

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

	Three Months Ended			Twelve Months Ended	
	Dec. 31, 2012	Sep. 30, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Revenues:					
Online advertising					
Brand advertising	\$ 82,051	\$ 77,874	\$ 77,736	\$ 290,205	\$ 279,189
Search and others	38,705	35,284	22,979	124,389	62,981
Subtotal	<u>120,756</u>	<u>113,158</u>	<u>100,715</u>	<u>414,594</u>	<u>342,170</u>
Online games	158,942	151,093	123,249	574,653	435,508
Wireless	12,632	14,312	14,456	55,893	52,015
Others	7,162	6,815	7,733	22,061	22,394
Total revenues	<u>299,492</u>	<u>285,378</u>	<u>246,153</u>	<u>1,067,201</u>	<u>852,087</u>
Cost of revenues:					
Online advertising					
Brand advertising (includes stock-based compensation expense of \$155, \$150, \$438, \$324 and \$1,908, respectively)	35,864	37,476	30,449	161,195	107,391
Search and others (includes stock-based compensation expense of \$23, \$21, \$0, \$87 and \$0, respectively)	21,572	19,736	10,779	70,628	35,144
Subtotal	<u>57,436</u>	<u>57,212</u>	<u>41,228</u>	<u>231,823</u>	<u>142,535</u>
Online games (includes stock-based compensation expense of \$44, \$61, \$29, \$237 and \$102, respectively)	22,124	21,026	16,341	77,859	49,837
Wireless (includes stock-based compensation expense of \$0, \$0, \$0, \$0 and \$0, respectively)	8,358	9,474	9,154	36,893	31,882
Others (includes stock-based compensation expense of \$0, \$0, \$0, \$0 and \$0, respectively)	5,625	9,037	4,734	23,083	16,093
Total cost of revenues	<u>93,543</u>	<u>96,749</u>	<u>71,457</u>	<u>369,658</u>	<u>240,347</u>
Gross profit	205,949	188,629	174,696	697,543	611,740
Operating expenses:					
Product development (includes stock-based compensation expense of \$1,191, \$1,316, \$1,635, \$5,210 and \$6,461, respectively)	52,432	46,994	34,612	181,359	112,617
Sales and marketing (includes stock-based compensation expense of \$536, \$582, \$859, \$2,149 and \$3,694, respectively)	68,833	58,250	45,912	214,736	158,187
General and administrative (includes stock-based compensation expense of \$1,815, \$1,713, \$1,630, \$5,959 and \$6,487, respectively)	20,275	19,666	18,126	75,243	59,126
Goodwill impairment and impairment of acquired intangibles via acquisition of businesses	-	-	27,511	2,906	27,511
Total operating expenses	<u>141,540</u>	<u>124,910</u>	<u>126,161</u>	<u>474,244</u>	<u>357,441</u>
Operating profit	64,409	63,719	48,535	223,299	254,299
Other income/(expense)	2,102	(111)	4,561	5,422	9,799
Interest income	5,585	5,974	5,488	25,277	15,800
Exchange difference	(704)	667	(499)	(635)	(5,003)
Income before income tax expenses	71,392	70,249	58,085	253,363	274,895
Income tax expense	20,290	18,727	10,828	76,171	46,552
Net Income	<u>51,102</u>	<u>51,522</u>	<u>47,257</u>	<u>177,192</u>	<u>228,343</u>
Less: Net income attributable to the mezzanine classified noncontrolling interest shareholders	4,495	4,495	1,105	11,196	2,558
Net income attributable to the noncontrolling interest shareholders	21,219	21,146	19,295	78,837	63,044
Net income attributable to Sohu.com Inc.	<u>25,388</u>	<u>25,881</u>	<u>26,857</u>	<u>87,159</u>	<u>162,741</u>
Basic net income per share attributable to Sohu.com Inc.	\$ 0.67	\$ 0.68	\$ 0.71	\$ 2.29	\$ 4.26
Shares used in computing basic net income per share attributable to Sohu.com Inc.	<u>38,046</u>	<u>38,022</u>	<u>38,076</u>	<u>38,038</u>	<u>38,216</u>
Diluted net income per share attributable to Sohu.com Inc.	\$ 0.60	\$ 0.63	\$ 0.65	\$ 2.03	\$ 3.93
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,393</u>	<u>38,344</u>	<u>38,574</u>	<u>38,392</u>	<u>38,761</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 Dec. 31, 2012			Three Months Ended Sep. 30, 2012			Three Months Ended Dec. 31, 2011		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 46,187	155 (a)	46,342	\$ 40,398	150 (a)	40,548	\$ 47,287	438 (a)	47,725
Brand advertising gross margin	56%		56%	52%		52%	61%		61%
Search and others gross profit	\$ 17,133	23 (a)	17,156	\$ 15,548	21 (a)	15,569	\$ 12,200	-	12,200
Search and others gross margin	44%		44%	44%		44%	53%		53%
Online advertising gross profit	\$ 63,320	178 (a)	63,498	\$ 55,946	171 (a)	56,117	\$ 59,487	438 (a)	59,925
Online advertising gross margin	52%		53%	49%		50%	59%		59%
Online games gross profit	\$ 136,818	44 (a)	136,862	\$ 130,067	61 (a)	130,128	\$ 106,908	29 (a)	106,937
Online games gross margin	86%		86%	86%		86%	87%		87%
Wireless gross profit	\$ 4,274	-	4,274	\$ 4,838	-	4,838	\$ 5,302	-	5,302
Wireless gross margin	34%		34%	34%		34%	37%		37%
Others gross profit	\$ 1,537	-	1,537	\$ (2,222)	-	(2,222)	\$ 2,999	-	2,999
Others gross margin	21%		21%	-33%		-33%	39%		39%
Gross profit	\$ 205,949	222 (a)	206,171	\$ 188,629	232 (a)	188,861	\$ 174,696	467 (a)	175,163
Gross margin	69%		69%	66%		66%	71%		71%
Operating profit	\$ 64,409	3,764 (a)	68,173	\$ 63,719	3,843 (a)	67,562	\$ 48,535	4,591 (a)	80,637
Operating margin	22%		23%	22%		24%	20%		33%
Net income before Non-Controlling Interest	\$ 51,102	3,764 (a) 2,099 (c)	56,965	\$ 51,522	3,843 (a) 973 (c) 2,195 (d)	58,533	\$ 47,257	4,591 (a) 26,539 (b) 1,610 (c) (3,150) (d)	76,847

