

SOHU.COM INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED, IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Three Months Ended			Twelve Months Ended	
	Dec. 31, 2011	Sep. 30, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Revenues:					
Online advertising					
Brand advertising	\$ 77,736	\$ 76,572	\$ 60,064	\$ 279,189	\$ 211,821
Search and others	<u>22,979</u>	<u>18,410</u>	<u>6,596</u>	<u>62,981</u>	<u>18,649</u>
Subtotal	<u>100,715</u>	<u>94,982</u>	<u>66,660</u>	<u>342,170</u>	<u>230,470</u>
Online games	123,249	115,798	91,735	435,508	327,151
Wireless	14,456	14,210	14,365	52,015	52,320
Others	<u>7,733</u>	<u>7,870</u>	<u>402</u>	<u>22,394</u>	<u>2,836</u>
Total revenues	<u>246,153</u>	<u>232,860</u>	<u>173,162</u>	<u>852,087</u>	<u>612,777</u>
Cost of revenues:					
Online advertising					
Brand advertising (includes stock-based compensation expense of \$438, \$232, \$1,610, \$1,908 and \$4,803, respectively)	32,541	31,643	23,889	112,410	86,684
Search and others (includes stock-based compensation expense of \$0, \$0, \$0, \$0 and \$0, respectively)	<u>7,972</u>	<u>7,521</u>	<u>4,497</u>	<u>26,474</u>	<u>14,243</u>
Subtotal	<u>40,513</u>	<u>39,164</u>	<u>28,386</u>	<u>138,884</u>	<u>100,927</u>
Online games (includes stock-based compensation expense of \$29, \$21, \$44, \$102 and \$194, respectively)	16,341	14,578	8,923	49,837	29,852
Wireless (includes stock-based compensation expense of \$0, \$0, \$0, \$0 and \$0, respectively)	9,154	8,727	7,939	31,882	28,041
Others (includes stock-based compensation expense of \$0, \$0, \$0, \$0 and \$3, respectively)	<u>4,734</u>	<u>4,469</u>	<u>136</u>	<u>16,093</u>	<u>1,487</u>
Total cost of revenues	<u>70,742</u>	<u>66,938</u>	<u>45,384</u>	<u>236,696</u>	<u>160,307</u>
Gross profit	175,411	165,922	127,778	615,391	452,470
Operating expenses:					
Product development (includes stock-based compensation expense of \$1,635, \$1,633, \$2,791, \$6,461 and \$9,692, respectively)	33,348	28,019	23,756	109,519	75,638
Sales and marketing (includes stock-based compensation expense of \$859, \$874, \$1,625, \$3,694 and \$5,027, respectively)	47,957	48,640	27,381	165,090	105,406
General and administrative (includes stock-based compensation expense of \$1,630, \$1,617, \$1,879, \$6,487 and \$7,772, respectively)	18,060	15,655	10,628	58,972	40,895
Goodwill impairment and impairment of acquired intangibles via acquisition of businesses	<u>27,511</u>	<u>-</u>	<u>-</u>	<u>27,511</u>	<u>-</u>
Total operating expenses	<u>126,876</u>	<u>92,314</u>	<u>61,765</u>	<u>361,092</u>	<u>221,939</u>
Operating profit	48,535	73,608	66,013	254,299	230,531
Other income/(expense)	4,561	3,249	504	9,799	(790)
Interest income	5,488	4,314	1,855	15,800	5,889
Exchange difference	<u>(499)</u>	<u>(2,420)</u>	<u>(588)</u>	<u>(5,003)</u>	<u>(1,415)</u>
Income before income tax expenses	58,085	78,751	67,784	274,895	234,215
Income tax expense	<u>10,828</u>	<u>14,441</u>	<u>10,399</u>	<u>46,552</u>	<u>36,031</u>
Net Income	<u>47,257</u>	<u>64,310</u>	<u>57,385</u>	<u>228,343</u>	<u>198,184</u>
Less: Net income attributable to the mezzanine classified noncontrolling interest shareholders	1,105	1,092	-	2,558	-
Net income attributable to the noncontrolling interest shareholders	<u>19,295</u>	<u>16,406</u>	<u>13,409</u>	<u>63,044</u>	<u>49,555</u>
Net income attributable to Sohu.com Inc.	<u>26,857</u>	<u>46,812</u>	<u>43,976</u>	<u>162,741</u>	<u>148,629</u>
Basic net income per share attributable to Sohu.com Inc.	\$ <u>0.71</u>	\$ <u>1.22</u>	\$ <u>1.16</u>	\$ <u>4.26</u>	\$ <u>3.92</u>
Shares used in computing basic net income per share attributable to Sohu.com Inc.	<u>38,076</u>	<u>38,298</u>	<u>37,981</u>	<u>38,216</u>	<u>37,870</u>
Diluted net income per share attributable to Sohu.com Inc.	\$ <u>0.65</u>	\$ <u>1.17</u>	\$ <u>1.07</u>	\$ <u>3.93</u>	\$ <u>3.62</u>

