

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

	<u>Three Months Ended</u>			<u>Nine Months Ended</u>	
	<u>Sep. 30, 2010</u>	<u>Jun. 30, 2010</u>	<u>Sep. 30, 2009</u>	<u>Sep. 30, 2010</u>	<u>Sep. 30, 2009</u>
Revenues:					
Advertising					
Brand advertising	\$ 59,083	\$ 53,162	\$ 48,502	\$ 151,757	\$ 131,197
Sponsored search	5,367	3,891	2,292	12,092	5,623
Subtotal of advertising revenues	<u>64,450</u>	<u>57,053</u>	<u>50,794</u>	<u>163,849</u>	<u>136,820</u>
Online games	85,623	77,721	68,684	235,416	196,887
Wireless and others	13,991	11,323	17,107	40,350	45,701
Total revenues	<u>164,064</u>	<u>146,097</u>	<u>136,585</u>	<u>439,615</u>	<u>379,408</u>
Cost of revenues:					
Advertising					
Brand advertising (includes share-based compensation expense of \$1,022, \$1,204, \$149, \$3,193 and \$646, respectively)	23,256	22,256	15,418	62,795	43,213
Sponsored search (includes share-based compensation expense of \$1, \$1, \$19, \$3 and \$25, respectively)	3,803	3,507	2,728	10,223	7,291
Subtotal of cost of advertising revenues	<u>27,059</u>	<u>25,763</u>	<u>18,146</u>	<u>73,018</u>	<u>50,504</u>
Online games (includes share-based compensation expense of \$40, \$43, \$169, \$150 and \$267, respectively)	8,537	7,008	4,713	20,929	12,086
Wireless and others (includes share-based compensation expense of \$0, \$0, \$11, \$0 and \$12, respectively)	7,580	6,150	10,331	20,976	26,972
Total cost of revenues	<u>43,176</u>	<u>38,921</u>	<u>33,190</u>	<u>114,923</u>	<u>89,562</u>
Gross profit	120,888	107,176	103,395	324,692	289,846
Operating expenses:					
Product development (includes share-based compensation expense of \$2,238, \$2,218, \$2,204, \$6,901 and \$6,777, respectively)	19,454	16,881	14,531	51,853	42,482
Sales and marketing (includes share-based compensation expense of \$1,271, \$1,176, \$152, \$3,402 and \$651, respectively)	25,410	29,606	25,457	78,025	68,093
General and administrative (includes share-based compensation expense of \$1,989, \$1,811, \$1,780, \$5,893 and \$5,007, respectively)	10,619	9,384	10,721	29,886	27,823
Amortization of intangible assets	163	139	93	410	295
Total operating expenses	<u>55,646</u>	<u>56,010</u>	<u>50,802</u>	<u>160,174</u>	<u>138,693</u>
Operating profit	65,242	51,166	52,593	164,518	151,153
Other (expense) / income	(939)	(330)	40	(1,294)	103
Interest income and exchange difference	1,050	958	1,469	3,207	3,865
Income before income tax expense	<u>65,353</u>	<u>51,794</u>	<u>54,102</u>	<u>166,431</u>	<u>155,121</u>
Income tax expense	11,340	6,329	7,022	25,632	21,577
Income from continuing operations	<u>54,013</u>	<u>45,465</u>	<u>47,080</u>	<u>140,799</u>	<u>133,544</u>
Gain from discontinued e-commerce operations	-	-	-	-	446
Net income	<u>54,013</u>	<u>45,465</u>	<u>47,080</u>	<u>140,799</u>	<u>133,990</u>
Less: Net income attributable to the noncontrolling interest	13,004	12,012	9,726	36,146	18,506
Net income attributable to Sohu.com Inc.	<u>41,009</u>	<u>33,453</u>	<u>37,354</u>	<u>104,653</u>	<u>115,484</u>
Basic net income per share attributable to Sohu.com Inc.	<u>\$ 1.08</u>	<u>\$ 0.88</u>	<u>\$ 0.97</u>	<u>\$ 2.77</u>	<u>\$ 3.02</u>
Shares used in computing basic net income per share attributable to Sohu.com Inc.	<u>37,896</u>	<u>37,822</u>	<u>38,410</u>	<u>37,832</u>	<u>38,286</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 1.01</u>	<u>\$ 0.82</u>	<u>\$ 0.88</u>	<u>\$ 2.55</u>	<u>\$ 2.82</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,377</u>	<u>38,289</u>	<u>39,082</u>	<u>38,370</u>	<u>38,985</u>

