

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

	Three Months Ended			Twelve Months Ended	
	Dec. 31, 2016	Sep. 30, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Revenues:					
Online advertising					
Brand advertising	\$ 98,695	\$ 110,871	\$ 140,927	\$ 447,956	\$ 577,114
Search and search-related	152,500	150,667	151,251	597,133	539,521
Subtotal	<u>251,195</u>	<u>261,538</u>	<u>292,178</u>	<u>1,045,089</u>	<u>1,116,635</u>
Online games	95,400	98,553	127,001	395,709	636,846
Others	65,164	50,491	46,924	209,633	183,610
Total revenues	<u>411,759</u>	<u>410,582</u>	<u>466,103</u>	<u>1,650,431</u>	<u>1,937,091</u>
Cost of revenues:					
Online advertising					
Brand advertising (includes stock-based compensation expense of \$-91, \$265, \$534, \$163 and \$1,381, respectively)	89,658	102,137	87,625	371,085	383,187
Search and search-related (includes stock-based compensation expense of \$168, \$4, \$211, \$172 and \$330, respectively)	79,611	76,457	68,108	290,158	238,944
Subtotal	<u>169,269</u>	<u>178,594</u>	<u>155,733</u>	<u>661,243</u>	<u>622,131</u>
Online games (includes stock-based compensation expense of \$-5, \$26, \$45, \$31 and \$37, respectively)	20,936	23,719	28,266	96,168	156,315
Others	41,606	20,571	17,552	102,389	80,618
Total cost of revenues	<u>231,811</u>	<u>222,884</u>	<u>201,551</u>	<u>859,800</u>	<u>859,064</u>
Gross profit	179,948	187,698	264,552	790,631	1,078,027
Operating expenses:					
Product development (includes stock-based compensation expense of \$3,383, \$4,105, \$9,665, \$9,184 and \$19,343, respectively)	91,499	90,007	102,402	353,144	398,143
Sales and marketing (includes stock-based compensation expense of \$1,467, \$752, \$1,482, \$2,394 and \$3,055, respectively)	116,183	110,584	98,230	434,780	383,931
General and administrative (includes stock-based compensation expense of \$-1,949, \$8,018, \$13,042, \$7,176 and \$29,297, respectively)	23,914	38,670	44,946	119,841	173,160
Goodwill impairment and impairment of intangibles via acquisitions of businesses	-	-	-	-	40,324
Total operating expenses	<u>231,596</u>	<u>239,261</u>	<u>245,578</u>	<u>907,765</u>	<u>995,558</u>
Operating (loss) /profit	(51,648)	(51,563)	18,974	(117,134)	82,469
Other income /(expense)	6,258	3,678	1,590	(10,713)	74,526
Interest income	5,051	6,327	7,748	22,499	30,643
Interest expense	(205)	(209)	(1,744)	(1,356)	(7,184)
Exchange difference	9,257	702	1,885	12,803	5,337
(Loss) /income before income tax expense	<u>(31,287)</u>	<u>(41,065)</u>	<u>28,453</u>	<u>(93,901)</u>	<u>185,791</u>
Income tax expense	5,800	974	19,656	21,072	76,936
Net (loss) /income	<u>(37,087)</u>	<u>(42,039)</u>	<u>8,797</u>	<u>(114,973)</u>	<u>108,855</u>
Less: Net income attributable to the noncontrolling interest shareholders	28,810	32,775	39,197	109,048	146,542
Deemed dividend to non-controlling Sogou series A preferred shareholders	-	-	-	-	11,911
Net loss attributable to Sohu.com Inc.	<u>(65,897)</u>	<u>(74,814)</u>	<u>(30,400)</u>	<u>(224,021)</u>	<u>(49,598)</u>
Basic net loss per share attributable to Sohu.com Inc.	\$ (1.70)	\$ (1.93)	\$ (0.79)	\$ (5.79)	\$ (1.28)
Shares used in computing basic net loss per share attributable to Sohu.com Inc.	<u>38,739</u>	<u>38,728</u>	<u>38,646</u>	<u>38,706</u>	<u>38,598</u>
Diluted net loss per share attributable to Sohu.com Inc.	\$ (1.71)	\$ (1.94)	\$ (0.80)	\$ (5.83)	\$ (1.32)
Shares used in computing diluted net loss per share attributable to Sohu.com Inc.	<u>38,739</u>	<u>38,728</u>	<u>38,646</u>	<u>38,706</u>	<u>38,598</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 Dec. 31, 2016			Three Months Ended Sep. 30, 2016			Three Months Ended Dec. 31, 2015		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 9,037	\$ (91)	(a) \$ 8,946	\$ 8,734	\$ 265	(a) \$ 8,999	\$ 53,302	\$ 534	(a) \$ 53,836
Brand advertising gross margin	9%		9%	8%		8%	38%		38%
Search and search-related gross profit	\$ 72,889	\$ 168	(a) \$ 73,057	\$ 74,210	\$ 4	(a) \$ 74,214	\$ 83,143	\$ 211	(a) \$ 83,354
Search and search-related gross margin	48%		48%	49%		49%	55%		55%
Online advertising gross profit	\$ 81,926	\$ 77	(a) \$ 82,003	\$ 82,944	\$ 269	(a) \$ 83,213	\$ 136,445	\$ 745	(a) \$ 137,190
Online advertising gross margin	33%		33%	32%		32%	47%		47%
Online games gross profit	\$ 74,464	\$ (5)	(a) \$ 74,459	\$ 74,834	\$ 26	(a) \$ 74,860	\$ 98,735	\$ 45	(a) \$ 98,780
Online games gross margin	78%		78%	76%		76%	78%		78%
Others gross profit	\$ 23,558	\$ -	(a) \$ 23,558	\$ 29,920	\$ -	(a) \$ 29,920	\$ 29,372	\$ -	(a) \$ 29,372
Others gross margin	36%		36%	59%		59%	63%		63%
Gross profit	\$ 179,948	\$ 72	(a) \$ 180,020	\$ 187,698	\$ 295	(a) \$ 187,993	\$ 264,552	\$ 790	(a) \$ 265,342
Gross margin	44%		44%	46%		46%	57%		57%
Operating expenses	\$ 231,596	\$ (2,901)	(a) \$ 228,695	\$ 239,261	\$ (12,875)	(a) \$ 226,386	\$ 245,578	\$ (24,189)	(a) \$ 221,389
Operating (loss) /profit	\$ (51,648)	\$ 2,973	(a) \$ (48,675)	\$ (51,563)	\$ 13,170	(a) \$ (38,393)	\$ 18,974	\$ 24,979	(a) \$ 43,953
Operating margin	-13%		-12%	-13%		-9%	4%		9%
Income tax expense	\$ 5,800	\$ -	(a) \$ 5,800	\$ 974	\$ -	(a) \$ 974	\$ 19,656	\$ -	(a) \$ 19,656
		2,973	(a)		13,147	(a)		25,047	(a)

