

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

	Three Months Ended		
	Mar. 31, 2015	Dec. 31, 2014	Mar. 31, 2014
Revenues:			
Online advertising			
Brand advertising	\$ 133,821	\$ 147,824	\$ 111,103
Search and Web directory	105,126	110,029	64,309
Subtotal	<u>238,947</u>	<u>257,853</u>	<u>175,412</u>
Online games	184,994	184,405	163,388
Others(a)	31,391	34,938	26,515
Total revenues	<u>455,332</u>	<u>477,196</u>	<u>365,315</u>
Cost of revenues:			
Online advertising			
Brand advertising (includes stock-based compensation expense of \$155, \$167, and \$-262, respectively)	104,552	77,246	64,140
Search and Web directory (includes stock-based compensation expense of \$53, \$386, and \$31, respectively)	49,919	45,386	31,737
Subtotal	<u>154,471</u>	<u>122,632</u>	<u>95,877</u>
Online games (includes stock-based compensation expense of \$44, \$-37, and \$17, respectively)	49,485	51,754	26,586
Others (includes stock-based compensation expense of \$0, \$2, and \$0, respectively)(a)	18,198	21,204	16,035
Total cost of revenues	<u>222,154</u>	<u>195,590</u>	<u>138,498</u>
Gross profit	233,178	281,606	226,817
Operating expenses:			
Product development (includes stock-based compensation expense of \$4,776, \$8,983, and \$2,653, respectively)	102,191	81,374	117,722
Sales and marketing (includes stock-based compensation expense of \$245, \$1,894, and \$703, respectively)	83,128	115,812	142,354
General and administrative (includes stock-based compensation expense of \$6,953, \$16,442, and \$2,098, respectively)	45,164	65,995	35,354
Goodwill impairment and impairment of intangibles via acquisitions of businesses	-	52,282	-
Total operating expenses	<u>230,483</u>	<u>315,463</u>	<u>295,430</u>
Operating profit /(loss)	2,695	(33,857)	(68,613)
Other income	3,154	4,619	3,750
Interest income	6,035	6,273	8,457
Exchange difference	(183)	(1,169)	578
Income /(loss) before income tax expense/(benefit)	11,701	(24,134)	(55,828)
Income tax expense/ (benefit)	16,300	8,612	214
Net Income /(loss)	<u>(4,599)</u>	<u>(32,746)</u>	<u>(56,042)</u>
Less: Net income attributable to the mezzanine classified noncontrolling interest shareholders	-	-	-
Net income / (loss) attributable to the noncontrolling interest shareholders	26,521	(13,171)	(4,935)
Dividend or deemed dividend to non-controlling Sogou series A preferred shareholders	-	-	27,747
Net income/ (loss) attributable to Sohu.com Inc.	<u>(31,120)</u>	<u>(19,575)</u>	<u>(78,854)</u>
Basic net income/ (loss) per share attributable to Sohu.com Inc.	\$ (0.81)	\$ (0.51)	\$ (2.05)
Shares used in computing basic net income/ (loss) per share attributable to Sohu.com Inc.	<u>38,525</u>	<u>38,501</u>	<u>38,411</u>
Diluted net income /(loss) per share attributable to Sohu.com Inc.	\$ (0.81)	\$ (0.52)	\$ (2.05)
Shares used in computing diluted net income/ (loss) per share attributable to Sohu.com Inc.	<u>38,525</u>	<u>38,501</u>	<u>38,411</u>

Note:

(a) Comparative revenues and cost of revenues for mobile has been merged with others 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 Mar. 31, 2015			Three Months Ended Dec. 31, 2014			Three Months Ended Mar. 31, 2014		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 29,269	\$ 155	\$ 29,424	\$ 70,578	\$ 167	\$ 70,745	\$ 46,963	\$ (262)	\$ 46,701
Brand advertising gross margin	22%		22%	48%		48%	42%		42%
Search and Web directory gross profit	\$ 55,207	\$ 53	\$ 55,260	\$ 64,643	\$ 386	\$ 65,029	\$ 32,572	\$ 31	\$ 32,603
Search and Web directory gross margin	53%		53%	59%		59%	51%		51%
Online advertising gross profit	\$ 84,476	\$ 208	\$ 84,684	\$ 135,221	\$ 553	\$ 135,774	\$ 79,535	\$ (231)	\$ 79,304
Online advertising gross margin	35%		35%	52%		53%	45%		45%
Online games gross profit	\$ 135,509	\$ 44	\$ 135,553	\$ 132,651	\$ (37)	\$ 132,614	\$ 136,802	\$ 17	\$ 136,819
Online games gross margin	73%		73%	72%		72%	84%		84%
Others gross profit	\$ 13,193	\$ -	\$ 13,193	\$ 13,734	\$ 2	\$ 13,736	\$ 10,480	\$ -	\$ 10,480
Others gross margin	42%		42%	39%	2	39%	40%		40%
Gross profit	\$ 233,178	\$ 252	\$ 233,430	\$ 281,606	\$ 518	\$ 282,124	\$ 226,817	\$ (214)	\$ 226,603
Gross margin	51%		51%	59%		59%	62%		62%
Operating profit /(loss)	\$ 2,695	\$ 12,226	\$ 14,921	\$ (33,857)	\$ 27,837	\$ (6,020)	\$ (68,613)	\$ 5,240	\$ (63,373)
Operating margin	1%		3%	-7%		-1%	-19%		-17%
Net income /(loss) before Non-Controlling Interest	\$ (4,599)	\$ 12,226	\$ 7,627	\$ (32,746)	\$ 27,837	\$ (4,909)	\$ (56,042)	\$ 5,240	\$ (50,802)

		<u>6,074</u>	(a)(b)		<u>6,080</u>	(a) (b)		<u>2,859</u>	(a)	
								<u>27,747</u>	(c)	
Net income /(loss) attributable to Sohu.com Inc. for diluted net income/ (loss) per share	\$ <u>(31,341)</u>	<u>6,074</u>		\$ <u>(25,267)</u>	\$ <u>(20,082)</u>	\$ <u>6,080</u>	\$ <u>(14,002)</u>	\$ <u>(78,854)</u>	\$ <u>30,606</u>	\$ <u>(48,248)</u>
Diluted net income /(loss) per share attributable to Sohu.com Inc.	\$ <u>(0.81)</u>			\$ <u>(0.66)</u>	\$ <u>(0.52)</u>		\$ <u>(0.36)</u>	\$ <u>(2.05)</u>		\$ <u>(1.26)</u>
Shares used in computing diluted net income/ (loss) per share attributable to Sohu.com Inc.	<u>38,525</u>			<u>38,525</u>	<u>38,501</u>		<u>38,501</u>	<u>38,411</u>		<u>38,411</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 under the treasury stock method.
- (c) Deemed dividend to noncontrolling Sogou series A preferred shareholders.