

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

	Three Months Ended		
	Mar. 31, 2014	Dec. 31, 2013	Mar. 31, 2013
Revenues:			
Online advertising			
Brand advertising	\$ 111,103	\$ 123,318	\$ 80,237
Search and others	64,309	64,387	36,052
Subtotal	<u>175,412</u>	<u>187,705</u>	<u>116,289</u>
Online games	163,388	171,958	167,421
Others (a)	26,515	25,788	23,886
Total revenues	<u>365,315</u>	<u>385,451</u>	<u>307,596</u>
Cost of revenues:			
Online advertising			
Brand advertising (includes stock-based compensation expense of \$-262, \$235 and \$87, respectively)	64,140	61,445	44,878
Search and others (includes stock-based compensation expense of \$31, \$20 and \$2, respectively)	31,737	37,064	20,792
Subtotal	<u>95,877</u>	<u>98,509</u>	<u>65,670</u>
Online games (includes stock-based compensation expense of \$17, \$24 and \$-19, respectively)	26,586	25,926	22,650
Others (includes stock-based compensation expense of \$0, \$0 and \$0, respectively) (a)	16,035	12,951	15,209
Total cost of revenues	<u>138,498</u>	<u>137,386</u>	<u>103,529</u>
Gross profit	226,817	248,065	204,067
Operating expenses:			
Product development (includes stock-based compensation expense of \$2,653, \$2,967 and \$350, respectively)	117,722	90,389	51,819
Sales and marketing (includes stock-based compensation expense of \$703, \$339 and \$172, respectively)	142,354	130,524	58,723
General and administrative (includes stock-based compensation expense of \$2,098, \$1,321 and \$494, respectively)	35,354	31,244	22,589
Total operating expenses	<u>295,430</u>	<u>252,157</u>	<u>133,131</u>
Operating profit/(loss)	(68,613)	(4,092)	70,936
Other income	3,750	7,125	2,531
Interest income	8,457	8,035	6,701
Exchange difference	578	(1,386)	(1,985)
Income (loss) before income tax expense	(55,828)	9,682	78,183
Income tax expense/ (benefit)	214	(4,770)	20,018
Net Income (loss)	<u>(56,042)</u>	<u>14,452</u>	<u>58,165</u>
Less: Net income attributable to the mezzanine classified noncontrolling interest shareholders	-	-	10,668
Net income (loss) attributable to the noncontrolling interest shareholders	(4,935)	11,618	23,066
Dividend to non-controlling Sogou series A preferred shareholders (b)	27,747	-	-
Net income (loss) attributable to Sohu.com Inc.	<u>(78,854)</u>	<u>2,834</u>	<u>24,431</u>
Basic net income (loss) per share attributable to Sohu.com Inc.	\$ (2.05)	\$ 0.07	\$ 0.64
Shares used in computing basic net income per share attributable to Sohu.com Inc.	<u>38,411</u>	<u>38,301</u>	<u>38,169</u>
Diluted net income (loss) per share attributable to Sohu.com Inc.	\$ (2.05)	\$ 0.06	\$ 0.60
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,411</u>	<u>38,564</u>	<u>38,429</u>

Note:

- (a) Revenues and cost of revenues for mobile has been merged with others to conform to the current period presentation.
- (b) In March 2014, Sogou repurchased 14.4 million Series A Preferred Shares of Sogou from China Web in an aggregate purchase price of \$47.3 million. The transaction gave rise to a deemed dividend amounting to \$27.7 million, which was deemed proportionately contributed by Sohu (as a holder of ordinary shares of Sogou) and was subtracted from the Net loss attributable to Sohu.com Inc. in the calculation of loss per share, causing GAAP loss per fully-diluted share to increase by US 72 cents.

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, 2014			Three Months Ended Dec. 31, 2013			Three Months Ended Mar. 31, 2013		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 46,963	(262)	\$ 46,701	\$ 61,873	235	\$ 62,108	\$ 35,359	87	\$ 35,446
Brand advertising gross margin	42%		42%	50%		50%	44%		44%
Search and others gross profit	\$ 32,572	31	\$ 32,603	\$ 27,323	20	\$ 27,343	\$ 15,260	2	\$ 15,262
Search and others gross margin	51%		51%	42%		42%	42%		42%
Online advertising gross profit	\$ 79,535	(231)	\$ 79,304	\$ 89,196	255	\$ 89,451	\$ 50,619	89	\$ 50,708
Online advertising gross margin	45%		45%	48%		48%	44%		44%
Online games gross profit (c)	\$ 136,802	17	\$ 136,819	\$ 146,032	24	\$ 146,056	\$ 144,771	(19)	\$ 144,752
Online games gross margin	84%		84%	85%		85%	86%		86%
Others gross profit (c)	\$ 10,480	-	\$ 10,480	\$ 12,837	-	\$ 12,837	\$ 8,677	-	\$ 8,677
Others gross margin	40%		40%	50%		50%	36%		36%
Gross profit	\$ 226,817	(214)	\$ 226,603	\$ 248,065	279	\$ 248,344	\$ 204,067	70	\$ 204,137
Gross margin	62%		62%	64%		64%	66%		66%
Operating profit (loss)	\$ (68,613)	5,240	\$ (63,373)	\$ (4,092)	4,906	\$ 814	\$ 70,936	1,086	\$ 72,022
Operating margin	-19%		-17%	-1%		0%	23%		23%
Net income before Non-Controlling Interest	\$ (56,042)	5,240	\$ (50,802)	\$ 14,452	4,906	\$ 19,358	\$ 58,165	1,086	\$ 59,251

		<u>2,859</u>	(a)															
		<u>27,747</u>	(b)		<u>2,299</u>	(a)		<u>941</u>	(a)									
Net income (loss) attributable to Sohu.com Inc. for diluted net income (loss) per share (d)	\$	<u>(78,854)</u>	\$	<u>30,606</u>	\$	<u>(48,248)</u>	\$	<u>2,268</u>	\$	<u>2,299</u>	\$	<u>4,567</u>	\$	<u>22,988</u>	\$	<u>941</u>	\$	<u>23,929</u>
Diluted net income (loss) per share attributable to Sohu.com Inc.	\$	<u>(2.05)</u>	\$	<u>(1.26)</u>	\$	<u>0.06</u>	\$	<u>0.12</u>	\$	<u>0.60</u>	\$	<u>0.62</u>						
Shares used in computing diluted net income (loss) per share attributable to Sohu.com Inc.		<u>38,411</u>		<u>38,411</u>		<u>38,564</u>		<u>38,687</u>		<u>38,429</u>		<u>38,493</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.