

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

	Three Months Ended		
	Jun. 30, 2021	Mar. 31, 2021	Jun. 30, 2020
Revenues:			
Brand advertising	\$ 36,840	\$ 30,741	\$ 38,001
Online games	151,272	176,495	105,937
Others	16,290	14,857	16,023
Total revenues	<u>204,402</u>	<u>222,093</u>	<u>159,961</u>
Cost of revenues:			
Brand advertising (includes share-based compensation expense of \$90, \$19, and \$36, respectively)	26,770	24,532	22,790
Online games (includes share-based compensation expense of \$78, \$77, and \$152, respectively)	17,026	18,560	23,959
Others	5,518	3,784	6,348
Total cost of revenues	<u>49,314</u>	<u>46,876</u>	<u>53,097</u>
Gross profit	155,088	175,217	106,864
Operating expenses:			
Product development (includes share-based compensation expense of \$1,228, \$1,051, and \$2,075, respectively)	65,254	69,319	58,325
Sales and marketing (includes share-based compensation expense of \$212, \$59, and \$93, respectively)	45,560	36,988	32,969
General and administrative (includes share-based compensation expense of \$1,658, \$1,093, and \$1,606, respectively)	19,493	18,127	14,302
Total operating expenses	<u>130,307</u>	<u>124,434</u>	<u>105,596</u>
Operating profit	24,781	50,783	1,268
Other income, net	7,509	3,882	10,720
Interest income	4,221	3,861	1,383
Interest expense	(2,488)	(2,511)	(1,431)
Exchange difference	(1,325)	(1,304)	(171)
Income before income tax expense	<u>32,698</u>	<u>54,711</u>	<u>11,769</u>
Income tax expense ⁷	10,847	23,177	86,166
Net income/(loss) from continuing operations	<u>21,851</u>	<u>31,534</u>	<u>(74,397)</u>
Net income/(loss) from discontinued operations, net of tax ^{8,9}	<u>55,882</u>	<u>52,252</u>	<u>(8,692)</u>
Net income/(loss)	<u>77,733</u>	<u>83,786</u>	<u>(83,089)</u>
Less: Net income/(loss) from continuing operation attributable to the noncontrolling interest shareholders	-	(1)	2,640
Less: Net income/(loss) from discontinued operations attributable to the noncontrolling interest shareholders	<u>36,994</u>	<u>34,591</u>	<u>(5,799)</u>
Net income/(loss) from continuing operations attributable to Sohu.com Limited	<u>21,851</u>	<u>31,535</u>	<u>(77,037)</u>
Net income/(loss) from discontinued operations attributable to Sohu.com Limited	<u>18,888</u>	<u>17,661</u>	<u>(2,893)</u>
Net income/(loss) attributable to Sohu.com Limited	<u>40,739</u>	<u>49,196</u>	<u>(79,930)</u>
Basic net income/(loss) from continuing operations per share/ADS attributable to Sohu.com Limitec ¹⁰	<u>\$ 0.55</u>	<u>\$ 0.80</u>	<u>\$ (1.96)</u>
Basic net income/(loss) from discontinued operations per share/ADS attributable to Sohu.com Limitec	<u>\$ 0.48</u>	<u>\$ 0.45</u>	<u>\$ (0.07)</u>
Basic net income/(loss) per share/ADS attributable to Sohu.com Limited	<u>\$ 1.03</u>	<u>\$ 1.25</u>	<u>\$ (2.04)</u>
Shares/ADSs used in computing basic net income/(loss) per share/ADS attributable to Sohu.com Limitec	<u>39,509</u>	<u>39,509</u>	<u>39,271</u>
Diluted net income/(loss) from continuing operations per share/ADS attributable to Sohu.com Limitec	<u>\$ 0.55</u>	<u>\$ 0.80</u>	<u>\$ (1.96)</u>
Diluted net income/(loss) from discontinued operations per share/ADS attributable to Sohu.com Limitec	<u>\$ 0.48</u>	<u>\$ 0.44</u>	<u>\$ (0.07)</u>
Diluted net income/(loss) per share/ADS attributable to Sohu.com Limited	<u>\$ 1.03</u>	<u>\$ 1.24</u>	<u>\$ (2.04)</u>
Shares/ADSs used in computing diluted net income/(loss) per share/ADS attributable to Sohu.com Limitec	<u>39,509</u>	<u>39,509</u>	<u>39,271</u>

⁷ Following completion of the Changyou privatization, Changyou changed its policy for its PRC subsidiaries with respect to distribution of cash dividends. As a result, Changyou recognized an additional accrual of withholding income tax of US\$88 million for the second quarter of 2020.

⁸ 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.

⁹ Net income from discontinued operations included unrealized gains from a change in the fair value of Sogou's equity investment in Zhihu Inc. (NYSE: ZH) in the amount of \$76 million and \$77 million in the 2021 Q2 and 2021 Q1, respectively.

¹⁰ Each ADS represents one ordinary share.

