
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): October 26, 2009

SOHU.COM INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
Of incorporation)

0-30961
(Commission
File Number)

98-0204667
(I.R.S. Employer
Identification No.)

**Level 12, Sohu.com Internet Plaza
No. 1 Unit Zhongguancun East Road, Haidian District
Beijing 100084
People's Republic of China
(011) 8610-6272-6666**

(Address, including zip code, of registrant's principal executive offices
and registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On October 26, 2009, the registrant announced its unaudited financial results for the third quarter ended September 30, 2009. A copy of the press release issued by the registrant regarding the foregoing is filed herewith as Exhibit 99.1 and is incorporated herein by reference.

Safe Harbor Statement

This current report on Form 8-K contains forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them.

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement.

Potential risks and uncertainties include, but are not limited to, the current global financial and credit markets crisis and its potential impact on the Chinese economy, the slower growth the Chinese economy experienced during the latter half of 2008, and first three quarters of 2009, which could continue through the remainder of 2009, the uncertain regulatory landscape in the People's Republic of China, fluctuations in Sohu's quarterly operating results, EPS dilution resulting from Changyou.com Limited's initial public offering, Sohu's historical and possible future losses, and its reliance on online advertising sales, online games and wireless services (most wireless revenues are collected from a few mobile network operators) for its revenues. Further information regarding these and other risks is included in Sohu's Annual Report on Form 10-K for the year ended December 31, 2008, Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, and other filings with the Securities and Exchange Commission.

Item 9.01. Financial Statements and Exhibits

(c) Exhibits.

99.1 Press Release dated October 26, 2009

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DATED: October 28, 2009

SOHU.COM INC.

By: _____ /s/ Carol Yu
Co-President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release dated October 26, 2009



SOHU.COM REPORTS THIRD QUARTER 2009 UNAUDITED FINANCIAL RESULTS

Record Total Revenues Up 13% Year-on-Year to US\$136.6 Million

Non-GAAP Fully Diluted EPS of US\$0.96, Close to High End of Company Guidance

BEIJING, CHINA, October 26, 2009 – Sohu.com Inc. (NASDAQ: SOHU), China's leading online media, communications, search, online games and mobile value-added services company, today reported unaudited financial results for the third quarter ended September 30, 2009.

Third Quarter Highlights

- Total revenues reached record US\$136.6 million, up 13% year-on-year, in line with the Company's guidance.
- Brand advertising revenues were US\$48.5 million, in line with the Company's guidance.
- Online game revenues reached a record US\$68.7 million, up 26% year-on-year and 3% quarter-on-quarter, in line with the company guidance.
- Before deducting the share of net income pertaining to the Non-Controlling Interest in Changyou, non-GAAP net income for the third quarter of 2009 was US\$51.6 million, close to the high end of the Company's guidance, up 21% year-on-year and 5% quarter-on-quarter.
- After deducting the share of net income pertaining to the Non-Controlling Interest in Changyou, non-GAAP net income for the third quarter of 2009 was US\$37.4 million, or US 96 cents per fully diluted share, close to the high end of the Company's guidance.

Explanation of the Company's non-GAAP financial measures and related reconciliations to GAAP financial measures are included in the accompanying "Non-GAAP Disclosure" and the "Reconciliation to Unaudited Condensed Consolidated Statements of Operations."

Dr. Charles Zhang, Chairman and CEO of Sohu.com, commented, "This quarter marks another achievement of record total revenues as we continue successes in both our portal and online game businesses. We are pleased to receive external recognition for the success of our business from *Fortune* magazine, which ranked us as the third-fastest growing U.S.-listed company in August of this year."

"Our investments in branding, online content and advanced technologies are attracting new users and advertisers and are helping us to deliver on our long-term strategy to build China's leading mainstream media platform," continued Dr. Zhang. "Our online game business also continues to deliver record results. The strong foundation established by the successful performance and increasing popularity of our existing games allows us to strategically license high-quality games and invest in new technologies to further enrich and diversify our game portfolio. We remain confident that our online game business will retain its leadership position while continuing to capture additional market share."

