

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

| | Three Months Ended | | | Twelve Months Ended | |
|--|--------------------|-----------------|----------------|---------------------|----------------------------|
| | Dec. 31, 2013 | Sep. 30, 2013 | Dec. 31, 2012 | Dec. 31, 2013 | Dec. 31, 2012 (Revised) |
| Revenues: | | | | | |
| Online advertising | | | | | |
| Brand advertising | \$ 123,318 | \$ 124,780 | \$ 82,051 | \$ 428,526 | \$ 290,205 |
| Search and others | 64,387 | 52,305 | 38,705 | 198,915 | 124,389 |
| Subtotal | <u>187,705</u> | <u>177,085</u> | <u>120,756</u> | <u>627,441</u> | <u>414,594</u> |
| Online games | 171,958 | 161,494 | 158,159 | 669,168 | 570,346 |
| Mobile | 9,937 | 14,524 | 12,632 | 53,547 | 55,893 |
| Others | 15,851 | 15,220 | 7,945 | 50,118 | 26,368 |
| Total revenues | <u>385,451</u> | <u>368,323</u> | <u>299,492</u> | <u>1,400,274</u> | <u>1,067,201</u> |
| Cost of revenues: | | | | | |
| Online advertising | | | | | |
| Brand advertising (includes stock-based compensation expense of \$235, \$66, \$155, \$455 and \$324, respectively) | 61,445 | 63,780 | 35,864 | 221,659 | 161,195 |
| Search and others (includes stock-based compensation expense of \$20, \$24, \$23, \$49 and \$87, respectively) | 37,064 | 26,785 | 21,572 | 109,139 | 70,628 |
| Subtotal | <u>98,509</u> | <u>90,565</u> | <u>57,436</u> | <u>330,798</u> | <u>231,823</u> |
| Online games (includes stock-based compensation expense of \$24, \$38, \$44, \$71 and \$237, respectively) | 25,926 | 21,750 | 21,875 | 93,307 | 76,350 |
| Mobile (includes stock-based compensation expense of \$0, \$0, \$0, \$0 and \$0, respectively) | 6,312 | 8,108 | 8,358 | 32,654 | 36,893 |
| Others (includes stock-based compensation expense of \$0, \$0, \$0, \$0 and \$0, respectively) | 6,639 | 5,067 | 5,874 | 23,291 | 24,592 |
| Total cost of revenues | <u>137,386</u> | <u>125,490</u> | <u>93,543</u> | <u>480,050</u> | <u>369,658</u> |
| Gross profit | 248,065 | 242,833 | 205,949 | 920,224 | 697,543 |
| Operating expenses: | | | | | |
| Product development (includes stock-based compensation expense of \$2,967, \$912, \$1,191, \$4,637 and \$5,210, respectively) | 90,389 | 70,551 | 52,432 | 276,120 | 181,359 |
| Sales and marketing (includes stock-based compensation expense of \$339, \$359, \$536, \$1,071 and \$2,149, respectively) | 130,524 | 90,728 | 68,833 | 351,653 | 214,736 |
| General and administrative (includes stock-based compensation expense of \$1,321, \$1,799, \$1,815, \$4,146 and \$5,959, respectively) | 31,244 | 29,365 | 20,275 | 108,970 | 75,243 |
| Goodwill impairment and impairment of acquired intangibles via acquisition of businesses | - | - | - | - | 2,906 |
| Total operating expenses | <u>252,157</u> | <u>190,644</u> | <u>141,540</u> | <u>736,743</u> | <u>474,244</u> |
| Operating profit | (4,092) | 52,189 | 64,409 | 183,481 | 223,299 |
| Other income | 7,125 | 1,533 | 2,102 | 12,721 | 5,422 |
| Interest income | 8,035 | 7,595 | 5,585 | 27,829 | 25,277 |
| Exchange difference | (1,386) | (1,305) | (704) | (6,660) | (635) |
| Income before income tax expenses | 9,682 | 60,012 | 71,392 | 217,371 | 253,363 |
| Income tax expense/ (benefit) | (4,770) | 18,923 | 20,290 | 50,422 | 76,171 |
| Net Income | <u>14,452</u> | <u>41,089</u> | <u>51,102</u> | <u>166,949</u> | <u>177,192</u> |
| Less: Net income attributable to the mezzanine classified noncontrolling interest shareholders | - | - | 4,495 | 17,780 | 11,196 |
| Net income attributable to the noncontrolling interest shareholders | 11,618 | 22,855 | 21,219 | 82,044 | 78,837 |
| Dividend or deemed dividend to non-controlling Sogou series A preferred shareholders | - | 82,423 | - | 82,423 | 14,219 |
| Net income (loss) attributable to Sohu.com Inc. | <u>2,834</u> | <u>(64,189)</u> | <u>25,388</u> | <u>(15,298)</u> | <u>72,940</u> |
| Basic net income (loss) per share attributable to Sohu.com Inc. | \$ 0.07 | \$ (1.68) | \$ 0.67 | \$ (0.40) | \$ 1.92 |
| Shares used in computing basic net income (loss) per share attributable to Sohu.com Inc. | <u>38,301</u> | <u>38,288</u> | <u>38,046</u> | <u>38,255</u> | <u>38,038</u> |
| Diluted net income (loss) per share attributable to Sohu.com Inc. | \$ 0.06 | \$ (1.69) | \$ 0.60 | \$ (0.47) | \$ 1.66 |
| Shares used in computing diluted net income (loss) per share attributable to Sohu.com Inc. | <u>38,564</u> | <u>38,522</u> | <u>38,393</u> | <u>38,502</u> | <u>38,392</u> |