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

**NON-GAAP NET INCOME EXCLUDING IMPACT OF SHARE-BASED AWARDS**

	<u>Three Months Ended Sep. 30, 2010</u>			<u>Three Months Ended Jun. 30, 2010</u>			<u>Three Months Ended Sep. 30, 2009</u>		
	<u>GAAP</u>	<u>Non-GAAP Adjustments (a)</u>	<u>Non-GAAP</u>	<u>GAAP</u>	<u>Non-GAAP Adjustments (a)</u>	<u>Non-GAAP</u>	<u>GAAP</u>	<u>Non-GAAP Adjustments (a)</u>	<u>Non-GAAP</u>
Advertising revenues	\$ 64,450	–	64,450	\$ 57,053	\$ –	\$ 57,053	\$ 50,794	\$ –	\$ 50,794
Less: Cost of advertising revenues	27,059	(1,023)	26,036	25,763	(1,205)	24,558	18,146	(168)	17,978
Advertising gross profit	<u>\$ 37,391</u>	<u>1,023</u>	<u>38,414</u>	<u>\$ 31,290</u>	<u>\$ 1,205</u>	<u>\$ 32,495</u>	<u>\$ 32,648</u>	<u>\$ 168</u>	<u>\$ 32,816</u>
Advertising gross margin	<u>58%</u>		<u>60%</u>	<u>55%</u>		<u>57%</u>	<u>64%</u>		<u>65%</u>
Online games revenues	\$ 85,623	–	85,623	\$ 77,721	\$ –	\$ 77,721	\$ 68,684	\$ –	\$ 68,684
Less: Cost of online games revenues	8,537	(40)	8,497	7,008	(43)	6,965	4,713	(169)	4,544
Online games gross profit	<u>\$ 77,086</u>	<u>40</u>	<u>77,126</u>	<u>\$ 70,713</u>	<u>\$ 43</u>	<u>\$ 70,756</u>	<u>\$ 63,971</u>	<u>\$ 169</u>	<u>\$ 64,140</u>
Online games gross margin	<u>90%</u>		<u>90%</u>	<u>91%</u>		<u>91%</u>	<u>93%</u>		<u>93%</u>
Wireless and others revenues	\$ 13,991		13,991	\$ 11,323	\$ –	\$ 11,323	\$ 17,107	\$ –	\$ 17,107
Less: Cost of wireless and others revenues	7,580	–	7,580	6,150	–	6,150	10,331	(11)	10,320
Wireless and others gross profit	<u>\$ 6,411</u>	<u>–</u>	<u>6,411</u>	<u>\$ 5,173</u>	<u>\$ –</u>	<u>\$ 5,173</u>	<u>\$ 6,776</u>	<u>\$ 11</u>	<u>\$ 6,787</u>
Wireless and others gross margin	<u>46%</u>		<u>46%</u>	<u>46%</u>		<u>46%</u>	<u>40%</u>		<u>40%</u>
Total revenues	\$ 164,064		164,064	\$ 146,097	\$ –	\$ 146,097	\$ 136,585	\$ –	\$ 136,585
Less: Total cost of revenues	43,176	(1,063)	42,113	38,921	(1,248)	37,673	33,190	(348)	32,842
Gross profit	<u>\$ 120,888</u>	<u>1,063</u>	<u>121,951</u>	<u>\$ 107,176</u>	<u>\$ 1,248</u>	<u>\$ 108,424</u>	<u>\$ 103,395</u>	<u>\$ 348</u>	<u>\$ 103,743</u>
Gross margin	<u>74%</u>		<u>74%</u>	<u>73%</u>		<u>74%</u>	<u>76%</u>		<u>76%</u>
Operating expenses	\$ 55,646	(5,498)	50,148	\$ 56,010	\$ (5,205)	\$ 50,805	\$ 50,802	\$ (4,136)	\$ 46,666
Operating profit	<u>\$ 65,242</u>	<u>6,561</u>	<u>71,803</u>	<u>\$ 51,166</u>	<u>\$ 6,453</u>	<u>\$ 57,619</u>	<u>\$ 52,593</u>	<u>4,484</u>	<u>57,077</u>
Operating margin	<u>40%</u>		<u>44%</u>	<u>35%</u>		<u>39%</u>	<u>39%</u>		<u>42%</u>
Income tax expense / (benefit)	\$ 11,340	(733)	10,607	\$ 6,329	\$ (624)	\$ 5,705	\$ 7,022	–	7,022
Net income before Non-Controlling Interest	<u>\$ 54,013</u>	<u>7,294</u>	<u>61,307</u>	<u>\$ 45,465</u>	<u>\$ 7,077</u>	<u>\$ 52,542</u>	<u>\$ 47,080</u>	<u>4,484</u>	<u>51,564</u>
Net income attributable to Sohu.com Inc. for basic net income per share	<u>\$ 41,009</u>	<u>6,780</u>	<u>47,789</u>	<u>\$ 33,453</u>	<u>\$ 6,511</u>	<u>\$ 39,964</u>	<u>\$ 37,354</u>	<u>\$ 3,567</u>	<u>\$ 40,921</u>
Net income attributable to Sohu.com Inc. for diluted net income per share (b)	<u>\$ 38,654</u>	<u>6,498</u>	<u>45,152</u>	<u>\$ 31,265</u>	<u>\$ 6,187</u>	<u>\$ 37,452</u>	<u>\$ 34,405</u>	<u>\$ 3,001</u>	<u>\$ 37,406</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 1.01</u>		<u>1.16</u>	<u>\$ 0.82</u>		<u>\$ 0.96</u>	<u>\$ 0.88</u>		<u>0.96</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,377</u>		<u>39,019</u>	<u>38,289</u>		<u>39,037</u>	<u>39,082</u>		<u>39,129</u>

Note:

- (a) To eliminate the impact of share-based awards as measured using the fair value method.  
(b) To adjust Sohu's economic interest in Changyou under the treasury stock method.

