

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

	Three Months Ended			Six Months Ended	
	Jun. 30, 2011	Mar. 31, 2011	Jun. 30, 2010	Jun. 30, 2011	Jun. 30, 2010
Revenues:					
Online brand advertising	\$ 67,728	\$ 57,153	\$ 53,162	\$ 124,881	\$ 92,674
Online games	101,531	94,930	77,721	196,461	149,793
Sogou search and start-up page	13,613	7,979	3,872	21,592	6,696
Wireless	11,645	11,704	11,073	23,349	24,361
Others	4,188	2,603	269	6,791	2,027
Total revenues	<u>198,705</u>	<u>174,369</u>	<u>146,097</u>	<u>373,074</u>	<u>275,551</u>
Cost of revenues:					
Online brand advertising (includes stock-based compensation expense of \$536, \$702, \$1,204, \$1,238 and \$2,171, respectively)	25,781	22,445	22,256	48,226	39,539
Online games (includes stock-based compensation expense of \$19, \$33, \$43, \$52 and \$110, respectively)	9,950	8,968	7,008	18,918	12,392
Sogou search and start-up page (includes stock-based compensation expense of \$0, \$0, \$0, \$0 and \$0, respectively)	6,104	4,877	3,343	10,981	6,096
Wireless (includes stock-based compensation expense of \$0, \$0, \$0, \$0 and \$0, respectively)	7,109	6,892	5,810	14,001	12,721
Others (includes stock-based compensation expense of \$0, \$0, \$1, \$0 and \$2, respectively)	4,220	2,670	504	6,890	999
Total cost of revenues	<u>53,164</u>	<u>45,852</u>	<u>38,921</u>	<u>99,016</u>	<u>71,747</u>
Gross profit	145,541	128,517	107,176	274,058	203,804
Operating expenses:					
Product development (includes stock-based compensation expense of \$1,421, \$1,772, \$2,218, \$3,193 and \$4,663, respectively)	24,858	22,782	16,881	47,640	32,399
Sales and marketing (includes stock-based compensation expense of \$872, \$1,089, \$1,176, \$1,961 and \$2,131, respectively)	38,316	30,177	29,606	68,493	52,615
General and administrative (includes stock-based compensation expense of \$1,568, \$1,672, \$1,811, \$3,240 and \$3,904, respectively)	12,982	11,998	9,384	24,980	19,267
Amortization of intangible assets	597	192	139	789	247
Total operating expenses	<u>76,753</u>	<u>65,149</u>	<u>56,010</u>	<u>141,902</u>	<u>104,528</u>
Operating profit	68,788	63,368	51,166	132,156	99,276
Other income/(expense)	1,479	510	(330)	1,989	(355)
Interest income and exchange difference	1,621	2,293	958	3,914	2,157
Income before income tax expenses	<u>71,888</u>	<u>66,171</u>	<u>51,794</u>	<u>138,059</u>	<u>101,078</u>
Income tax expense	10,281	11,002	6,329	21,283	14,292
Net income	<u>61,607</u>	<u>55,169</u>	<u>45,465</u>	<u>116,776</u>	<u>86,786</u>
Less: Net income attributable to the mezzanine classified noncontrolling interest shareholders	361	-	-	361	-
Net income attributable to the noncontrolling interest shareholders	16,981	10,362	12,012	27,343	23,142
Net income attributable to Sohu.com Inc.	<u>44,265</u>	<u>44,807</u>	<u>33,453</u>	<u>89,072</u>	<u>63,644</u>
Basic net income per share attributable to Sohu.com Inc.	<u>\$ 1.16</u>	<u>\$ 1.17</u>	<u>\$ 0.88</u>	<u>\$ 2.33</u>	<u>\$ 1.68</u>
Shares used in computing basic net income per share attributable to Sohu.com Inc.	<u>38,295</u>	<u>38,193</u>	<u>37,822</u>	<u>38,245</u>	<u>37,800</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 1.10</u>	<u>\$ 1.01</u>	<u>\$ 0.82</u>	<u>\$ 2.11</u>	<u>\$ 1.54</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,860</u>	<u>38,767</u>	<u>38,289</u>	<u>38,814</u>	<u>38,366</u>

Note:

