

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

	Three Months Ended		
	Jun. 30, 2013	Mar. 31, 2013	Jun. 30, 2012
Revenues:			
Online advertising			
Brand advertising	\$ 100,191	\$ 80,237	\$ 69,312
Search and others	46,171	36,052	28,763
Subtotal	<u>146,362</u>	<u>116,289</u>	<u>98,075</u>
Online games	168,295	167,421	135,956
Wireless	15,313	13,773	15,598
Others	8,934	10,113	6,098
Total revenues	<u>338,904</u>	<u>307,596</u>	<u>255,727</u>
Cost of revenues:			
Online advertising			
Brand advertising (includes stock-based compensation expense of \$67, \$87 and \$-175, respectively)	51,556	44,878	50,963
Search and others (includes stock-based compensation expense of \$3, \$2 and \$38, respectively)	24,498	20,792	16,192
Subtotal	<u>76,054</u>	<u>65,670</u>	<u>67,155</u>
Online games (includes stock-based compensation expense of \$28, \$-19 and \$61, respectively)	22,981	22,650	17,891
Wireless (includes stock-based compensation expense of \$0, \$0, and \$0, respectively)	8,963	9,271	10,208
Others (includes stock-based compensation expense of \$0, \$0 and \$0, respectively)	5,647	5,938	4,590
Total cost of revenues	<u>113,645</u>	<u>103,529</u>	<u>99,844</u>
Gross profit	225,259	204,067	155,883
Operating expenses:			
Product development (includes stock-based compensation expense of \$408, \$350 and \$1,531, respectively)	63,361	51,819	43,340
Sales and marketing (includes stock-based compensation expense of \$201, \$172 and \$497, respectively)	71,678	58,723	48,999
General and administrative (includes stock-based compensation expense of \$532, \$494 and \$1,477, respectively)	25,772	22,589	17,508
Impairment of acquired intangibles via acquisition of businesses	-	-	2,906
Total operating expenses	<u>160,811</u>	<u>133,131</u>	<u>112,753</u>
Operating profit	64,448	70,936	43,130
Other income/(expense)	1,532	2,531	1,818
Interest income	5,498	6,701	7,223
Exchange difference	(1,984)	(1,985)	45
Income before income tax expense	<u>69,494</u>	<u>78,183</u>	<u>52,216</u>
Income tax expense	16,251	20,018	18,467
Net Income	<u>53,243</u>	<u>58,165</u>	<u>33,749</u>
Less: Net income attributable to the mezzanine classified noncontrolling interest shareholders	7,112	10,668	1,095
Net income attributable to the noncontrolling interest shareholders	<u>24,505</u>	<u>23,066</u>	<u>19,872</u>
Net income attributable to Sohu.com Inc.	<u>21,626</u>	<u>24,431</u>	<u>12,782</u>
Basic net income per share attributable to Sohu.com Inc.	<u>\$ 0.57</u>	<u>\$ 0.64</u>	<u>\$ 0.34</u>
Shares used in computing basic net income per share attributable to Sohu.com Inc.	<u>38,259</u>	<u>38,169</u>	<u>38,002</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 0.56</u>	<u>\$ 0.60</u>	<u>\$ 0.28</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,492</u>	<u>38,429</u>	<u>38,347</u>

Note:

- (a) The classification of certain comparative figures of online advertising expenses has been changed to conform to the 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 Jun. 30, 2013			Three Months Ended Mar. 31, 2013			Three Months Ended Jun. 30, 2012		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 48,635	\$ 67 (a)	\$ 48,702	\$ 35,359	\$ 87 (a)	\$ 35,446	\$ 18,349	\$ (175) (a)	\$ 18,174
Brand advertising gross margin	49%		49%	44%		44%	26%		26%
Search and others gross profit	\$ 21,673	\$ 3 (a)	\$ 21,676	\$ 15,260	\$ 2 (a)	\$ 15,262	\$ 12,571	\$ 38 (a)	\$ 12,609
Search and others gross margin	47%		47%	42%		42%	44%		44%
Online advertising gross profit	\$ 70,308	\$ 70 (a)	\$ 70,378	\$ 50,619	\$ 89 (a)	\$ 50,708	\$ 30,920	\$ (137) (a)	\$ 30,783
Online advertising gross margin	48%		48%	44%		44%	32%		31%
Online games gross profit (d)	\$ 145,314	\$ 28 (a)	\$ 145,342	\$ 144,771	\$ (19) (a)	\$ 144,752	\$ 118,065	\$ 61 (a)	\$ 118,126
Online games gross margin	86%		86%	86%		86%	87%		87%
Wireless gross profit	\$ 6,350	\$ -	\$ 6,350	\$ 4,502	\$ -	\$ 4,502	\$ 5,390	\$ -	\$ 5,390
Wireless gross margin	41%		41%	33%		33%	35%		35%
Others gross profit (d)	\$ 3,287	\$ -	\$ 3,287	\$ 4,175	\$ -	\$ 4,175	\$ 1,508	\$ -	\$ 1,508
Others gross margin	37%		37%	41%		41%	25%		25%
Gross profit	\$ 225,259	\$ 98 (a)	\$ 225,357	\$ 204,067	\$ 70 (a)	\$ 204,137	\$ 155,883	\$ (76) (a)	\$ 155,807
Gross margin	66%		66%	66%		66%	61%		61%
Operating profit	\$ 64,448	\$ 1,239 (a)	\$ 65,687	\$ 70,936	\$ 1,086 (a)	\$ 72,022	\$ 43,130	\$ 3,429 (a)	\$ 49,465
Operating margin	19%		19%	23%		23%	17%		19%
Net income before Non-Controlling Interest	\$ 53,243	\$ 1,239 (a)	\$ 54,482	\$ 58,165	\$ 1,086 (a)	\$ 59,251	\$ 33,749	\$ 7,168 (a)	\$ 40,917

		<u>998</u>	(a)			<u>941</u>	(a)		<u>2,610</u>	(a)								
									<u>1,520</u>	(b)								
									<u>1,471</u>	(c)								
Net income attributable to Sohu.com Inc for diluted net income per share (c)	\$	<u>21,503</u>	\$	<u>998</u>	\$	<u>22,501</u>	\$	<u>22,988</u>	\$	<u>941</u>	\$	<u>23,929</u>	\$	<u>10,755</u>	\$	<u>5,601</u>	\$	<u>16,356</u>
Diluted net income per share attributable to Sohu.com Inc.	\$	<u>0.56</u>	\$	<u>0.58</u>	\$	<u>0.60</u>	\$	<u>0.62</u>	\$	<u>0.28</u>	\$	<u>0.42</u>						
Shares used in computing diluted net income per share attributable to Sohu.com Inc.		<u>38,492</u>		<u>38,540</u>		<u>38,429</u>		<u>38,493</u>		<u>38,347</u>		<u>38,504</u>						

Note:

- (a) To eliminate the impact of share-based awards as measured using the fair value method.
- (b) To adjust non-cash tax benefits from excess tax deductions related to share-based awards.
- (c) To adjust Sohu's economic interest in Changyou and Sogou under the treasury stock method and if-converted method, respectively.
- (d) 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.