Note:
(a) The classification of certain comparative figures of online advertising expenses has been changed to conform to the current period presentation.

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 Dec. 31, 2013 | | | Three Months Ended Sep. 30, 2013 | | | Three Months Ended Dec. 31, 2012 | | |
|--|----------------------------------|----------------------|------------|----------------------------------|----------------------|------------|----------------------------------|---------------------------|------------|
| | GAAP | Non-GAAP Adjustments | Non-GAAP | GAAP | Non-GAAP Adjustments | Non-GAAP | GAAP | Non-GAAP Adjustments | Non-GAAP |
| Brand advertising gross profit | \$ 61,873 | \$ 235 (a) | \$ 62,108 | \$ 61,000 | \$ 66 (a) | \$ 61,066 | \$ 46,187 | \$ 155 (a) | \$ 46,342 |
| Brand advertising gross margin | 50% | | 50% | 49% | | 49% | 56% | | 56% |
| Search and others gross profit | \$ 27,323 | \$ 20 (a) | \$ 27,343 | \$ 25,520 | \$ 24 (a) | \$ 25,544 | \$ 17,133 | \$ 23 (a) | \$ 17,156 |
| Search and others gross margin | 42% | | 42% | 49% | | 49% | 44% | | 44% |
| Online advertising gross profit | \$ 89,196 | \$ 255 (a) | \$ 89,451 | \$ 86,520 | \$ 90 (a) | \$ 86,610 | \$ 63,320 | \$ 178 (a) | \$ 63,498 |
| Online advertising gross margin | 48% | | 48% | 49% | | 49% | 52% | | 53% |
| Online games gross profit (d) | \$ 146,032 | \$ 24 (a) | \$ 146,056 | \$ 139,744 | \$ 38 (a) | \$ 139,782 | \$ 136,284 | \$ 44 (a) | \$ 136,328 |
| Online games gross margin | 85% | | 85% | 87% | | 87% | 86% | | 86% |
| Mobile gross profit | \$ 3,625 | \$ - | \$ 3,625 | \$ 6,416 | \$ - | \$ 6,416 | \$ 4,274 | \$ - | \$ 4,274 |
| Mobile gross margin | 36% | | 36% | 44% | | 44% | 34% | | 34% |
| Others gross profit (d) | \$ 9,212 | \$ - | \$ 9,212 | \$ 10,153 | \$ - | \$ 10,153 | \$ 2,071 | \$ - | \$ 2,071 |
| Others gross margin | 58% | | 58% | 67% | | 67% | 26% | | 26% |
| Gross profit | \$ 248,065 | \$ 279 (a) | \$ 248,344 | \$ 242,833 | \$ 128 (a) | \$ 242,961 | \$ 205,949 | \$ 222 (a) | \$ 206,171 |
| Gross margin | 64% | | 64% | 66% | | 66% | 69% | | 69% |
| Operating profit | \$ (4,092) | \$ 4,906 (a) | \$ 814 | \$ 52,189 | \$ 3,198 (a) | \$ 55,387 | \$ 64,409 | \$ 3,764 (a) | \$ 68,173 |
| Operating margin | -1% | | 0% | 14% | | 15% | 22% | | 23% |
| Net income before Non-Controlling Interest | \$ 14,452 | \$ 4,906 (a) | \$ 19,358 | \$ 41,089 | \$ 3,198 (a) | \$ 44,287 | \$ 51,102 | \$ 3,764 (a) 2,099 (b) | \$ 56,965 |