Shares used in computing diluted net income per share attributable to Sohu.com Inc.

38,574

38,844

38,669

38,761

38,445

Note:

(a) Certain amounts from prior periods have been reclassified to conform with current period presentation.

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, 2011			Three Months Ended Sep. 30, 2011			Three Months Ended Dec. 31, 2010		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 45,195	\$ 438 (a)	\$ 45,633	\$ 44,929	\$ 232 (a)	\$ 45,161	\$ 36,175	\$ 1,610 (a)	\$ 37,785
Brand advertising gross margin	58%		59%	59%		59%	60%		63%
Search and others gross profit	\$ 15,007	\$ -	\$ 15,007	\$ 10,889	\$ -	\$ 10,889	\$ 2,099	\$ -	\$ 2,099
Search and others gross margin	65%		65%	59%		59%	32%		32%
Online advertising gross profit	\$ 60,202	\$ 438 (a)	\$ 60,640	\$ 55,818	\$ 232 (a)	\$ 56,050	\$ 38,274	\$ 1,610 (a)	\$ 39,884
Online advertising gross margin	60%		60%	59%		59%	57%		60%
Online games gross profit	\$ 106,908	\$ 29 (a)	\$ 106,937	\$ 101,220	\$ 21 (a)	\$ 101,241	\$ 82,812	\$ 44 (a)	\$ 82,856
Online games gross margin	87%		87%	87%		87%	90%		90%
Wireless gross profit	\$ 5,302	\$ -	\$ 5,302	\$ 5,483	\$ -	\$ 5,483	\$ 6,426	\$ -	\$ 6,426
Wireless gross margin	37%		37%	39%		39%	45%		45%
Others gross profit	\$ 2,999	\$ -	\$ 2,999	\$ 3,401	\$ -	\$ 3,401	\$ 266	\$ -	\$ 266
Others gross margin	39%		39%	43%		43%	66%		66%
Gross profit	\$ 175,411	\$ 467 (a)	\$ 175,878	\$ 165,922	\$ 253 (a)	\$ 166,175	\$ 127,778	\$ 1,654 (a)	\$ 129,432
Gross margin	71%		71%	71%		71%	74%		75%
Operating profit	\$ 48,535	\$ 4,591 (a) 27,511 (b)	\$ 80,637	\$ 73,608	\$ 4,377 (a)	\$ 77,985	\$ 66,013	\$ 7,949 (a)	\$ 73,962
Operating margin	20%		33%	32%		33%	38%		43%
Net income before Non-Controlling Interest	\$ 47,257	\$ 4,591 (a) 26,539 (b) 1,610 (c) (3,150) (d)	\$ 76,847	\$ 64,310	\$ 4,377 (a) 294 (c)	\$ 68,981	\$ 57,385	\$ 7,949 (a) (718) (c)	\$ 64,616

		3,573 (a)																	
		24,635 (b)																	
		1,610 (c)			3,483 (a)			7,122 (a)											
		(2,202) (d)			294 (c)			(718) (c)											
Net income attributable to Sohu.com Inc for diluted net income per share (e)	\$	<u>25,245</u>	\$	<u>27,616</u>	\$	<u>52,861</u>	\$	<u>45,254</u>	\$	<u>3,777</u>	\$	<u>49,031</u>	\$	<u>41,489</u>	\$	<u>6,404</u>	\$	<u>47,893</u>	
Diluted net income per share attributable to Sohu.com Inc.																			
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	\$	<u>0.65</u>			\$	<u>1.36</u>	\$	<u>1.17</u>			\$	<u>1.26</u>	\$	<u>1.07</u>				\$	<u>1.23</u>
		<u>38,574</u>				<u>38,794</u>		<u>38,844</u>				<u>39,068</u>		<u>38,669</u>					<u>39,079</u>

