

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

	Three Months Ended			Twelve Months Ended	
	Dec. 31, 2021	Sep. 30, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Revenues:					
Brand advertising	\$ 33,638	\$ 33,748	\$ 41,810	\$ 134,967	\$ 146,526
Online games	143,708	166,750	196,063	638,225	536,684
Others	15,645	15,592	15,362	62,384	66,680
Total revenues	<u>192,991</u>	<u>216,090</u>	<u>253,235</u>	<u>835,576</u>	<u>749,890</u>
Cost of revenues:					
Brand advertising (includes share-based compensation expense of \$-115, \$7, \$-59, \$1, and \$177 respectively)	24,214	24,006	28,836	99,522	105,604
Online games (includes share-based compensation expense of \$43, \$78, \$79, \$276, and \$543, respectively)	23,053	28,977	19,154	87,616	91,526
Others	4,477	3,754	5,086	17,533	20,307
Total cost of revenues	<u>51,744</u>	<u>56,737</u>	<u>53,076</u>	<u>204,671</u>	<u>217,437</u>
Gross profit	141,247	159,353	200,159	630,905	532,453
Operating expenses:					
Product development (includes share-based compensation expense of \$437, \$1,118, \$966, \$3,904, and \$7,326 respectively)	68,392	65,898	65,671	268,863	241,941
Sales and marketing (includes share-based compensation expense of \$-186, \$83, \$-95, \$168, and \$458 respectively)	54,793	45,349	51,945	182,690	159,787
General and administrative (includes share-based compensation expense of \$110, \$1,368, \$459, \$4,229, and \$5,976 respectively)	20,970	23,290	15,696	81,880	57,354
Total operating expenses	<u>144,155</u>	<u>134,537</u>	<u>133,312</u>	<u>533,433</u>	<u>459,082</u>
Operating profit/(loss)	(2,908)	24,816	66,847	97,472	73,371
Other income, net	12,982	5,043	1,738	29,416	25,993
Interest income	3,359	4,200	2,670	15,641	7,369
Interest expense	-	(2,501)	(1,176)	(7,500)	(6,234)
Exchange difference	(1,150)	317	(2,080)	(3,462)	(3,800)
Income before income tax expense	<u>12,283</u>	<u>31,875</u>	<u>67,999</u>	<u>131,567</u>	<u>96,699</u>
Income tax expense ⁷	8,695	19,577	21,416	62,296	133,226
Net income/(loss) from continuing operations	<u>3,588</u>	<u>12,298</u>	<u>46,583</u>	<u>69,271</u>	<u>(36,527)</u>
Net income/(loss) from discontinued operations, net of tax ⁸	-	756,768	(9,212)	864,902	(91,793)
Net income/(loss)	<u>3,588</u>	<u>769,066</u>	<u>37,371</u>	<u>934,173</u>	<u>(128,320)</u>
Less: Net income/(loss) from continuing operations attributable to the noncontrolling interest shareholders	(1)	(1)	2	(3)	18,448
Less: Net income/(loss) from discontinued operations attributable to the noncontrolling interest shareholders	-	(65,134)	(6,119)	6,451	(60,656)
Net income/(loss) from continuing operations attributable to Sohu.com Limited	<u>3,589</u>	<u>12,299</u>	<u>46,581</u>	<u>69,274</u>	<u>(54,975)</u>
Net income/(loss) from discontinued operations attributable to Sohu.com Limited	-	821,902	(3,093)	858,451	(31,137)
Net income/(loss) attributable to Sohu.com Limited	<u>3,589</u>	<u>834,201</u>	<u>43,488</u>	<u>927,725</u>	<u>(86,112)</u>
Basic net income/(loss) from continuing operations per share/ADS attributable to Sohu.com Limited ⁹	<u>\$ 0.09</u>	<u>\$ 0.31</u>	<u>\$ 1.18</u>	<u>\$ 1.75</u>	<u>\$ (1.39)</u>
Basic net income/(loss) from discontinued operations per share/ADS attributable to Sohu.com Limited	<u>-</u>	<u>20.75</u>	<u>(0.08)</u>	<u>21.74</u>	<u>(0.79)</u>
Basic net income/(loss) per share/ADS attributable to Sohu.com Limited	<u>\$ 0.09</u>	<u>\$ 21.06</u>	<u>\$ 1.10</u>	<u>\$ 23.49</u>	<u>\$ (2.18)</u>
Shares/ADSs used in computing basic net income/(loss) per share/ADS attributable to Sohu.com Limited	<u>39,373</u>	<u>39,614</u>	<u>39,508</u>	<u>39,501</u>	<u>39,452</u>
Diluted net income/(loss) from continuing operations per share/ADS attributable to Sohu.com Limited	<u>\$ 0.09</u>	<u>\$ 0.31</u>	<u>\$ 1.18</u>	<u>\$ 1.75</u>	<u>\$ (1.40)</u>
Diluted net income/(loss) from discontinued operations per share/ADS attributable to Sohu.com Limited	<u>-</u>	<u>20.75</u>	<u>(0.08)</u>	<u>21.74</u>	<u>(0.79)</u>
Diluted net income/(loss) per share/ADS attributable to Sohu.com Limited	<u>\$ 0.09</u>	<u>\$ 21.06</u>	<u>\$ 1.10</u>	<u>\$ 23.49</u>	<u>\$ (2.19)</u>
Shares/ADSs used in computing diluted net income/(loss) per share/ADS attributable to Sohu.com Limited	<u>39,373</u>	<u>39,614</u>	<u>39,508</u>	<u>39,501</u>	<u>39,452</u>

