

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

	Three Months Ended		
	Jun. 30, 2020	Mar. 31, 2020	Jun. 30, 2019
Revenues:			
Online advertising			
Brand advertising	\$ 37,969	\$ 25,580	\$ 43,958
Search and search-related advertising	240,579	237,589	275,942
Subtotal	<u>278,548</u>	<u>263,169</u>	<u>319,900</u>
Online games	105,937	133,360	102,147
Others	36,579	39,471	40,199
Total revenues	<u>421,064</u>	<u>436,000</u>	<u>462,246</u>
Cost of revenues:			
Online advertising			
Brand advertising (includes stock-based compensation expense of \$36, \$-40, and \$-22, respectively)	22,790	25,519	31,432
Search and search-related advertising (includes stock-based compensation expense of \$45, \$77, and \$127, respectively)	191,150	212,210	182,593
Subtotal	<u>213,940</u>	<u>237,729</u>	<u>214,025</u>
Online games (includes stock-based compensation expense of \$152, \$161, and \$-17, respectively)	23,959	28,389	18,163
Others	12,133	8,568	19,624
Total cost of revenues	<u>250,032</u>	<u>274,686</u>	<u>251,812</u>
Gross profit	171,032	161,314	210,434
Operating expenses:			
Product development (includes stock-based compensation expense of \$4,169, \$2,429, and \$3,587, respectively)	105,022	103,412	109,048
Sales and marketing (includes stock-based compensation expense of \$795, \$-415, and \$1,355, respectively)	64,579	62,841	90,580
General and administrative (includes stock-based compensation expense of \$1,678, \$1,561, and \$-572, respectively)	24,097	19,296	21,987
Total operating expenses	<u>193,698</u>	<u>185,549</u>	<u>221,615</u>
Operating loss	(22,666)	(24,235)	(11,181)
Other income <sup>1</sup> , net	24,094	10,645	5,684
Interest income	2,196	2,126	3,286
Interest expense	(1,431)	(2,275)	(3,737)
Exchange difference	(259)	2,225	3,551
Income/(loss) before income tax expense	1,934	(11,514)	(2,397)
Income tax expense <sup>2</sup>	85,023	13,600	3,941
Net loss from continuing operations	<u>(83,089)</u>	<u>(25,114)</u>	<u>(6,338)</u>
Net loss from discontinued operations, net of tax	-	-	(27,037)
Net loss	<u>(83,089)</u>	<u>(25,114)</u>	<u>(33,375)</u>
Less: Net income/(loss) from continuing operations attributable to the noncontrolling interest shareholders	(3,159)	(5,008)	28,467
Less: Net loss from discontinued operations attributable to the noncontrolling interest shareholders	-	-	(8,949)
Net loss from continuing operations attributable to Sohu.com Limited	(79,930)	(20,106)	(34,805)
Net loss from discontinued operations attributable to Sohu.com Limited	-	-	(18,088)
Net loss attributable to Sohu.com Limited	<u>(79,930)</u>	<u>(20,106)</u>	<u>(52,893)</u>
Basic net loss from continuing operations per ADS attributable to Sohu.com Limited	<u>(2.04)</u>	<u>(0.51)</u>	<u>(0.89)</u>
Basic net loss from discontinued operations per ADS attributable to Sohu.com Limited	-	-	(0.46)
Basic net loss per ADS attributable to Sohu.com Limited	<u>\$ (2.04)</u>	<u>\$ (0.51)</u>	<u>\$ (1.35)</u>
ADS used in computing basic net loss per ADS attributable to Sohu.com Limited	<u>39,271</u>	<u>39,270</u>	<u>39,244</u>
Diluted net loss from continuing operations per ADS attributable to Sohu.com Limited	<u>(2.04)</u>	<u>(0.52)</u>	<u>(0.89)</u>

<sup>1</sup> For the second quarter of 2020, other income included a tax refund that was received by Sogou as part of the Chinese government's initiatives taken in response to COVID-19.

<sup>2</sup> Following completion of the Changyou privatization, Changyou changed its policy for its PRC subsidiaries with respect to distribution of cash dividends. As a result, Changyou recognized an additional accrual of withholding income tax of US\$88 million for the second quarter of 2020.

Diluted net loss from discontinued operations per ADS attributable to Sohu.com Limited	<u>-</u>	<u>-</u>	<u>(0.46)</u>
Diluted net loss per ADS attributable to Sohu.com Limited	\$ <u>(2.04)</u>	\$ <u>(0.52)</u>	\$ <u>(1.35)</u>
ADS used in computing diluted net loss per ADS attributable to Sohu.com Limited	<u>39,271</u>	<u>39,270</u>	<u>39,244</u>

