

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

	Three Months Ended		
	Jun. 30, 2017	Mar. 31, 2017	Jun. 30, 2016
Revenues:			
Online advertising			
Brand advertising	\$ 86,071	\$ 81,412	\$ 112,887
Search and search-related advertising	186,747	142,035	160,152
Subtotal	<u>272,818</u>	<u>223,447</u>	<u>273,039</u>
Online games	122,398	85,325	99,227
Others	65,952	65,331	47,872
Total revenues	<u>461,168</u>	<u>374,103</u>	<u>420,138</u>
Cost of revenues:			
Online advertising			
Brand advertising (includes stock-based compensation expense of \$182, \$159, \$-73, respectively)	124,730	80,197	93,654
Search and search-related advertising (includes stock-based compensation expense of \$2, \$3, \$0, respectively)	96,692	82,107	71,998
Subtotal	<u>221,422</u>	<u>162,304</u>	<u>165,652</u>
Online games (includes stock-based compensation expense of \$44, \$24, \$17, respectively)	11,613	16,505	25,380
Others	45,159	40,070	21,226
Total cost of revenues	<u>278,194</u>	<u>218,879</u>	<u>212,258</u>
Gross profit	182,974	155,224	207,880
Operating expenses:			
Product development (includes stock-based compensation expense of \$4,925, \$2,327, \$1,699, respectively)	100,146	84,098	88,959
Sales and marketing (includes stock-based compensation expense of \$930, \$665, \$161, respectively)	94,845	90,086	117,966
General and administrative (includes stock-based compensation expense of \$6,597, \$4,051, \$740, respectively)	27,657	28,350	29,650
Total operating expenses	<u>222,648</u>	<u>202,534</u>	<u>236,575</u>
Operating loss	(39,674)	(47,310)	(28,695)
Other income/(loss)	3,306	4,099	(24,573)
Interest income	5,813	4,471	5,284
Interest expense	(205)	(175)	(244)
Exchange difference	(4,528)	(766)	3,866
Loss before income tax expense	<u>(35,288)</u>	<u>(39,681)</u>	<u>(44,362)</u>
Income tax expense	12,764	10,672	2,430
Net loss	<u>(48,052)</u>	<u>(50,353)</u>	<u>(46,792)</u>
Less: Net income attributable to the noncontrolling interest shareholders	40,131	17,895	16,232
Net loss attributable to Sohu.com Inc.	<u>(88,183)</u>	<u>(68,248)</u>	<u>(63,024)</u>
Basic net loss per share attributable to Sohu.com Inc.	\$ (2.27)	\$ (1.76)	\$ (1.63)
Shares used in computing basic net loss per share attributable to Sohu.com Inc.	<u>38,855</u>	<u>38,811</u>	<u>38,691</u>
Diluted net loss per share attributable to Sohu.com Inc.	\$ (2.28)	\$ (1.77)	\$ (1.64)
Shares used in computing diluted net loss per share attributable to Sohu.com Inc.	<u>38,855</u>	<u>38,811</u>	<u>38,691</u>