⁷ Income tax expense for 2020 includes an additional accrual of withholding income tax of US\$88 million recognized by Changyou in the second quarter of 2020, as Changyou changed its policy for its PRC subsidiaries with respect to distribution of cash dividends after the completion of the privatization of Changyou.

⁸ Following the completion on September 23, 2021 of the transaction with Tencent related to Sogou, Sohu no longer has any ownership interest in Sogou. Retrospective adjustments to the historical statements have been made in order to provide a consistent basis of comparison. Unless indicated otherwise, results presented in this release exclude results from Sogou operations. For historical statements, the results of operations of Sogou and the gain from its disposal are presented in separate line items as discontinued operations.

⁹ Each ADS represents one ordinary share.

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 Dec. 31, 2021			Three Months Ended Sep. 30, 2021			Three Months Ended Dec. 31, 2020		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 9,424	\$ (115) (a)	\$ 9,309	\$ 9,742	\$ 7 (a)	\$ 9,749	\$ 12,974	\$ (59) (a)	\$ 12,915
Brand advertising gross margin	<u>28%</u>	<u>(115)</u>	<u>28%</u>	<u>29%</u>	<u>7</u>	<u>29%</u>	<u>31%</u>	<u>(59)</u>	<u>31%</u>
Online games gross profit	\$ 120,655	\$ 43 (a)	\$ 120,698	\$ 137,773	\$ 78 (a)	\$ 137,851	\$ 176,909	\$ 79 (a)	\$ 176,988
Online games gross margin	<u>84%</u>	<u>43</u>	<u>84%</u>	<u>83%</u>	<u>78</u>	<u>83%</u>	<u>90%</u>	<u>79</u>	<u>90%</u>
Others gross profit	\$ 11,168	\$ - (a)	\$ 11,168	\$ 11,838	\$ - (a)	\$ 11,838	\$ 10,276	\$ - (a)	\$ 10,276
Others gross margin	<u>71%</u>	<u>-</u>	<u>71%</u>	<u>76%</u>	<u>-</u>	<u>76%</u>	<u>67%</u>	<u>-</u>	<u>67%</u>
Gross profit	\$ 141,247	\$ (72) (a)	\$ 141,175	\$ 159,353	\$ 85 (a)	\$ 159,438	\$ 200,159	\$ 20 (a)	\$ 200,179
Gross margin	<u>73%</u>	<u>(72)</u>	<u>73%</u>	<u>74%</u>	<u>85</u>	<u>74%</u>	<u>79%</u>	<u>20</u>	<u>79%</u>
Operating expenses	\$ 144,155	\$ (361) (a)	\$ 143,794	\$ 134,537	\$ (2,639) (a)	\$ 131,898	\$ 133,312	\$ (1,330) (a)	\$ 131,982
Operating profit/(loss)	\$ (2,908)	\$ 289 (a)	\$ (2,619)	\$ 24,816	\$ 2,724 (a)	\$ 27,540	\$ 66,847	\$ 1,350 (a)	\$ 68,197