SOHU.COM LIMITED

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

(UNAUDITED, IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Three Months Ended Jun. 30, 2020			Three Months Ended Mar. 31, 2020			Three Months Ended Jun. 30, 2019		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 15,179	\$ 36	(a) \$ 15,215	\$ 61	\$ (40)	(a) \$ 21	\$ 12,526	\$ (22)	(a) \$ 12,504
Brand advertising gross margin	40%		40%	0%		0%	28%		28%
Search and search-related advertising gross profit	\$ 49,429	\$ 45	(a) \$ 49,474	\$ 25,379	\$ 77	(a) \$ 25,456	\$ 93,349	\$ 127	(a) \$ 93,476
Search and search-related advertising gross margin	21%		21%	11%		11%	34%		34%
Online advertising gross profit	\$ 64,608	\$ 81	(a) \$ 64,689	\$ 25,440	\$ 37	(a) \$ 25,477	\$ 105,875	\$ 105	(a) \$ 105,980
Online advertising gross margin	23%		23%	10%		10%	33%		33%
Online games gross profit	\$ 81,978	\$ 152	(a) \$ 82,130	\$ 104,971	\$ 161	(a) \$ 105,132	\$ 83,984	\$ (17)	(a) \$ 83,967
Online games gross margin	77%		78%	79%		79%	82%		82%
Others gross profit	\$ 24,446	\$ -	(a) \$ 24,446	\$ 30,903	\$ -	(a) \$ 30,903	\$ 20,575	\$ -	(a) \$ 20,575
Others gross margin	67%		67%	78%		78%	51%		51%
Gross profit	\$ 171,032	\$ 233	(a) \$ 171,265	\$ 161,314	\$ 198	(a) \$ 161,512	\$ 210,434	\$ 88	(a) \$ 210,522
Gross margin	41%		41%	37%		37%	46%		46%
Operating expenses	\$ 193,698	\$ (6,642)	(a) \$ 187,056	\$ 185,549	\$ (3,575)	(a) \$ 181,974	\$ 221,615	\$ (4,370)	(a) \$ 217,245
Operating loss	\$ (22,666)	\$ 6,875	(a) \$ (15,791)	\$ (24,235)	\$ 3,773	(a) \$ (20,462)	\$ (11,181)	\$ 4,458	(a) \$ (6,723)

Operating margin		<u>-5%</u>		<u>-4%</u>	<u>-6%</u>		<u>-5%</u>	<u>-2%</u>		<u>-1%</u>											
Income tax expense <sup>3</sup>	\$	<u>(85,023)</u>	\$	<u>3,141</u>	(c,d)	\$	<u>(81,882)</u>	\$	<u>(13,600)</u>	\$	<u>2,195</u>	(c,d)	\$	<u>(11,405)</u>	\$	<u>(3,941)</u>	\$	<u>1,566</u>	(c,d)	\$	<u>(2,375)</u>
				6,875	(a)				3,773	(a)								4,458	(a)		
				(3,618)	(c)				(855)	(c)								794	(c)		
				1,934	(d)				1,910	(d)								1,831	(d)		
				-					-									-			
Net income/(loss) before non-controlling interest	\$	<u>(83,089)</u>		<u>5,191</u>			<u>(77,898)</u>	\$	<u>(25,114)</u>			<u>4,828</u>		<u>(20,286)</u>	\$	<u>(6,338)</u>		<u>7,083</u>			<u>745</u>
				6,875	(a)				3,773	(a)								4,458	(a)		
				(2,338)	(b)				(2,761)	(b)								(3,733)	(b)		
				(3,618)	(c)				(855)	(c)								794	(c)		
				1,934	(d)				1,910	(d)								1,831	(d)		
Net loss from continuing operations attributable to Sohu.com Limited for <b>diluted</b> net loss per ADS	\$	<u>(79,986)</u>		<u>2,853</u>			<u>(77,133)</u>	\$	<u>(20,441)</u>			<u>2,067</u>		<u>(18,374)</u>	\$	<u>(34,932)</u>		<u>3,350</u>			<u>(31,582)</u>
Net loss from discontinued operations attributable to Sohu.com Limited for <b>diluted</b> net loss per ADS		<u>-</u>		<u>-</u>			<u>-</u>		<u>-</u>			<u>-</u>		<u>-</u>		<u>(18,062)</u>		<u>-</u>			<u>(18,062)</u>
Net loss attributable to Sohu.com Limited for <b>diluted</b> net loss per ADS		<u>(79,986)</u>		<u>2,853</u>			<u>(77,133)</u>		<u>(20,441)</u>			<u>2,067</u>		<u>(18,374)</u>		<u>(52,994)</u>		<u>3,350</u>			<u>(49,644)</u>
<b>Diluted</b> net loss from continuing operations per ADS attributable to Sohu.com Limited	\$	<u>(2.04)</u>					<u>(1.96)</u>	\$	<u>(0.52)</u>					<u>(0.47)</u>	\$	<u>(0.89)</u>					<u>(0.80)</u>
<b>Diluted</b> net loss from discontinued operations per ADS attributable to Sohu.com Limited		<u>-</u>					<u>-</u>		<u>-</u>					<u>-</u>		<u>(0.46)</u>					<u>(0.46)</u>

<sup>3</sup> Following completion of the Changyou privatization, Changyou changed its policy for its PRC subsidiaries with respect to distribution of cash dividends. As a result, Changyou recognized an additional accrual of withholding income tax of US\$88 million for the second quarter of 2020.

**Diluted** net loss per ADS  
attributable to Sohu.com  
Limited

<u>(2.04)</u>	<u>(1.96)</u>	<u>(0.52)</u>	<u>(0.47)</u>	<u>(1.35)</u>	<u>(1.27)</u>
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Shares used in computing  
**diluted** net loss per ADS  
attributable to Sohu.com  
Limited

<u>39,271</u>	<u>39,271</u>	<u>39,270</u>	<u>39,270</u>	<u>39,244</u>	<u>39,244</u>
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Note:

- (a) To eliminate the impact of share-based awards as measured using the fair value method. This adjustment does not have any impact on income tax expense.
- (b) To adjust Sohu's economic interests in Changyou and Sogou attributable to the above non-GAAP adjustments. This adjustment does not have any impact on income tax expense.
- (c) To adjust for a change in the fair value of the Company's investment in Hylink and the income tax effect.
- (d) To adjust for the effect of the U.S. TCJA.