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 Jun. 30, 2021			Three Months Ended Mar. 31, 2021			Three Months Ended Jun. 30, 2020		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 10,070	\$ 90 ^(a)	\$ 10,160	\$ 6,209	\$ 19 ^(a)	\$ 6,228	\$ 15,211	\$ 36 ^(a)	\$ 15,247
Brand advertising gross margin	<u>27%</u>	<u>28%</u>	<u>28%</u>	<u>20%</u>	<u>20%</u>	<u>20%</u>	<u>40%</u>	<u>40%</u>	<u>40%</u>
Online games gross profit	\$ 134,246	\$ 78 ^(a)	\$ 134,324	\$ 157,935	\$ 77 ^(a)	\$ 158,012	\$ 81,978	\$ 152 ^(a)	\$ 82,130
Online games gross margin	<u>89%</u>	<u>89%</u>	<u>89%</u>	<u>89%</u>	<u>90%</u>	<u>90%</u>	<u>77%</u>	<u>78%</u>	<u>78%</u>
Others gross profit	\$ 10,772	\$ - ^(a)	\$ 10,772	\$ 11,073	\$ - ^(a)	\$ 11,073	\$ 9,675	\$ - ^(a)	\$ 9,675
Others gross margin	<u>66%</u>	<u>66%</u>	<u>66%</u>	<u>75%</u>	<u>75%</u>	<u>75%</u>	<u>60%</u>	<u>60%</u>	<u>60%</u>
Gross profit	\$ 155,088	\$ 168 ^(a)	\$ 155,256	\$ 175,217	\$ 96 ^(a)	\$ 175,313	\$ 106,864	\$ 188 ^(a)	\$ 107,052
Gross margin	<u>76%</u>	<u>76%</u>	<u>76%</u>	<u>79%</u>	<u>79%</u>	<u>79%</u>	<u>67%</u>	<u>67%</u>	<u>67%</u>
Operating expenses	\$ 130,307	\$ (3,098) ^(a)	\$ 127,209	\$ 124,434	\$ (2,203) ^(a)	\$ 122,231	\$ 105,596	\$ (3,774) ^(a)	\$ 101,822
Operating profit	\$ 24,781	\$ 3,266 ^(a)	\$ 28,047	\$ 50,783	\$ 2,299 ^(a)	\$ 53,082	\$ 1,268	\$ 3,962 ^(a)	\$ 5,230
Operating margin	<u>12%</u>	<u>14%</u>	<u>14%</u>	<u>23%</u>	<u>24%</u>	<u>24%</u>	<u>1%</u>	<u>3%</u>	<u>3%</u>
Income tax expense ¹²	\$ 10,847	\$ (1,755) ^(c,d)	\$ 9,092	\$ 23,177	\$ (618) ^(c,d)	\$ 22,559	\$ 86,166	\$ (3,140) ^(c,d)	\$ 83,026
Net income/(loss) before non-controlling interest	\$ 21,851	\$ 2,947	\$ 24,798	\$ 31,534	\$ 5,154	\$ 36,688	\$ (74,397)	\$ 2,277	\$ (72,120)
Net income/(loss) from continuing operations attributable to Sohu.com Limited for diluted net loss per share/ADS	\$ 21,851	\$ 2,947	\$ 24,798	\$ 31,535	\$ 5,154	\$ 36,689	\$ (77,092)	\$ 1,856	\$ (75,236)
Net income/(loss) from discontinued operations attributable to Sohu.com Limited for diluted net loss per share/ADS ¹³	\$ 18,776	\$ 493	\$ 19,269	\$ 17,556	\$ 405	\$ 17,961	\$ (2,894)	\$ 997	\$ (1,897)
Net income/(loss) attributable to Sohu.com Limited for diluted net loss per share/ADS	\$ 40,627	\$ 3,440	\$ 44,067	\$ 49,091	\$ 5,559	\$ 54,650	\$ (79,986)	\$ 2,853	\$ (77,133)
Diluted net income/(loss) from continuing operations per share/ADS attributable to Sohu.com Limited	\$ 0.55	\$ 0.63	\$ 0.80	\$ 0.80	\$ 0.93	\$ 0.93	\$ (1.96)	\$ (1.92)	\$ (1.92)
Diluted net income/(loss) from discontinued operations per share/ADS attributable to Sohu.com Limited	\$ 0.48	\$ 0.49	\$ 0.44	\$ 0.44	\$ 0.45	\$ 0.45	\$ (0.07)	\$ (0.05)	\$ (0.05)
Diluted net income/(loss) per share/ADS attributable to Sohu.com	\$ 1.03	\$ 1.12	\$ 1.24	\$ 1.24	\$ 1.38	\$ 1.38	\$ (2.04)	\$ (1.96)	\$ (1.96)
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>39,509</u>	<u>39,509</u>	<u>39,509</u>	<u>39,509</u>	<u>39,271</u>	<u>39,271</u>	<u>39,271</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.
(e) To adjust for an impairment charge recognized for investments unrelated to the Company's core businesses

¹² Following completion of the Changyou privatization, Changyou changed its policy for its PRC subsidiaries with respect to distribution of cash dividends. As a result, Changyou recognized an additional accrual of withholding income tax of US\$88 million for the second quarter of 2020.

¹³ 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.