Operating margin	<u>-2%</u>	<u>289</u>	<u>-1%</u>	<u>11%</u>	<u>2,724</u>	<u>13%</u>	<u>26%</u>	<u>1,350</u>	<u>27%</u>
Income tax expense	\$ 8,695	\$ (2,863) (b,c)	\$ 5,832	\$ 19,577	\$ (865) (b,c)	\$ 18,712	\$ 21,416	\$ (8) (b,c)	\$ 21,408
Net income before non-controlling interest	\$ 3,588	\$ (3,381) (a)	\$ 207	\$ 12,298	\$ 5,013 (a)	\$ 17,311	\$ 46,583	\$ 6,087 (a)	\$ 52,670
Net income from continuing operations attributable to Sohu.com Limited for diluted net loss per share/ADS	\$ 3,589	\$ (3,381) (a)	\$ 208	\$ 12,299	\$ 5,013 (a)	\$ 17,312	\$ 46,581	\$ 6,087 (a)	\$ 52,668
Net income/(loss) from discontinued operations attributable to Sohu.com Limited for diluted net loss per share/ADS ¹⁰	\$ -	\$ - (b)	\$ -	\$ 821,902	\$ 320 (b)	\$ 822,222	\$ (3,093)	\$ 425 (b)	\$ (2,668)
Diluted net income from continuing operations per share/ADS attributable to Sohu.com Limited	\$ 0.09	\$ 0.01 (c)	\$ 0.01	\$ 0.31	\$ 0.44 (c)	\$ 0.44	\$ 1.18	\$ 1.33 (c)	\$ 1.33
Diluted net income/(loss) from discontinued operations per share/ADS attributable to Sohu.com Limited	\$ -	\$ -	\$ -	\$ 20.75	\$ 20.76	\$ 20.76	\$ (0.08)	\$ (0.06)	\$ (0.06)
Diluted net income per share/ADS attributable to Sohu.com Limited	\$ 0.09	\$ 0.01	\$ 0.01	\$ 21.06	\$ 21.19	\$ 21.19	\$ 1.10	\$ 1.27	\$ 1.27
Shares/ADSs used in computing diluted net income/(loss) per share/ADS attributable to Sohu.com Limited	<u>39,373</u>	<u>39,373</u>	<u>39,373</u>	<u>39,614</u>	<u>39,614</u>	<u>39,614</u>	<u>39,508</u>	<u>39,508</u>	<u>39,508</u>

Note:

- (a) To eliminate the impact of share-based awards as measured using the fair value method. This adjustment does not have an impact on income tax expense.
(b) To adjust for changes in the fair value of the Company's investments and the income tax effect.
(c) To adjust for the effect of the U.S. TCJA.

¹⁰ Following the completion on September 23, 2021 of the transaction with Tencent related to Sogou, Sohu no longer has any ownership interest in Sogou. Retrospective adjustments to the historical statements have been made in order to provide a consistent basis of comparison. Unless indicated otherwise, results presented in this release exclude results from Sogou operations. For historical statements, the results of operations of Sogou and the gain from its disposal are presented in separate line items as discontinued operations.

