

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

	Three Months Ended		
	Jun. 30, 2019	Mar. 31, 2019	Jun. 30, 2018
Revenues:			
Online advertising			
Brand advertising	\$ 43,944	\$ 42,981	\$ 61,511
Search and search-related advertising	275,942	234,130	270,359
Subtotal	<u>319,886</u>	<u>277,111</u>	<u>331,870</u>
Online games	102,147	99,054	94,250
Others	52,725	55,215	59,894
Total revenues	<u>474,758</u>	<u>431,380</u>	<u>486,014</u>
Cost of revenues:			
Online advertising			
Brand advertising (includes stock-based compensation expense of \$-22, \$38, and \$-2, respectively)	31,419	34,305	47,319
Search and search-related (includes stock-based compensation expense of \$127, \$27, and \$263 respectively)	182,593	178,824	168,126
Subtotal	<u>214,012</u>	<u>213,129</u>	<u>215,445</u>
Online games (includes stock-based compensation expense of \$-17, \$0, and \$-23, respectively)	18,163	14,362	14,461
Others	38,309	32,734	44,346
Total cost of revenues	<u>270,484</u>	<u>260,225</u>	<u>274,252</u>
Gross profit	204,274	171,155	211,762
Operating expenses:			
Product development (includes stock-based compensation expense of \$3,587, \$1,019, and \$2,136, respectively)	109,048	100,434	113,843
Sales and marketing (includes stock-based compensation expense of \$1,355, \$120, and \$77, respectively)	93,679	85,454	102,138
General and administrative (includes stock-based compensation expense of \$-572, \$911, and \$-1,260, respectively)	39,666	23,833	27,982
Goodwill impairment and impairment of intangibles via acquisitions of businesses	-	7,245	-
Total operating expenses	<u>242,393</u>	<u>216,966</u>	<u>243,963</u>
Operating loss	(38,119)	(45,811)	(32,201)
Other income	5,693	14,215	9,991
Interest income	3,290	3,795	5,156
Interest expense	(3,737)	(5,501)	(3,004)
Exchange difference	3,552	(2,662)	10,774 <sup>1</sup>
Loss before income tax expense	(29,321)	(35,964)	(9,284)
Income tax expense	4,054	11,208	5,891
Net loss	<u>(33,375)</u>	<u>(47,172)</u>	<u>(15,175)</u>
Less: Net income attributable to the noncontrolling interest shareholders	19,518	9,257	32,463
Net loss attributable to Sohu.com Limited	<u>(52,893)</u>	<u>(56,429)</u>	<u>(47,638)</u>
Basic net loss per ADS attributable to Sohu.com Limited	\$ (1.35)	\$ (1.44)	\$ (1.22)
ADS used in computing basic net loss per ADS attributable to Sohu.com Limited	<u>39,244</u>	<u>39,236</u>	<u>38,927</u>
Diluted net loss per ADS attributable to Sohu.com Limited	\$ (1.35)	\$ (1.44)	\$ (1.23)
ADS used in computing diluted net loss per ADS attributable to Sohu.com Limited	<u>39,244</u>	<u>39,236</u>	<u>38,927</u>

<sup>1</sup> The exchange gain in the second quarter of 2018 primarily resulted from depreciation of the RMB against the USD.

SOHU.COM LIMITED

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

(UNAUDITED, IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Three Months Ended Jun. 30, 2019			Three Months Ended Mar. 31, 2019			Three Months Ended Jun. 30, 2018		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 12,525	\$ (22)	(a) \$ 12,503	\$ 8,676	\$ 38	(a) \$ 8,714	\$ 14,192	\$ (2)	(a) \$ 14,190
Brand advertising gross margin	29%		28%	20%		20%	23%		23%
Search and search-related advertising gross profit	\$ 93,349	\$ 127	(a) \$ 93,476	\$ 55,306	\$ 27	(a) \$ 55,333	\$ 102,233	\$ 263	(a) \$ 102,496
Search and search-related advertising gross margin	34%		34%	24%		24%	38%		38%
Online advertising gross profit	\$ 105,874	\$ 105	(a) \$ 105,979	\$ 63,982	\$ 65	(a) \$ 64,047	\$ 116,425	\$ 261	(a) \$ 116,686
Online advertising gross margin	33%		33%	23%		23%	35%		35%
Online games gross profit	\$ 83,984	\$ (17)	(a) \$ 83,967	\$ 84,692	\$ -	(a) \$ 84,692	\$ 79,789	\$ (23)	(a) \$ 79,766
Online games gross margin	82%		82%	86%		86%	85%		85%
Others gross profit	\$ 14,416	\$ -	(a) \$ 14,416	\$ 22,481	\$ -	(a) \$ 22,481	\$ 15,548	\$ -	(a) \$ 15,548
Others gross margin	27%		27%	41%		41%	26%		26%
Gross profit	\$ 204,274	\$ 88	(a) \$ 204,362	\$ 171,155	\$ 65	(a) \$ 171,220	\$ 211,762	\$ 238	(a) \$ 212,000
Gross margin	43%		43%	40%		40%	44%		44%
Operating expenses	\$ 242,393	\$ (4,370)	(a) \$ 238,023	\$ 216,966	\$ (2,050)	(a) \$ 214,916	\$ 243,963	\$ (953)	(a) \$ 243,010
Operating loss	\$ (38,119)	\$ 4,458	(a) \$ (33,661)	\$ (45,811)	\$ 2,115	(a) \$ (43,696)	\$ (32,201)	\$ 1,191	(a) \$ (31,010)

Operating margin		<u>-8%</u>		<u>-7%</u>	<u>-11%</u>		<u>-10%</u>	<u>-7%</u>		<u>-6%</u>										
Income tax expense	\$	<u>(4,054)</u>	\$	<u>1,566</u>	(c,d)	\$	<u>(2,488)</u>	\$	<u>(11,208)</u>	\$	<u>1,778</u>	(c,d)	\$	<u>(9,430)</u>	\$	<u>(5,891)</u>	\$	<u>165</u>	\$	<u>(5,726)</u>
				4,458	(a)				2,115	(a)									1,191	(a)
				794	(c)				(744)	(c)									(494)	(c)
				1,831	(d)				1,531	(d)									-	
Net loss before non-controlling interest	\$	<u>(33,375)</u>		<u>7,083</u>			<u>(26,292)</u>	\$	<u>(47,172)</u>		<u>2,902</u>		<u>(44,270)</u>	\$	<u>(15,175)</u>	\$	<u>697</u>		<u>(14,478)</u>	
				4,458	(a)				2,115	(a)									1,191	(a)
				(3,733)	(b)				(798)	(b)									(1,976)	(b)
				794	(c)				(744)	(c)									(494)	(c)
				1,831	(d)				1,531	(d)									-	
Net loss attributable to Sohu.com Limited for diluted net loss per ADS	\$	<u>(52,994)</u>		<u>3,350</u>			<u>(49,644)</u>	\$	<u>(56,650)</u>		<u>2,104</u>		<u>(54,546)</u>	\$	<u>(47,965)</u>	\$	<u>(1,279)</u>		<u>(49,244)</u>	
<b>Diluted</b> net loss per ADS attributable to Sohu.com Limited	\$	<u>(1.35)</u>					<u>(1.27)</u>	\$	<u>(1.44)</u>				<u>(1.39)</u>	\$	<u>(1.23)</u>				<u>(1.27)</u>	
Shares used in computing diluted net loss per ADS attributable to Sohu.com Limited		<u>39,244</u>					<u>39,244</u>		<u>39,236</u>				<u>39,236</u>		<u>38,927</u>				<u>38,927</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 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.