066	\$ 48,635	\$ 67 (a)	\$ 48,702	\$ 40,398	\$ 150 (a)	\$ 40,548
Brand advertising gross margin	49%		49%	49%		49%	52%		52%
Search and others gross profit	\$ 25,520	\$ 24 (a)	\$ 25,544	\$ 21,673	\$ 3 (a)	\$ 21,676	\$ 15,548	\$ 21 (a)	\$ 15,569
Search and others gross margin	49%		49%	47%		47%	44%		44%
Online advertising gross profit	\$ 86,520	\$ 90 (a)	\$ 86,610	\$ 70,308	\$ 70 (a)	\$ 70,378	\$ 55,946	\$ 171 (a)	\$ 56,117
Online advertising gross margin	49%		49%	48%		48%	49%		50%
Online games gross profit (f)	\$ 139,744	\$ 38 (a)	\$ 139,782	\$ 145,314	\$ 28 (a)	\$ 145,342	\$ 129,510	\$ 61 (a)	\$ 129,571
Online games gross margin	87%		87%	86%		86%	86%		86%
Mobile gross profit	\$ 6,416	\$ -	\$ 6,416	\$ 6,350	\$ -	\$ 6,350	\$ 4,838	\$ -	\$ 4,838
Mobile gross margin	44%		44%	41%		41%	34%		34%
Others gross profit (f)	\$ 10,153	\$ -	\$ 10,153	\$ 3,287	\$ -	\$ 3,287	\$ (1,665)	\$ -	\$ (1,665)
Others gross margin	67%		67%	37%		37%	-22%		-22%
Gross profit	\$ 242,833	\$ 128 (a)	\$ 242,961	\$ 225,259	\$ 98 (a)	\$ 225,357	\$ 188,629	\$ 232 (a)	\$ 188,861
Gross margin	66%		66%	66%		66%	66%		66%
Operating profit	\$ 52,189	\$ 3,198 (a)	\$ 55,387	\$ 64,448	\$ 1,239 (a)	\$ 65,687	\$ 63,719	\$ 3,843 (a)	\$ 67,562
Operating margin	14%		15%	19%		19%	22%		24%
Net income before Non-Controlling Interest	\$ 41,089	\$ 3,198 (a)	\$ 44,287	\$ 53,243	\$ 1,239 (a)	\$ 54,482	\$ 51,522	\$ 7,011 (a)	\$ 58,533

			2,440 (a)						3,043 (a)									
			<u>82,423</u> (d)			<u>998</u> (a)			<u>1,471</u> (c)									
Net income (loss) attributable to Sohu.com Inc. for diluted net income (loss) per share (e)	\$	<u>(65,021)</u>	\$	<u>84,864</u>	\$	<u>19,843</u>	\$	<u>21,503</u>	\$	<u>998</u>	\$	<u>22,501</u>	\$	<u>24,015</u>	\$	<u>5,487</u>	\$	<u>29,502</u>
Diluted net income (loss) per share attributable to Sohu.com Inc.	\$	<u>(1.69)</u>	\$	<u>0.51</u>	\$	<u>0.56</u>	\$	<u>0.58</u>	\$	<u>0.63</u>	\$	<u>0.77</u>						
Shares used in computing diluted net income (loss) per share attributable to Sohu.com Inc.		<u>38,522</u>		<u>38,559</u>		<u>38,492</u>		<u>38,540</u>		<u>38,344</u>		<u>38,480</u>						

Note:

- (a) To eliminate the impact of share-based awards as measured using the fair value method.
- (b) To adjust non-cash tax benefits from excess tax deductions related to share-based awards.
- (c) To adjust income/expense from the adjustment of contingent consideration previously recorded for acquisitions.
- (d) Deemed dividend to noncontrolling Sogou series A preferred shareholders.
- (e) To adjust Sohu's economic interest in Changyou and Sogou under the treasury stock method and if-converted method, respectively.
- (f) The classification of certain comparative figures of revenues and cost of revenues for online games and others has been changed to conform to the current period presentation.