SOHU.COM INC.
RECONCILIATIONS OF NON-GAAP RESULTS OF OPERATION MEASURES TO THE NEAREST COMPARABLE GAAP MEASURES
(UNAUDITED, IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Twelve Months Ended Dec. 31, 2012			Twelve Months Ended Dec. 31, 2011		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 129,010	324 (a)	129,334	\$ 171,798	1,908 (a)	\$ 173,706
Brand advertising gross margin	44%		45%	62%		62%
Search and others gross profit	\$ 53,761	87 (a)	53,848	\$ 27,837	-	\$ 27,837
Search and others gross margin	43%		43%	44%		44%
Online advertising gross profit	\$ 182,771	411 (a)	183,182	\$ 199,635	1,908 (a)	\$ 201,543
Online advertising gross margin	44%		44%	58%		59%
Online games gross profit	\$ 496,794	237 (a)	497,031	\$ 385,671	102 (a)	\$ 385,773
Online games gross margin	86%		86%	89%		89%
Wireless gross profit	\$ 19,000	-	19,000	\$ 20,133	-	\$ 20,133
Wireless gross margin	34%		34%	39%		39%
Others gross profit	\$ (1,022)	-	(1,022)	\$ 6,301	-	\$ 6,301
Others gross margin	-5%		-5%	28%		28%
Gross profit	\$ 697,543	648 (a)	698,191	\$ 611,740	2,010 (a)	\$ 613,750
Gross margin	65%		65%	72%		72%
Operating profit	\$ 223,299	13,966 (a) 2,906 (b)	240,171	\$ 254,299	18,652 (a) 27,511 (b)	\$ 300,462
Operating margin	21%		23%	30%		35%
Net income before Non-Controlling Interest	\$ 177,192	13,966 (a) 2,268 (b) 5,591 (c) 2,195 (d)	201,212	\$ 228,343	18,652 (a) 26,539 (b) 3,011 (c) (3,150) (d)	\$ 273,395
Net income attributable to Sohu.com Inc for diluted net income per share (e)	\$ 78,077	11,094 (a) 1,520 (b) 5,591 (c) 1,471 (d)	97,753	\$ 152,528	15,322 (a) 24,635 (b) 3,011 (c) (2,202) (d)	\$ 193,294
Diluted net income per share attributable to Sohu.com Inc.	\$ 2.03		2.54	\$ 3.93		\$ 4.96
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	38,392		38,480	38,761		39,016

- 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/expense from the adjustment of contingent consideration previously recorded for acquisitions.
 - (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.