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**NON-GAAP NET INCOME EXCLUDING IMPACT OF SHARE-BASED AWARDS**

	<u>Nine Months Ended Sep. 30, 2010</u>			<u>Nine Months Ended Sep. 30, 2009</u>		
	<u>GAAP</u>	<u>Non-GAAP Adjustments (a)</u>	<u>Non-GAAP</u>	<u>GAAP</u>	<u>Non-GAAP Adjustments (a)</u>	<u>Non-GAAP</u>
Advertising revenues	\$ 163,849	–	163,849	\$ 136,820	\$ –	\$ 136,820
Less: Cost of advertising revenues	73,018	(3,196)	69,822	50,504	(671)	49,833
Advertising gross profit	<u>\$ 90,831</u>	<u>3,196</u>	<u>94,027</u>	<u>\$ 86,316</u>	<u>\$ 671</u>	<u>\$ 86,987</u>
Advertising gross margin	<u>55%</u>		<u>57%</u>	<u>63%</u>		<u>64%</u>
Online games revenues	\$ 235,416	–	235,416	\$ 196,887	\$ –	\$ 196,887
Less: Cost of online games revenues	20,929	(150)	20,779	12,086	(267)	11,819
Online games gross profit	<u>\$ 214,487</u>	<u>150</u>	<u>214,637</u>	<u>\$ 184,801</u>	<u>\$ 267</u>	<u>\$ 185,068</u>
Online games gross margin	<u>91%</u>		<u>91%</u>	<u>94%</u>		<u>94%</u>
Wireless and others revenues	\$ 40,350	–	40,350	\$ 45,701	\$ –	\$ 45,701
Less: Cost of wireless and others revenues	20,976	–	20,976	26,972	(12)	26,960
wireless and others gross profit	<u>\$ 19,374</u>	<u>–</u>	<u>19,374</u>	<u>\$ 18,729</u>	<u>\$ 12</u>	<u>\$ 18,741</u>
wireless and others gross margin	<u>48%</u>		<u>48%</u>	<u>41%</u>		<u>41%</u>
Total revenues	\$ 439,615	–	439,615	\$ 379,408	\$ –	\$ 379,408
Less: Total cost of revenues	114,923	(3,346)	111,577	89,562	(950)	88,612
Gross profit	<u>\$ 324,692</u>	<u>3,346</u>	<u>328,038</u>	<u>\$ 289,846</u>	<u>\$ 950</u>	<u>\$ 290,796</u>
Gross margin	<u>74%</u>		<u>75%</u>	<u>76%</u>		<u>77%</u>
Operating expenses	\$ 160,174	(16,196)	143,978	\$ 138,693	\$ (12,435)	\$ 126,258
Operating profit	<u>\$ 164,518</u>	<u>19,542</u>	<u>184,060</u>	<u>\$ 151,153</u>	<u>13,385</u>	<u>164,538</u>
Operating margin	<u>37%</u>		<u>42%</u>	<u>40%</u>		<u>43%</u>
Income tax expense	<u>\$ 25,632</u>	<u>(1,888)</u>	<u>23,744</u>	<u>\$ 21,577</u>	<u>–</u>	<u>21,577</u>
Net income before Non-Controlling Interest	<u>\$ 140,799</u>	<u>21,430</u>	<u>162,229</u>	<u>\$ 133,990</u>	<u>13,385</u>	<u>147,375</u>
Net income attributable to Sohu.com Inc. for basic net income per share	<u>\$ 104,653</u>	<u>19,515</u>	<u>124,168</u>	<u>\$ 115,484</u>	<u>11,016</u>	<u>126,500</u>
Net income attributable to Sohu.com Inc. for diluted net income per share (b)	<u>\$ 97,846</u>	<u>18,527</u>	<u>116,373</u>	<u>\$ 109,876</u>	<u>9,611</u>	<u>119,487</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 2.55</u>		<u>2.98</u>	<u>\$ 2.82</u>		<u>3.06</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,370</u>		<u>39,045</u>	<u>38,985</u>		<u>39,082</u>

Note:

- (a) To eliminate the impact of share-based awards as measured using the fair value method.
- (b) To adjust Sohu's economic interest in Changyou under the treasury stock method.
- (c) Certain amounts from prior periods have been reclassified to conform with current period presentation.