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 Jun. 30, 2017			Three Months Ended Mar. 31, 2017			Three Months Ended Jun. 30, 2016		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ (38,659)	\$ 182	(a) \$ (38,477)	\$ 1,215	\$ 159	(a) \$ 1,374	\$ 19,233	\$ (73)	(a) \$ 19,160
Brand advertising gross margin	<u>-45%</u>	<u>2</u>	(a) <u>-45%</u>	<u>1%</u>	<u>3</u>	(a) <u>2%</u>	<u>17%</u>	<u>-</u>	(a) <u>17%</u>
Search and search-related advertising gross profit	\$ 90,055	\$ 2	(a) \$ 90,057	\$ 59,928	\$ 3	(a) \$ 59,931	\$ 88,154	\$ -	(a) \$ 88,154
Search and search-related advertising gross margin	<u>48%</u>		(a) <u>48%</u>	<u>42%</u>		(a) <u>42%</u>	<u>55%</u>		(a) <u>55%</u>
Online advertising gross profit	\$ 51,396	\$ 184	(a) \$ 51,580	\$ 61,143	\$ 162	(a) \$ 61,305	\$ 107,387	\$ (73)	(a) \$ 107,314
Online advertising gross margin	<u>19%</u>		(a) <u>19%</u>	<u>27%</u>		(a) <u>27%</u>	<u>39%</u>		(a) <u>39%</u>
Online games gross profit	\$ 110,785	\$ 44	(a) \$ 110,829	\$ 68,820	\$ 24	(a) \$ 68,844	\$ 73,847	\$ 17	(a) \$ 73,864
Online games gross margin	<u>91%</u>		(a) <u>91%</u>	<u>81%</u>		(a) <u>81%</u>	<u>74%</u>		(a) <u>74%</u>
Others gross profit	\$ 20,793	\$ -	(a) \$ 20,793	\$ 25,261	\$ -	(a) \$ 25,261	\$ 26,646	\$ -	(a) \$ 26,646
Others gross margin	<u>32%</u>		(a) <u>32%</u>	<u>39%</u>		(a) <u>39%</u>	<u>56%</u>		(a) <u>56%</u>
Gross profit	\$ 182,974	\$ 228	(a) \$ 183,202	\$ 155,224	\$ 186	(a) \$ 155,410	\$ 207,880	\$ (56)	(a) \$ 207,824
Gross margin	<u>40%</u>		(a) <u>40%</u>	<u>41%</u>		(a) <u>42%</u>	<u>49%</u>		(a) <u>49%</u>
Operating expenses	\$ 222,648	\$ (12,452)	(a) \$ 210,196	\$ 202,534	\$ (7,043)	(a) \$ 195,491	\$ 236,575	\$ (2,600)	(a) \$ 233,975
Operating loss	\$ (39,674)	\$ 12,680	(a) \$ (26,994)	\$ (47,310)	\$ 7,229	(a) \$ (40,081)	\$ (28,695)	\$ 2,544	(a) \$ (26,151)
Operating margin	<u>-9%</u>		(a) <u>-6%</u>	<u>-13%</u>		(a) <u>-11%</u>	<u>-7%</u>		(a) <u>-6%</u>
Income tax expense	\$ 12,764	\$ -	(a) \$ 12,764	\$ 10,672	\$ -	(a) \$ 10,672	\$ 2,430	\$ -	(a) \$ 2,430
Net (loss) /income before non-controlling interest	\$ (48,052)	\$ 12,680	(a) \$ (35,372)	\$ (50,353)	\$ 7,229	(a) \$ (43,124)	\$ (46,792)	\$ 2,550	(a) \$ (44,242)

		12,680	(a)		7,229	(a)		2,550	(a)									
		4,254	(b)		(6,302)	(b)		(2,001)	(b)									
Net loss attributable to Sohu.com Inc. for diluted net loss per share	\$	<u>(88,698)</u>	\$	<u>16,934</u>	\$	<u>(71,764)</u>	\$	<u>(68,664)</u>	\$	<u>927</u>	\$	<u>(67,737)</u>	\$	<u>(63,386)</u>	\$	<u>549</u>	\$	<u>(62,837)</u>
Diluted net loss per share attributable to Sohu.com Inc.	\$	<u>(2.28)</u>	\$	<u>(1.85)</u>	\$	<u>(1.77)</u>	\$	<u>(1.75)</u>	\$	<u>(1.64)</u>	\$	<u>(1.62)</u>						
Shares used in computing diluted net loss per share attributable to Sohu.com Inc.		<u>38,855</u>		<u>38,855</u>		<u>38,811</u>		<u>38,811</u>		<u>38,691</u>		<u>38,691</u>						

Note:

(a) To eliminate the impact of share-based awards as measured using the fair value method.

(b) To adjust Sohu's economic interests in Changyou and Sogou.