Note:

- (a) To eliminate the impact of share-based awards as measured using the fair value method.
- (b) To adjust goodwill impairment, impairment of intangibles via acquisitions of businesses and the related tax impact.
- (c) To adjust non-cash tax benefits from excess tax deductions related to share-based awards.
- (d) To adjust income from reversal of contingent consideration.
- (e) To adjust Sohu's economic interest in Changyou and Sogou under the treasury stock method and if-converted method, respectively.
- (f) Certain amounts from prior periods have been reclassified to conform with current period presentation.

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, 2011			Twelve Months Ended Dec. 31, 2010		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 166,779	\$ <u>1,908</u> <u>1,908</u>	\$ 168,687	\$ 125,137	\$ <u>4,803</u> <u>4,803</u>	\$ 129,940
Brand advertising gross margin	<u>60%</u>		<u>60%</u>	<u>59%</u>		<u>61%</u>
Search and others gross profit	\$ 36,507	\$ -	\$ 36,507	\$ 4,406	\$ -	\$ 4,406
Search and others gross margin	<u>58%</u>		<u>58%</u>	<u>24%</u>		<u>24%</u>
Online advertising gross profit	\$ 203,286	\$ <u>1,908</u> <u>1,908</u>	\$ 205,194	\$ 129,543	\$ <u>4,803</u> <u>4,803</u>	\$ 134,346
Online advertising gross margin	<u>59%</u>		<u>60%</u>	<u>56%</u>		<u>58%</u>
Online games gross profit	\$ 385,671	\$ <u>102</u> <u>102</u>	\$ 385,773	\$ 297,299	\$ <u>194</u> <u>194</u>	\$ 297,493
Online games gross margin	<u>89%</u>		<u>89%</u>	<u>91%</u>		<u>91%</u>
Wireless gross profit	\$ 20,133	\$ -	\$ 20,133	\$ 24,279	\$ -	\$ 24,279
Wireless gross margin	<u>39%</u>		<u>39%</u>	<u>46%</u>		<u>46%</u>
Others gross profit	\$ 6,301	\$ -	\$ 6,301	\$ 1,349	\$ <u>3</u> <u>3</u>	\$ 1,352
Others gross margin	<u>28%</u>		<u>28%</u>	<u>48%</u>		<u>48%</u>
Gross profit	\$ 615,391	\$ <u>2,010</u> <u>2,010</u>	\$ 617,401	\$ 452,470	\$ <u>5,000</u> <u>5,000</u>	\$ 457,470
Gross margin	<u>72%</u>		<u>72%</u>	<u>74%</u>		<u>75%</u>
Operating profit	\$ 254,299	\$ <u>18,652</u> <u>27,511</u> <u>46,163</u>	\$ 300,462	\$ 230,531	\$ <u>27,491</u> <u>27,491</u>	\$ 258,022
Operating margin	<u>30%</u>		<u>35%</u>	<u>38%</u>		<u>42%</u>
Net income before Non-Controlling Interest	\$ 228,343	\$ <u>18,652</u> <u>26,539</u> <u>3,011</u> <u>(3,150)</u> <u>45,052</u>	\$ 273,395	\$ 198,184	\$ <u>27,491</u> <u>1,170</u> <u>28,661</u>	\$ 226,845
Net income attributable to Sohu.com Inc for diluted net income per share (e)	\$ 152,528	\$ <u>15,322</u> <u>24,635</u> <u>3,011</u> <u>(2,202)</u> <u>40,766</u>	\$ 193,294	\$ 139,335	\$ <u>23,761</u> <u>1,170</u> <u>24,931</u>	\$ 164,266
Diluted net income per share attributable to Sohu.com Inc.	<u>3.93</u>		<u>4.96</u>	<u>3.62</u>		<u>4.21</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,761</u>		<u>39,016</u>	<u>38,445</u>		<u>39,054</u>

Note:

- (a) To eliminate the impact of share-based awards as measured using the fair value method.
- (b) To adjust goodwill impairment, impairment of intangibles via acquisitions of businesses and the related tax impact.
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