SOHU.COM LIMITED
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(UNAUDITED, IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Twelve Months Ended Dec. 31, 2021			Twelve Months Ended Dec. 31, 2020		
	GAAP	Non-GAAP Adjustment	Non- GAAP	GAAP	Non-GAAP Adjustment	Non- GAAP
Brand advertising gross profit	\$ 35,445	\$ 1 ^(a)	\$ 35,446	\$ 40,922	\$ 177 ^(a)	\$ 41,099
Brand advertising gross margin	<u>26%</u>	<u>1</u>	<u>26%</u>	<u>28%</u>	<u>177</u>	<u>28%</u>
Online games gross profit	\$ 550,609	\$ 276 ^(a)	\$ 550,885	\$ 445,158	\$ 543 ^(a)	\$ 445,701
Online games gross margin	<u>86%</u>	<u>276</u>	<u>86%</u>	<u>83%</u>	<u>543</u>	<u>83%</u>
Others gross profit	\$ 44,851	\$ - ^(a)	\$ 44,851	\$ 46,373	\$ - ^(a)	\$ 46,373
Others gross margin	<u>72%</u>	<u>-</u>	<u>72%</u>	<u>70%</u>	<u>-</u>	<u>70%</u>
Gross profit	\$ 630,905	\$ 277 ^(a)	\$ 631,182	\$ 532,453	\$ 720 ^(a)	\$ 533,173
Gross margin	<u>76%</u>	<u>277</u>	<u>76%</u>	<u>71%</u>	<u>720</u>	<u>71%</u>
Operating expenses	\$ 533,433	\$ (8,301) ^(a)	\$ 525,132	\$ 459,082	\$ (13,760) ^(a)	\$ 445,322
Operating profit	\$ 97,472	\$ 8,578 ^(a)	\$ 106,050	\$ 73,371	\$ 14,480 ^(a)	\$ 87,851
Operating margin	<u>12%</u>	<u>8,578</u>	<u>13%</u>	<u>10%</u>	<u>14,480</u>	<u>12%</u>
Income tax expense ¹¹	\$ 62,296	\$ (6,101) ^(c,d)	\$ 56,195	\$ 133,226	\$ (5,985) ^(c,d)	\$ 127,241
Net income/(loss) before non-controlling interest	<u>69,271</u>	<u>9,733</u>	<u>79,004</u>	<u>(36,527)</u>	<u>21,345</u>	<u>(15,182)</u>
		8,578 ^(a)		14,480 ^(a)		
		(3,828) ^(c)		660 ^(c)		
		4,827 ^(d)		6,205 ^(d)		
		156 ^(e)		-(e)		
Net income/(loss) from continuing operations attributable to Sohu.com Limited for diluted net loss per ADS	\$ 69,274	\$ 9,733	\$ 79,007	\$ (55,365)	\$ 18,477	\$ (36,888)
Net income/(loss) from discontinued operations attributable to Sohu.com Limited for diluted net loss per ADS ¹²	\$ 858,431	\$ 1,216	\$ 859,647	\$ (31,139)	\$ 3,048	\$ (28,091)
Net income/(loss) attributable to Sohu.com Limited for diluted net loss per ADS	<u>\$ 927,705</u>	<u>\$ 10,949</u>	<u>\$ 938,654</u>	<u>\$ (86,504)</u>	<u>\$ 21,525</u>	<u>\$ (64,979)</u>
Diluted net income/(loss) from continuing operations per ADS attributable to Sohu.com Limited	\$ 1.75		\$ 2.00	\$ (1.40)		\$ (0.94)
Diluted net income/(loss) from discontinued operations per ADS attributable to Sohu.com Limited	\$ 21.74		\$ 21.76	\$ (0.79)		\$ (0.71)
Diluted net income/(loss) per ADS attributable to Sohu.com Limited, ADS used in computing diluted net income/(loss) per ADS attributable to Sohu.com Limited	<u>\$ 23.49</u>		<u>\$ 23.76</u>	<u>\$ (2.19)</u>		<u>\$ (1.65)</u>
Diluted net income/(loss) per ADS attributable to Sohu.com Limited	<u>\$ 39,501</u>		<u>\$ 39,501</u>	<u>\$ 39,452</u>		<u>\$ 39,452</u>

Note:

- (a) To eliminate the impact of share-based awards as measured using the fair value method. This adjustment does not have an impact on income tax expense.
(b) To adjust Sohu's economic interests in Changyou attributable to the above non-GAAP adjustments. This adjustment does not have an impact on income tax expense.
(c) To adjust for changes in the fair value of the Company's investments and the income tax effect.
(d) To adjust for the effect of the U.S. TCJA.
(e) To adjust for the one-time impairment charge recognized for an investment unrelated to the Company's core businesses.

¹¹ For the income tax expense in 2020, 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 in the second quarter of 2020.

¹² Following the completion on September 23, 2021 of the transaction with Tencent related to Sogou, Sohu no longer has any ownership interest in Sogou. Retrospective adjustments to the historical statements have been made in order to provide a consistent basis of comparison. Unless indicated otherwise, results presented in this release exclude results from Sogou operations. For historical statements, the results of operations of Sogou and the gain from its disposal are presented in separate line items as discontinued operations.