

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

	Three Months Ended		
	Sep. 30, 2021	Jun. 30, 2021	Sep. 30, 2020
Revenues:			
Brand advertising	\$ 33,748	\$ 36,840	\$ 41,094
Online games	166,750	151,272	101,324
Others	15,592	16,290	15,476
Total revenues	<u>216,090</u>	<u>204,402</u>	<u>157,894</u>
Cost of revenues:			
Brand advertising (includes share-based compensation expense of \$7, \$90, and \$240, respectively)	24,006	26,770	28,459
Online games (includes share-based compensation expense of \$78, \$78, and \$151, respectively)	28,977	17,026	20,024
Others	3,754	5,518	5,075
Total cost of revenues	<u>56,737</u>	<u>49,314</u>	<u>53,558</u>
Gross profit	159,353	155,088	104,336
Operating expenses:			
Product development (includes share-based compensation expense of \$1,188, \$1,228, and \$2,469, respectively)	65,898	65,254	59,532
Sales and marketing (includes share-based compensation expense of \$83, \$212, and \$496, respectively)	45,349	45,560	40,250
General and administrative (includes share-based compensation expense of \$1,368, \$1,658, and \$2,516, respectively)	23,290	19,493	15,176
Total operating expenses	<u>134,537</u>	<u>130,307</u>	<u>114,958</u>
Operating profit/(loss)	24,816	24,781	(10,622)
Other income, net	5,043	7,509	7,859
Interest income	4,200	4,221	1,933
Interest expense	(2,501)	(2,488)	(1,352)
Exchange difference	317	(1,325)	(2,043)
Income/(loss) before income tax expense	<u>31,875</u>	<u>32,698</u>	<u>(4,225)</u>
Income tax expense	19,577	10,847	11,082
Net income/(loss) from continuing operations	<u>12,298</u>	<u>21,851</u>	<u>(15,307)</u>
Net income/(loss) from discontinued operations, net of tax ^{6,7}	<u>756,768</u>	<u>55,882</u>	<u>(42,181)</u>
Net income/(loss)	<u><u>769,066</u></u>	<u><u>77,733</u></u>	<u><u>(57,488)</u></u>
Less: Net loss from continuing operations attributable to the noncontrolling interest shareholders	(1)	-	(50)
Less: Net income/(loss) from discontinued operations attributable to the noncontrolling interest shareholders	<u>(65,134)</u>	<u>36,994</u>	<u>(27,874)</u>
Net income/(loss) from continuing operations attributable to Sohu.com Limited	<u>12,299</u>	<u>21,851</u>	<u>(15,257)</u>
Net income/(loss) from discontinued operations attributable to Sohu.com Limited	<u>821,902</u>	<u>18,888</u>	<u>(14,307)</u>
Net income/(loss) attributable to Sohu.com Limited	<u><u>834,201</u></u>	<u><u>40,739</u></u>	<u><u>(29,564)</u></u>
Basic net income/(loss) from continuing operations per share/ADS attributable to Sohu.com Limited ⁸	<u>0.31</u>	<u>0.55</u>	<u>(0.39)</u>
Basic net income/(loss) from discontinued operations per share/ADS attributable to Sohu.com Limited	<u>20.75</u>	<u>0.48</u>	<u>(0.36)</u>
Basic net income/(loss) per share/ADS attributable to Sohu.com Limited	<u>21.06</u>	<u>1.03</u>	<u>(0.75)</u>
Shares/ADSs used in computing basic net income/(loss) per share/ADS attributable to Sohu.com Limited	<u>39,614</u>	<u>39,509</u>	<u>39,286</u>
Diluted net income/(loss) from continuing operations per share/ADS attributable to Sohu.com Limited	<u>0.31</u>	<u>0.55</u>	<u>(0.39)</u>
Diluted net income/(loss) from discontinued operations per share/ADS attributable to Sohu.com Limited	<u>20.75</u>	<u>0.48</u>	<u>(0.36)</u>
Diluted net income/(loss) per share/ADS attributable to Sohu.com Limited	<u>21.06</u>	<u>1.03</u>	<u>(0.75)</u>
Shares/ADSs used in computing diluted net income/(loss) per share/ADS attributable to Sohu.com Limited	<u>39,614</u>	<u>39,509</u>	<u>39,286</u>

⁶ In view of the completion of the transaction with Tencent related to Sogou, the results of operations for Sogou and the gain from its disposal are presented in separate line items as discontinued operations.

⁷ For the third quarter of 2021, net income from discontinued operations included the disposal gain recognized during the quarter as a result of the completion of the Sohu/Tencent Sogou Share Purchase on September 23, 2021.