| | | | | | | | | | | | | | | | | | | |
|--|----|---------------|-----|---------------|---------------|---------------|----|-----------------|-----|---------------|----|---------------|----|---------------|----|---------------|----|---------------|
| | | <u>2,299</u> | (a) | | <u>2,440</u> | (a) | | <u>3,061</u> | (a) | | | | | | | | | |
| | | | | | <u>82,424</u> | (c) | | <u>2,099</u> | (b) | | | | | | | | | |
| Net income (loss) attributable to Sohu.com Inc. for diluted net income (loss) per share (e) | \$ | <u>2,268</u> | \$ | <u>2,299</u> | \$ | <u>4,567</u> | \$ | <u>(65,021)</u> | \$ | <u>84,864</u> | \$ | <u>19,843</u> | \$ | <u>23,064</u> | \$ | <u>5,160</u> | \$ | <u>28,224</u> |
| Diluted net income (loss) per share attributable to Sohu.com Inc. | \$ | <u>0.06</u> | \$ | <u>0.12</u> | \$ | <u>(1.69)</u> | \$ | <u>0.51</u> | \$ | <u>0.60</u> | \$ | <u>0.73</u> | \$ | <u>0.73</u> | \$ | <u>0.73</u> | \$ | <u>0.73</u> |
| Shares used in computing diluted net income (loss) per share attributable to Sohu.com Inc. | | <u>38,564</u> | | <u>38,687</u> | | <u>38,522</u> | | <u>38,559</u> | | <u>38,393</u> | | <u>38,480</u> | | <u>38,480</u> | | <u>38,480</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) Dividend to noncontrolling Sogou series A preferred shareholders.
- (d) 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.
- (e) To adjust Sohu's economic interest in Changyou and Sogou under the treasury stock method and if-converted method, respectively.

SOHU.COM INC.
RECONCILIATIONS OF NON-GAAP RESULTS OF OPERATION MEASURES TO THE NEAREST COMPARABLE GAAP MEASURES
(UNAUDITED, IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

| | Twelve Months Ended Dec. 31, 2013 | | | Twelve Months Ended Dec. 31, 2012 | | |
|---|-----------------------------------|-------------------------|------------|-----------------------------------|-------------------------|------------|
| | GAAP | Non-GAAP Adjustments | Non-GAAP | GAAP | Non-GAAP Adjustments | Non-GAAP |
| Brand advertising gross profit | \$ 206,867 | \$ 455 | \$ 207,322 | \$ 129,010 | \$ 324 | \$ 129,334 |
| Brand advertising gross margin | 48% | | 48% | 44% | | 45% |
| Search and others gross profit | \$ 89,776 | \$ 49 | \$ 89,825 | \$ 53,761 | \$ 87 | \$ 53,848 |
| Search and others gross margin | 45% | | 45% | 43% | | 43% |
| Online advertising gross profit | \$ 296,643 | \$ 504 | \$ 297,147 | \$ 182,771 | \$ 411 | \$ 183,182 |
| Online advertising gross margin | 47% | | 47% | 44% | | 44% |
| Online games gross profit (f) | \$ 575,861 | \$ 71 | \$ 575,932 | \$ 493,996 | \$ 237 | \$ 494,233 |
| Online games gross margin | 86% | | 86% | 87% | | 87% |
| Mobile gross profit | \$ 20,893 | \$ - | \$ 20,893 | \$ 19,000 | \$ - | \$ 19,000 |
| Mobile gross margin | 39% | | 39% | 34% | | 34% |
| Others gross profit (f) | \$ 26,827 | \$ - | \$ 26,827 | \$ 1,776 | \$ - | \$ 1,776 |
| Others gross margin | 54% | | 54% | 7% | | 7% |
| Gross profit | \$ 920,224 | \$ 575 | \$ 920,799 | \$ 697,543 | \$ 648 | \$ 698,191 |
| Gross margin | 66% | | 66% | 65% | | 65% |
| Operating profit | \$ 183,481 | \$ 10,429 | \$ 193,910 | \$ 223,299 | \$ 13,966 | \$ 240,171 |
| Operating margin | 13% | | 14% | 21% | 2,906 | 23% |
| Net income before Non-Controlling Interest | \$ 166,949 | \$ 10,429 | \$ 177,378 | \$ 177,192 | \$ 16,872 | \$ 201,212 |
| Net income (loss) attributable to Sohu.com Inc for diluted net income (loss) per share (g) | \$ (18,262) | \$ 89,102 | \$ 70,840 | \$ 63,858 | \$ 33,895 | \$ 97,753 |
| Diluted net income (loss) per share attributable to Sohu.com Inc. | \$ (0.47) | | \$ 1.84 | \$ 1.66 | | \$ 2.54 |
| Shares used in computing diluted net income (loss) per share attributable to Sohu.com Inc. | 38,502 | | 38,570 | 38,392 | | 38,480 |

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 goodwill impairment, impairment of intangibles via acquisitions of businesses and the related tax impact.
- (d) To adjust income/expense from the adjustment of contingent consideration previously recorded for acquisitions.
- (e) Dividend or deemed dividend to noncontrolling Sogou series A preferred shareholders.
- (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.
- (g) To adjust Sohu's economic interest in Changyou and Sogou under the treasury stock method and if-converted method, respectively.