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

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

	Three Months Ended Jun. 30, 2011			Three Months Ended Mar. 31, 2011			Three Months Ended Jun. 30, 2010		
	GAAP	Non-GAAP Adjustments (a)	Non-GAAP	GAAP	Non-GAAP Adjustments (a)	Non-GAAP	GAAP	Non-GAAP Adjustments (a)	Non-GAAP
Online brand advertising revenues	\$ 67,728	\$ -	\$ 67,728	\$ 57,153	\$ -	\$ 57,153	\$ 53,162	\$ -	\$ 53,162
Less: Cost of online brand advertising revenues	25,781	(536)	25,245	22,445	(702)	21,743	22,256	(1,204)	21,052
Online brand advertising gross profit	\$ 41,947	\$ 536	\$ 42,483	\$ 34,708	\$ 702	\$ 35,410	\$ 30,906	\$ 1,204	\$ 32,110
Online brand advertising gross margin	62%		63%	61%		62%	58%		60%
Online games revenues	\$ 101,531	\$ -	\$ 101,531	\$ 94,930	\$ -	\$ 94,930	\$ 77,721	\$ -	\$ 77,721
Less: Cost of online games revenues	9,950	(19)	9,931	8,968	(33)	8,935	7,008	(43)	6,965
Online games gross profit	\$ 91,581	\$ 19	\$ 91,600	\$ 85,962	\$ 33	\$ 85,995	\$ 70,713	\$ 43	\$ 70,756
Online games gross margin	90%		90%	91%		91%	91%		91%
Sogou search and start-up page revenues	\$ 13,613	\$ -	\$ 13,613	\$ 7,979	\$ -	\$ 7,979	\$ 3,872	\$ -	\$ 3,872
Less: Cost of Sogou search and start-up page revenues	6,104	-	6,104	4,877	-	4,877	3,343	-	3,343
Sogou search and start-up page gross profit	\$ 7,509	\$ -	\$ 7,509	\$ 3,102	\$ -	\$ 3,102	\$ 529	\$ -	\$ 529
Sogou search and start-up page gross margin	55%		55%	39%		39%	14%		14%
Wireless revenues	\$ 11,645	\$ -	\$ 11,645	\$ 11,704	\$ -	\$ 11,704	\$ 11,073	\$ -	\$ 11,073
Less: Cost of wireless revenues	7,109	-	7,109	6,892	-	6,892	5,810	-	5,810
Wireless gross profit	\$ 4,536	\$ -	\$ 4,536	\$ 4,812	\$ -	\$ 4,812	\$ 5,263	\$ -	\$ 5,263
Wireless gross margin	39%		39%	41%		41%	48%		48%
Others revenues	\$ 4,188	\$ -	\$ 4,188	\$ 2,603	\$ -	\$ 2,603	\$ 269	\$ -	\$ 269
Less: Cost of others revenues	4,220	-	4,220	2,670	-	2,670	504	(1)	503
Others gross profit	\$ (32)	\$ -	\$ (32)	\$ (67)	\$ -	\$ (67)	\$ (235)	\$ 1	\$ (234)
Others gross margin	(1%)		(1%)	(3%)		(3%)	(87%)		(87%)
Total revenues	\$ 198,705	\$ -	\$ 198,705	\$ 174,369	\$ -	\$ 174,369	\$ 146,097	\$ -	\$ 146,097
Less: Total cost of revenues	53,164	(555)	52,609	45,852	(735)	45,117	38,921	(1,248)	37,673
Gross profit	\$ 145,541	\$ 555	\$ 146,096	\$ 128,517	\$ 735	\$ 129,252	\$ 107,176	\$ 1,248	\$ 108,424
Gross margin	73%		74%	74%		74%	73%		74%
Operating expenses	\$ 76,753	\$ (3,861)	\$ 72,892	\$ 65,149	\$ (4,533)	\$ 60,616	\$ 56,010	\$ (5,205)	\$ 50,805
Operating profit	\$ 68,788	\$ 4,416	\$ 73,204	\$ 63,368	\$ 5,268	\$ 68,636	\$ 51,166	\$ 6,453	\$ 57,619
Operating margin	35%		37%	36%		39%	35%		39%
Income tax expense /(benefit)	\$ 10,281	\$ (934)	\$ 9,347	\$ 11,002	\$ (173)	\$ 10,829	\$ 6,329	\$ (624)	\$ 5,705
Net income before noncontrolling interest	\$ 61,607	\$ 5,350	\$ 66,957	\$ 55,169	\$ 5,441	\$ 60,610	\$ 45,465	\$ 7,077	\$ 52,542
Net income attributable to Sohu.com Inc. for basic net income per share	\$ 44,265	\$ 4,849	\$ 49,114	\$ 44,807	\$ 4,908	\$ 49,715	\$ 33,453	\$ 6,511	\$ 39,964
Net income attributable to Sohu.com Inc. for diluted net income per share (b)	\$ 42,693	\$ 4,698	\$ 47,391	\$ 39,336	\$ 4,675	\$ 44,011	\$ 31,265	\$ 6,187	\$ 37,452
Diluted net income per share attributable to Sohu.com Inc.	\$ 1.10		\$ 1.21	\$ 1.01		\$ 1.13	\$ 0.82		\$ 0.96
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	38,860		39,105	38,767		39,097	38,289		39,037

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 and Sogou under the treasury stock method and if-converted method, respectively.
- (c) Certain amounts from prior periods have been reclassified to conform with current period presentation.