⁸ 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 Sep. 30, 2021			Three Months Ended Jun. 30, 2021			Three Months Ended Sep. 30, 2020		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 9,742	\$ 7 ^(a)	\$ 9,749	\$ 10,070	\$ 90 ^(a)	\$ 10,160	\$ 12,635	\$ 240 ^(a)	\$ 12,875
Brand advertising gross margin	<u>29%</u>	<u>7</u>	<u>29%</u>	<u>27%</u>	<u>90</u>	<u>28%</u>	<u>31%</u>	<u>240</u>	<u>31%</u>
Online games gross profit	\$ 137,773	\$ 78 ^(a)	\$ 137,851	\$ 134,246	\$ 78 ^(a)	\$ 134,324	\$ 81,300	\$ 151 ^(a)	\$ 81,451
Online games gross margin	<u>83%</u>	<u>78</u>	<u>83%</u>	<u>89%</u>	<u>78</u>	<u>89%</u>	<u>80%</u>	<u>151</u>	<u>80%</u>
Others gross profit	\$ 11,838	\$ - ^(a)	\$ 11,838	\$ 10,772	\$ - ^(a)	\$ 10,772	\$ 10,401	\$ - ^(a)	\$ 10,401
Others gross margin	<u>76%</u>	<u>-</u>	<u>76%</u>	<u>66%</u>	<u>-</u>	<u>66%</u>	<u>67%</u>	<u>-</u>	<u>67%</u>
Gross profit	\$ 159,353	\$ 85 ^(a)	\$ 159,438	\$ 155,088	\$ 168 ^(a)	\$ 155,256	\$ 104,336	\$ 391 ^(a)	\$ 104,727
Gross margin	<u>74%</u>	<u>85</u>	<u>74%</u>	<u>76%</u>	<u>168</u>	<u>76%</u>	<u>66%</u>	<u>391</u>	<u>66%</u>
Operating expenses	\$ 134,537	\$ (2,639) ^(a)	\$ 131,898	\$ 130,307	\$ (3,098) ^(a)	\$ 127,209	\$ 114,958	\$ (5,481) ^(a)	\$ 109,477
Operating profit/(loss)	\$ 24,816	\$ 2,724 ^(a)	\$ 27,540	\$ 24,781	\$ 3,266 ^(a)	\$ 28,047	\$ (10,622)	\$ 5,872 ^(a)	\$ (4,750)
Operating margin	<u>11%</u>	<u>2,724</u>	<u>13%</u>	<u>12%</u>	<u>3,266</u>	<u>14%</u>	<u>-7%</u>	<u>5,872</u>	<u>-3%</u>
Income tax expense	\$ 19,577	\$ (865) ^(b,c)	\$ 18,712	\$ 10,847	\$ (1,755) ^(b,c)	\$ 9,092	\$ 11,082	\$ (642) ^(b,c)	\$ 10,440
Net income/(loss) before non-controlling interest	\$ 12,298	\$ 5,013 ^(a)	\$ 17,311	\$ 21,851	\$ 2,947 ^(a)	\$ 24,798	\$ (15,307)	\$ 8,630 ^(a)	\$ (6,677)
Net income/(loss) from continuing operations attributable to Sohu.com Limited for diluted net loss per share/ADS ¹¹	\$ 12,299	\$ 5,013 ^(a)	\$ 17,312	\$ 21,851	\$ 2,947 ^(a)	\$ 24,798	\$ (15,257)	\$ 8,630 ^(a)	\$ (6,627)
Net income/(loss) from discontinued operations attributable to Sohu.com Limited for diluted net loss per share/ADS ¹¹	\$ 821,902	\$ 320 ^(a)	\$ 822,222	\$ 18,776	\$ 493 ^(a)	\$ 19,269	\$ (14,307)	\$ 1,462 ^(a)	\$ (12,845)
Net income/(loss) attributable to Sohu.com Limited for diluted net loss per share/ADS	\$ 834,201	\$ 5,333 ^(a)	\$ 839,534	\$ 40,627	\$ 3,440 ^(a)	\$ 44,067	\$ (29,564)	\$ 10,092 ^(a)	\$ (19,472)
Diluted net income/(loss) from continuing operations per share/ADS attributable to Sohu.com Limited	\$ 0.31	\$ 0.44 ^(a)	\$ 0.55	\$ 0.55	\$ 0.63 ^(a)	\$ 0.63	\$ (0.39)	\$ 0.17 ^(a)	\$ (0.17)
Diluted net income/(loss) from discontinued operations per share/ADS attributable to Sohu.com Limited	\$ 20.75	\$ 20.76 ^(a)	\$ 20.76	\$ 0.48	\$ 0.49 ^(a)	\$ 0.49	\$ (0.36)	\$ (0.33) ^(a)	\$ (0.33)
Diluted net income/(loss) per share/ADS attributable to Sohu.com	\$ 21.06	\$ 21.19 ^(a)	\$ 21.19	\$ 1.03	\$ 1.12 ^(a)	\$ 1.12	\$ (0.75)	\$ (0.50) ^(a)	\$ (0.50)
Shares/ADSs used in computing diluted net income/(loss) per share/ADS attributable to Sohu.com Limited	39,614	39,614	39,614	39,509	39,509	39,509	39,286	39,286	39,286

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 for a change in the fair value of the Company's investment in Hylink and the income tax effect.
(c) To adjust for the effect of the U.S. TCJA.
(d) To adjust for an impairment charge recognized for investments unrelated to the Company's core businesses

¹¹ In view of the completion of the transaction with Tencent related to Sogou, the results of operations for Sogou and the gain from its disposal are presented in separate line items as discontinued operations.