Net (loss) /income before non-controlling interest	\$ <u>(37,087)</u>	\$ <u>2,973</u>	\$ <u>(34,114)</u>	\$ <u>(42,039)</u>	\$ <u>13,147</u>	\$ <u>(28,892)</u>	\$ <u>8,797</u>	\$ <u>25,047</u>	\$ <u>33,844</u>
		2,973 (a)			13,147 (a)			25,047 (a)	
		<u>(6,051)</u> (b)			<u>(2,806)</u> (b)			<u>(7,352)</u> (b)	
Net loss attributable to Sohu.com Inc. for diluted net loss per share	\$ <u>(66,411)</u>	\$ <u>(3,078)</u>	\$ <u>(69,489)</u>	\$ <u>(75,286)</u>	\$ <u>10,341</u>	\$ <u>(64,945)</u>	\$ <u>(30,746)</u>	\$ <u>17,695</u>	\$ <u>(13,051)</u>
Diluted net loss per share attributable to Sohu.com Inc.	\$ <u>(1.71)</u>		\$ <u>(1.79)</u>	\$ <u>(1.94)</u>		\$ <u>(1.68)</u>	\$ <u>(0.80)</u>		\$ <u>(0.34)</u>
Shares used in computing diluted net loss per share attributable to Sohu.com Inc.	<u>38,739</u>		<u>38,739</u>	<u>38,728</u>		<u>38,728</u>	<u>38,646</u>		<u>38,646</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.

SOHU.COM INC.

RECONCILIATIONS OF NON-GAAP RESULTS OF OPERATION MEASURES TO THE NEAREST COMPARABLE GAAP MEASURES

(UNAUDITED, IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Twelve Months Ended Dec. 31, 2016			Twelve Months Ended Dec. 31, 2015		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 76,871	\$ 163	(a) \$ 77,034	\$ 193,927	\$ 1,381	(a) \$ 195,308
Brand advertising gross margin	17%		17%	34%		34%
Search and search-related gross profit	\$ 306,975	\$ 172	(a) \$ 307,147	\$ 300,577	\$ 330	(a) \$ 300,907
Search and search-related gross margin	51%		51%	56%		56%
Online advertising gross profit	\$ 383,846	\$ 335	(a) \$ 384,181	\$ 494,504	\$ 1,711	(a) \$ 496,215
Online advertising gross margin	37%		37%	44%		44%
Online games gross profit	\$ 299,541	\$ 31	(a) \$ 299,572	\$ 480,531	\$ 37	(a) \$ 480,568
Online games gross margin	76%		76%	75%		75%
Others gross profit	\$ 107,244	\$ -	(a) \$ 107,244	\$ 102,992	\$ -	(a) \$ 102,992
Others gross margin	51%		51%	56%		56%
Gross profit	\$ 790,631	\$ 366	(a) \$ 790,997	\$ 1,078,027	\$ 1,748	(a) \$ 1,079,775
Gross margin	48%		48%	56%		56%
Operating expenses	\$ 907,765	\$ (18,754)	(a) \$ 889,011	\$ 995,558	\$ (51,695)	(a) \$ 943,863
Operating (loss) /profit	\$ (117,134)	\$ 19,120	(a) \$ (98,014)	\$ 82,469	\$ 53,443	(a) \$ 135,912
Operating margin	-7%		-6%	4%		7%
Income tax expense	\$ 21,072	\$ -	(a) \$ 21,072	\$ 76,936	\$ -	(a) \$ 76,936
Net (loss) /profit before non-controlling interest	\$ (114,973)	\$ 19,118	(a) \$ (95,855)	\$ 108,855	\$ 53,511	(a) \$ 162,366
Net loss attributable to Sohu.com Inc for diluted net loss per share	\$ (225,660)	\$ 6,858	(a) \$ (218,802)	\$ (50,829)	\$ 47,192	(a) \$ (3,637)
Diluted net loss per share attributable to Sohu.com Inc.	\$ (5.83)	\$ (12,260)	(a) \$ (5.65)	\$ (1.32)	\$ 11,911	(a) \$ (0.09)
Shares used in computing diluted net loss per share attributable to Sohu.com Inc.	38,706		38,706	38,598		38,693

Note:

- (a) To eliminate the impact of share-based awards measured using the fair value method.
- (b) To adjust Sohu's economic interests in Changyou and Sogou under the treasury stock method.
- (c) Dividend or deemed dividend to non-controlling Sogou series A preferred shareholders.