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

	Six Months Ended Jun. 30, 2011			Six Months Ended Jun. 30, 2010		
	GAAP	Non-GAAP Adjustments (a)	Non-GAAP	GAAP	Non-GAAP Adjustments (a)	Non-GAAP
Online brand advertising revenues	\$ 124,881	\$ –	\$ 124,881	\$ 92,674	\$ –	\$ 92,674
Less: Cost of online brand advertising revenues	48,226	(1,238)	46,988	39,539	(2,171)	37,368
Online brand advertising gross profit	<u>\$ 76,655</u>	<u>\$ 1,238</u>	<u>\$ 77,893</u>	<u>\$ 53,135</u>	<u>\$ 2,171</u>	<u>\$ 55,306</u>
Online brand advertising gross margin	<u>61%</u>		<u>62%</u>	<u>57%</u>		<u>60%</u>
Online games revenues	\$ 196,461	–	196,461	149,793	–	149,793
Less: Cost of online games revenues	18,918	(52)	18,866	12,392	(110)	12,282
Online games gross profit	<u>\$ 177,543</u>	<u>52</u>	<u>177,595</u>	<u>137,401</u>	<u>110</u>	<u>137,511</u>
Online games gross margin	<u>90%</u>		<u>90%</u>	<u>92%</u>		<u>92%</u>
Sogou search and start-up page revenues	\$ 21,592	–	21,592	6,696	–	6,696
Less: Cost of Sogou search and start-up page revenues	10,981	–	10,981	6,096	–	6,096
Sogou search and start-up page gross profit	<u>\$ 10,611</u>	<u>–</u>	<u>10,611</u>	<u>600</u>	<u>–</u>	<u>600</u>
Sogou search and start-up page gross margin	<u>49%</u>		<u>49%</u>	<u>9%</u>		<u>9%</u>
Wireless revenues	\$ 23,349	–	23,349	24,361	–	24,361
Less: Cost of wireless revenues	14,001	–	14,001	12,721	–	12,721
Wireless gross profit	<u>\$ 9,348</u>	<u>–</u>	<u>9,348</u>	<u>11,640</u>	<u>–</u>	<u>11,640</u>
Wireless gross margin	<u>40%</u>		<u>40%</u>	<u>48%</u>		<u>48%</u>
Others revenues	\$ 6,791	–	6,791	2,027	–	2,027
Less: Cost of others revenues	6,890	–	6,890	999	(2)	997
Others gross profit	<u>\$ (99)</u>	<u>–</u>	<u>(99)</u>	<u>1,028</u>	<u>2</u>	<u>1,030</u>
Others gross margin	<u>(1%)</u>		<u>(1%)</u>	<u>51%</u>		<u>51%</u>
Total revenues	<u>\$ 373,074</u>	<u>\$ –</u>	<u>\$ 373,074</u>	<u>\$ 275,551</u>	<u>\$ –</u>	<u>\$ 275,551</u>
Less: Total cost of revenues	99,016	(1,290)	97,726	71,747	(2,283)	69,464
Gross profit	<u>\$ 274,058</u>	<u>\$ 1,290</u>	<u>\$ 275,348</u>	<u>\$ 203,804</u>	<u>\$ 2,283</u>	<u>\$ 206,087</u>
Gross margin	<u>73%</u>		<u>74%</u>	<u>74%</u>		<u>75%</u>
Operating expenses	\$ 141,902	\$ (8,394)	\$ 133,508	\$ 104,528	\$ (10,698)	\$ 93,830
Operating profit	<u>\$ 132,156</u>	<u>9,684</u>	<u>141,840</u>	<u>99,276</u>	<u>12,981</u>	<u>112,257</u>
Operating margin	<u>35%</u>		<u>38%</u>	<u>36%</u>		<u>41%</u>
Income tax expense /(benefit)	\$ 21,283	(1,107)	20,176	14,292	(1,155)	13,137
Net income before noncontrolling interest	<u>\$ 116,776</u>	<u>10,791</u>	<u>127,567</u>	<u>86,786</u>	<u>14,136</u>	<u>100,922</u>
Net income attributable to Sohu.com Inc. for basic net income per share	<u>\$ 89,072</u>	<u>9,757</u>	<u>98,829</u>	<u>63,644</u>	<u>12,735</u>	<u>76,379</u>
Net income attributable to Sohu.com Inc. for diluted net income per share (b)	<u>\$ 82,029</u>	<u>9,373</u>	<u>91,402</u>	<u>59,192</u>	<u>12,029</u>	<u>71,221</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 2.11</u>		<u>2.34</u>	<u>1.54</u>		<u>1.82</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,814</u>		<u>39,102</u>	<u>38,366</u>		<u>39,058</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 and Sogou under the treasury stock method and if-converted method, respectively.
- (c) Certain amounts from prior periods have been reclassified to conform with current period presentation.