

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

	Three Months Ended		
	Mar. 31, 2012	Dec. 31, 2011	Mar. 31, 2011
Revenues:			
Online advertising			
Brand advertising	\$ 60,968	\$ 77,736	\$ 57,153
Search and others	21,637	22,979	7,979
Subtotal	<u>82,605</u>	<u>100,715</u>	<u>65,132</u>
Online games	127,446	123,249	94,930
Wireless	13,351	14,456	11,704
Others	3,202	7,733	2,603
Total revenues	<u>226,604</u>	<u>246,153</u>	<u>174,369</u>
Cost of revenues:			
Online advertising			
Brand advertising (includes stock-based compensation expense of \$194, \$438 and \$702, respectively)	36,892	30,449	21,784
Search and others (includes stock-based compensation expense of \$5, \$0 and \$0, respectively)	13,128	10,779	6,665
Subtotal	<u>50,020</u>	<u>41,228</u>	<u>28,449</u>
Online games (includes stock-based compensation expense of \$71, \$29 and \$33, respectively)	16,408	16,341	8,968
Wireless (includes stock-based compensation expense of \$0, \$0, and \$0, respectively)	8,853	9,154	6,892
Others (includes stock-based compensation expense of \$0, \$0 and \$0, respectively)	4,241	4,734	2,670
Total cost of revenues	<u>79,522</u>	<u>71,457</u>	<u>46,979</u>
Gross profit	147,082	174,696	127,390
Operating expenses:			
Product development (includes stock-based compensation expense of \$1,172, \$1,635 and \$1,772, respectively)	38,593	34,612	23,223
Sales and marketing (includes stock-based compensation expense of \$534, \$859 and \$1,089, respectively)	38,654	45,912	28,633
General and administrative (includes stock-based compensation expense of \$954, \$1,630 and \$1,672, respectively)	17,794	18,126	12,166
Goodwill impairment and impairment of acquired intangibles via acquisition of businesses	-	27,511	-
Total operating expenses	<u>95,041</u>	<u>126,161</u>	<u>64,022</u>
Operating profit	52,041	48,535	63,368
Other income/(expense)	1,613	4,561	510
Interest income	6,495	5,488	2,719
Exchange difference	(643)	(499)	(426)
Income before income tax expenses	<u>59,506</u>	<u>58,085</u>	<u>66,171</u>
Income tax expense	18,687	10,828	11,002
Net Income	<u>40,819</u>	<u>47,257</u>	<u>55,169</u>
Less: Net income attributable to the mezzanine classified noncontrolling interest shareholders	1,111	1,105	-
Net income attributable to the noncontrolling interest shareholders	<u>16,600</u>	<u>19,295</u>	<u>10,362</u>
Net income attributable to Sohu.com Inc.	<u>23,108</u>	<u>26,857</u>	<u>44,807</u>
Basic net income per share attributable to Sohu.com Inc.	<u>\$ 0.61</u>	<u>\$ 0.71</u>	<u>\$ 1.17</u>
Shares used in computing basic net income per share attributable to Sohu.com Inc.	<u>38,084</u>	<u>38,076</u>	<u>38,193</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 0.53</u>	<u>\$ 0.65</u>	<u>\$ 1.01</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,485</u>	<u>38,574</u>	<u>38,767</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 Mar. 31, 2012			Three Months Ended Dec. 31, 2011			Three Months Ended Mar. 31, 2011		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 24,076	194 (a)	\$ 24,270	\$ 47,287	438 (a)	\$ 47,725	\$ 35,369	702 (a)	\$ 36,071
Brand advertising gross margin	39%		40%	61%		61%	62%		63%
Search and others gross profit	\$ 8,509	5 (a)	\$ 8,514	\$ 12,200	-	\$ 12,200	\$ 1,314	-	\$ 1,314
Search and others gross margin	39%		39%	53%		53%	16%		16%
Online advertising gross profit	\$ 32,585	199 (a)	\$ 32,784	\$ 59,487	438 (a)	\$ 59,925	\$ 36,683	702 (a)	\$ 37,385
Online advertising gross margin	39%		40%	59%		59%	56%		57%
Online games gross profit	\$ 111,038	71 (a)	\$ 111,109	\$ 106,908	29 (a)	\$ 106,937	\$ 85,962	33 (a)	\$ 85,995
Online games gross margin	87%		87%	87%		87%	91%		91%
Wireless gross profit	\$ 4,498	-	\$ 4,498	\$ 5,302	-	\$ 5,302	\$ 4,812	-	\$ 4,812
Wireless gross margin	34%		34%	37%		37%	41%		41%
Others gross profit	\$ (1,039)	-	\$ (1,039)	\$ 2,999	-	\$ 2,999	\$ (67)	-	\$ (67)
Others gross margin	-32%		-32%	39%		39%	-3%		-3%
Gross profit	\$ 147,082	270 (a)	\$ 147,352	\$ 174,696	467 (a)	\$ 175,163	\$ 127,390	735 (a)	\$ 128,125
Gross margin	65%		65%	71%		71%	73%		73%
Operating profit	\$ 52,041	2,930 (a)	\$ 54,971	\$ 48,535	4,591 (a)	\$ 80,637	\$ 63,368	5,268 (a)	\$ 68,636
Operating margin	23%		24%	20%		33%	36%		39%
Net income before Non-Controlling Interest	\$ 40,819	2,930 (a) 1,048 (c)	\$ 44,797	\$ 47,257	4,591 (a) 26,539 (b) 1,610 (c) (3,150) (d)	\$ 76,847	\$ 55,169	5,268 (a) 173 (c)	\$ 60,610

					3,573	(a)												
					24,635	(b)												
		2,380	(a)		1,610	(c)		4,502	(a)									
		<u>1,048</u>	(c)		<u>(2,202)</u>	(d)		<u>173</u>	(c)									
Net income attributable to Sohu.com Inc for diluted net income per share (e)	\$	<u>20,243</u>	\$	<u>3,428</u>	\$	<u>23,671</u>	\$	<u>25,245</u>	\$	<u>27,616</u>	\$	<u>52,861</u>	\$	<u>39,336</u>	\$	<u>4,675</u>	\$	<u>44,011</u>
Diluted net income per share attributable to Sohu.com Inc.	\$	<u>0.53</u>		\$	<u>0.61</u>	\$	<u>0.65</u>		\$	<u>1.36</u>	\$	<u>1.01</u>		\$	<u>1.13</u>			
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	\$	<u>38,485</u>			<u>38,658</u>		<u>38,574</u>			<u>38,794</u>		<u>38,767</u>			<u>39,097</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) The classification of certain comparative figures of online advertising expenses has been changed to conform to the current period presentation.