

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

	Three Months Ended		
	Mar. 31, 2009	Dec. 31, 2008	Mar. 31, 2008
Revenues:			
Advertising			
Brand advertising	\$ 39,074	\$ 45,024	\$ 33,155
Sponsored search	1,562	1,625	1,614
Subtotal of advertising revenues	<u>40,636</u>	<u>46,649</u>	<u>34,769</u>
Non-advertising			
Online game	61,607	58,390	40,955
Wireless	13,378	14,804	8,593
Others	117	1,729	506
Subtotal of non-advertising revenues	<u>75,102</u>	<u>74,923</u>	<u>50,054</u>
Total revenues	115,738	121,572	84,823
Cost of revenues:			
Advertising			
Brand advertising (includes share-based compensation expense under SFAS 123(R) of \$236, \$308 and \$309, respectively)	13,730	15,266	11,252
Sponsored search (includes share-based compensation expense under SFAS 123(R) of \$3, \$3 and \$6, respectively)	2,298	1,916	1,520
Subtotal of cost of advertising revenues	<u>16,028</u>	<u>17,182</u>	<u>12,772</u>
Non-advertising			
Online game (includes stock-based compensation expense under SFAS 123(R) of \$8, \$4 and \$5, respectively)	3,436	4,374	3,208
Wireless	7,643	8,063	3,931
Others (includes share-based compensation expense under SFAS 123(R) of \$0, \$1 and \$2, respectively)	486	614	381
Subtotal of cost of non-advertising revenues	<u>11,565</u>	<u>13,051</u>	<u>7,520</u>
Total cost of revenues	27,593	30,233	20,292
Gross profit	88,145	91,339	64,531
Operating expenses:			
Product development (includes share-based compensation expense under SFAS 123(R) of \$1,274, \$1,580 and \$2,263, respectively)	13,314	14,424	11,479
Sales and marketing (includes share-based compensation expense under SFAS 123(R) of \$285, \$174 and \$280, respectively)	16,826	19,500	16,140
General and administrative (includes share-based compensation expense under SFAS 123(R) of \$481, \$321 and \$645, respectively)	7,894	7,535	6,185
Amortization of intangible assets	74	200	196
Total operating expenses	<u>38,108</u>	<u>41,659</u>	<u>34,000</u>
Operating profit	50,037	49,680	30,531
Other income (expense)	1	(54)	43
Interest income and exchange difference	1,122	1,221	166
Income before income tax expense	51,160	50,847	30,740
Income tax expense (benefit)	6,586	(5,745)	9,185
Income from continuing operations	44,574	56,592	21,555
Loss from discontinued e-commerce operations	-	-	(1)
Net income	44,574	56,592	21,554
Less: Net income attributable to the noncontrolling interest	(21)	(33)	(8)
Net income attributable to Sohu.com Inc.	<u>\$ 44,595</u>	<u>\$ 56,625</u>	<u>\$ 21,562</u>
Basic net income per share attributable to Sohu.com Inc.	<u>\$ 1.17</u>	<u>\$ 1.48</u>	<u>\$ 0.57</u>
Shares used in computing basic net income per share attributable to Sohu.com Inc.	<u>38,162</u>	<u>38,311</u>	<u>37,759</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 1.15</u>	<u>\$ 1.45</u>	<u>\$ 0.55</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,851</u>	<u>39,090</u>	<u>39,037</u>

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

NON-GAAP NET INCOME EXCLUDING SHARE-BASED COMPENSATION EXPENSE

	Three Months Ended Mar. 31, 2009			Three Months Ended Dec. 31, 2008			Three Months Ended Mar. 31, 2008		
	GAAP	Non-GAAP Adjustments (a)	Non-GAAP	GAAP	Non-GAAP Adjustments (a)	Non-GAAP	GAAP	Non-GAAP Adjustments (a)	Non-GAAP
Advertising revenues	\$ 40,636	\$ –	\$ 40,636	\$ 46,649	\$ –	\$ 46,649	\$ 34,769	\$ –	\$ 34,769
Less: Cost of advertising revenues	16,028	(239)	15,789	17,182	(311)	16,871	12,772	(315)	12,457
Advertising gross profit	\$ 24,608	\$ 239	\$ 24,847	\$ 29,467	\$ 311	\$ 29,778	\$ 21,997	\$ 315	\$ 22,312
Advertising gross margin	61%		61%	63%		64%	63%		64%
Non-advertising revenues	\$ 75,102	\$ –	\$ 75,102	\$ 74,923	\$ –	\$ 74,923	\$ 50,054	\$ –	\$ 50,054
Less: Cost of non-advertising revenues	11,565	(8)	11,557	13,051	(5)	13,046	7,520	(7)	7,513
Non-advertising gross profit	\$ 63,537	\$ 8	\$ 63,545	\$ 61,872	\$ 5	\$ 61,877	\$ 42,534	\$ 7	\$ 42,541
Non-advertising gross margin	85%		85%	83%		83%	85%		85%
Total revenues	\$ 115,738	\$ –	\$ 115,738	\$ 121,572	\$ –	\$ 121,572	\$ 84,823	\$ –	\$ 84,823
Less: Total cost of revenues	27,593	(247)	27,346	30,233	(316)	29,917	20,292	(322)	19,970
Gross profit	\$ 88,145	\$ 247	\$ 88,392	\$ 91,339	\$ 316	\$ 91,655	\$ 64,531	\$ 322	\$ 64,853
Gross margin	76%		76%	75%		75%	76%		76%
Operating expenses	\$ 38,108	\$ (2,040)	\$ 36,068	\$ 41,659	\$ (2,075)	\$ 39,584	\$ 34,000	\$ (3,188)	\$ 30,812
Operating profit	50,037	2,287	52,324	49,680	2,391	52,071	30,531	3,510	34,041
Operating margin	43%		45%	41%		43%	36%		40%
Net income attributable to Sohu.com Inc.	\$ 44,595	\$ 2,287	\$ 46,882	\$ 56,625	\$ 2,391	\$ 59,016	\$ 21,562	\$ 3,510	\$ 25,072
Diluted net income per share attributable to Sohu.com Inc.	\$ 1.15		\$ 1.20	\$ 1.45		\$ 1.50	\$ 0.55		\$ 0.64
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	38,851		39,020	39,090		39,281	39,037		39,220

Note:

(a) To eliminate share-based compensation expense as measured using the fair value method under SFAS 123(R).