

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

	Three Months Ended		
	Jun. 30, 2014	Mar. 31, 2014	Jun. 30, 2013
Revenues:			
Online advertising			
Brand advertising	\$ 133,408	\$ 111,103	\$ 100,191
Search and others	85,064	64,309	46,171
Subtotal	<u>218,472</u>	<u>175,412</u>	<u>146,362</u>
Online games	153,877	163,388	168,295
Others (a)	27,802	26,515	24,247
Total revenues	<u>400,151</u>	<u>365,315</u>	<u>338,904</u>
Cost of revenues:			
Online advertising			
Brand advertising (includes stock-based compensation expense of \$700, \$-262 and \$67, respectively)	82,898	64,140	51,556
Search and others (includes stock-based compensation expense of \$482, \$31 and \$3, respectively) (b)	40,420	31,737	24,498
Subtotal	<u>123,318</u>	<u>95,877</u>	<u>76,054</u>
Online games (includes stock-based compensation expense of \$17, \$17 and \$28, respectively)	30,263	26,586	22,981
Others (includes stock-based compensation expense of \$0, \$0 and \$0, respectively) (a)	16,305	16,035	14,610
Total cost of revenues	<u>169,886</u>	<u>138,498</u>	<u>113,645</u>
Gross profit	230,265	226,817	225,259
Operating expenses:			
Product development (includes stock-based compensation expense of \$7,294, \$2,653 and \$408, respectively) (b)	102,218	117,722	63,361
Sales and marketing (includes stock-based compensation expense of \$2,111, \$703 and \$201, respectively) (b)	136,606	142,354	71,678
General and administrative (includes stock-based compensation expense of \$15,961, \$2,098 and \$532, respectively) (b)	53,246	35,354	25,772
Total operating expenses	<u>292,070</u>	<u>295,430</u>	<u>160,811</u>
Operating profit/(loss)	(61,805)	(68,613)	64,448
Other income	694	3,750	1,532
Interest income	8,779	8,457	5,498
Exchange difference	59	578	(1,984)
Income (loss) before income tax expense	(52,273)	(55,828)	69,494
Income tax expense/ (benefit)	(1,740)	214	16,251
Net Income (loss)	<u>(50,533)</u>	<u>(56,042)</u>	<u>53,243</u>
Less: Net income attributable to the mezzanine classified noncontrolling interest shareholders	-	-	7,112
Net income (loss) attributable to the noncontrolling interest shareholders	(9,443)	(4,935)	24,505
Dividend to non-controlling Sogou series A preferred shareholders	-	27,747	-
Net income (loss) attributable to Sohu.com Inc.	<u>(41,090)</u>	<u>(78,854)</u>	<u>21,626</u>
Basic net income (loss) per share attributable to Sohu.com Inc.	\$ (1.07)	\$ (2.05)	\$ 0.57
Shares used in computing basic net income per share attributable to Sohu.com Inc.	<u>38,475</u>	<u>38,411</u>	<u>38,259</u>
Diluted net income (loss) per share attributable to Sohu.com Inc.	\$ (1.16)	\$ (2.05)	\$ 0.56
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,475</u>	<u>38,411</u>	<u>38,492</u>

Note:

- (a) Comparative revenues and cost of revenues for mobile has been merged with others to conform to the current period presentation.
- (b) In June, 2014, Sogou repurchased 4,155,800 of its ordinary shares from Sohu and Sogou employees and non-employees for aggregated consideration of \$42 million, at a repurchase price exceeding the fair value of the ordinary share. Under ASC 718, the excess of the repurchase price over the fair value of equity instruments repurchased from employees should be recognized as additional compensation expense. Therefore, approximately \$17.0 million was recognized in the consolidated statements of operations for the second quarter of 2014 as share-based compensation expense in connection with the repurchases.

**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, 2014			Three Months Ended Mar. 31, 2014			Three Months Ended Jun. 30, 2013		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 50,510	\$ 700	\$ 51,210	\$ 46,963	\$ (262)	\$ 46,701	\$ 48,635	\$ 67	\$ 48,702
Brand advertising gross margin	38%		38%	42%		42%	49%		49%
Search and others gross profit	\$ 44,644	\$ 482	\$ 45,126	\$ 32,572	\$ 31	\$ 32,603	\$ 21,673	\$ 3	\$ 21,676
Search and others gross margin	52%		53%	51%		51%	47%		47%
Online advertising gross profit	\$ 95,154	\$ 1,182	\$ 96,336	\$ 79,535	\$ (231)	\$ 79,304	\$ 70,308	\$ 70	\$ 70,378
Online advertising gross margin	44%		44%	45%		45%	48%		48%
Online games gross profit (c)	\$ 123,614	\$ 17	\$ 123,631	\$ 136,802	\$ 17	\$ 136,819	\$ 145,314	\$ 28	\$ 145,342
Online games gross margin	80%		80%	84%		84%	86%		86%
Others gross profit (c)	\$ 11,497	\$ -	\$ 11,497	\$ 10,480	\$ -	\$ 10,480	\$ 9,637	\$ -	\$ 9,637
Others gross margin	41%		41%	40%		40%	40%		40%
Gross profit	\$ 230,265	\$ 1,199	\$ 231,464	\$ 226,817	\$ (214)	\$ 226,603	\$ 225,259	\$ 98	\$ 225,357
Gross margin	58%		58%	62%		62%	66%		66%
Operating profit (loss)	\$ (61,805)	\$ 26,565	\$ (35,240)	\$ (68,613)	\$ 5,240	\$ (63,373)	\$ 64,448	\$ 1,239	\$ 65,687
Operating margin	-15%		-9%	-19%		-17%	19%		19%
Net income (loss) before Non-Controlling Interest	\$ (50,533)	\$ 26,565	\$ (23,968)	\$ (56,042)	\$ 5,240	\$ (50,802)	\$ 53,243	\$ 1,239	\$ 54,482

		<u>10,499</u>	(a)		<u>2,859</u>	(a)		<u>27,747</u>	(b)		<u>998</u>	(a)						
Net income (loss) attributable to Sohu.com Inc. for <b>diluted</b> net income (loss) per share (d)	\$	<u>(44,509)</u>	\$	<u>10,499</u>	\$	<u>(34,010)</u>	\$	<u>(78,854)</u>	\$	<u>30,606</u>	\$	<u>(48,248)</u>	\$	<u>21,503</u>	\$	<u>998</u>	\$	<u>22,501</u>
<b>Diluted</b> net income (loss) per share attributable to Sohu.com Inc.	\$	<u>(1.16)</u>	\$	<u>(0.88)</u>	\$	<u>(2.05)</u>	\$	<u>(1.26)</u>	\$	<u>0.56</u>	\$	<u>0.58</u>						
Shares used in computing <b>diluted</b> net income (loss) per share attributable to Sohu.com Inc.		<u>38,475</u>		<u>38,475</u>		<u>38,411</u>		<u>38,411</u>		<u>38,492</u>		<u>38,540</u>						

Note:

- (a) To eliminate the impact of share-based awards as measured using the fair value method.
- (b) Deemed dividend to noncontrolling Sogou series A preferred shareholders.
- (c) 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.
- (d) To adjust Sohu's economic interest in Changyou and Sogou under the treasury stock method and if-converted method, respectively.