Commenting on Sohu's brand advertising business, Ms. Belinda Wang, Co-President and Chief Marketing Officer of Sohu.com, added, "Brand advertising revenues over the first nine months of 2009 grew 5.6% year-on-year, despite the global financial crisis and the tough comparison from heavy ad spending pertaining to the 2008 Beijing Olympic Games. As advertisers increasingly demand targeted, cost-effective advertising, they are shifting greater proportions of their advertising budgets to Internet media from traditional advertising. With one of China's most powerful mainstream media platforms, we are well positioned to benefit from this ongoing trend."

Third Quarter Financial Results

Revenues

Total revenues for the third quarter ended September 30, 2009 were US\$136.6 million, representing increases of 7% sequentially and 13% year-on-year.

Brand advertising revenues for the third quarter of 2009 totaled US\$48.5 million, representing a sequential increase of 11% and a decrease of 2% year-on-year.

Online game revenues for the third quarter of 2009 were US\$68.7 million, representing increases of 3% sequentially and 26% year-on-year.

Wireless revenues for the third quarter of 2009 were US\$16.8 million, representing increases of 12% sequentially and 16% year-on-year. The increase in wireless revenues was mainly a result of the Company promoting its products through a greater number of channels.

Gross Margin

Gross margin was 76% in the third quarter of 2009, compared with 77% in the second quarter of 2009 and 74% in the third quarter of 2008. Non-GAAP gross margin for the third quarter of 2009 was 76%, compared with 78% in the second quarter of 2009 and 74% in the third quarter of 2008.

Brand advertising gross margin for the third quarter of 2009 was 68%, compared with 68% in the second quarter of 2009 and 62% in the third quarter of 2008. Non-GAAP brand advertising gross margin for the third quarter of 2009 was 69%, compared with 68% in the second quarter of 2009 and 62% in the third quarter of 2008.

Online game gross margin for the third quarter of 2009 was 93%, compared with 94% in the second quarter of 2009 and 94% in the third quarter of 2008. Non-GAAP online game gross margin in the third quarter of 2009 was also 93%, compared with 94% in the second quarter of 2009 and 94% in the third quarter of 2008.

Wireless gross margin for the third quarter of 2009 was 43%, compared with 45% in the second quarter of 2009 and 51% in the third quarter of 2008. Non-GAAP wireless gross margin for the third quarter of 2009 was 43%, compared with 45% in the second quarter of 2009 and 51% in the third quarter of 2008.

Operating Expenses

For the third quarter of 2009, Sohu's operating expenses totaled US\$50.8 million. Non-GAAP operating expenses totaled US\$46.7 million, up 7% sequentially from US\$43.5 million and up 9% year-on-year. The quarter-on-quarter and year-on-year increases primarily reflect increases in salaries and compensation expenses as a result of increased headcount and an increase in professional fees.

Operating Margin

Non-GAAP operating profit margin was 42% for the third quarter of 2009, compared with 43% in the previous quarter and 38% in the third quarter of 2008.

Income Tax Expense

For the third quarter of 2009, income tax expense was US\$7.0 million, compared with US\$8.0 million in the previous quarter.

Net Income

Before deducting the share of net income pertaining to the Non-Controlling Interest in Changyou, GAAP net income for the third quarter of 2009 was US\$47.1 million, up 11% quarter-on-quarter and 17% year-on-year. Non-GAAP net income for the third quarter of 2009 was US\$51.6 million, up 5% quarter-on-quarter and 21% year-on-year, in line with the Company's guidance.

After deducting the share of net income pertaining to the Non-Controlling Interest in Changyou, GAAP net income for the third quarter of 2009 was US\$34.4 million, or US 88 cents per fully diluted share. Non-GAAP net income for the third quarter of 2009 was US\$37.4 million, or US 96 cents per fully diluted share, an increase of 6% quarter-on-quarter, in line with the Company's guidance.

Cash Balance

The Company continued to maintain a debt-free balance sheet and a strong cash position of US\$596.4 million as of September 30, 2009.

Stock Repurchase Program

For the third quarter of 2009, no shares were repurchased under the US\$150 million share repurchase program approved by the Company's Board of Directors in October 2008. As of September 30, 2009, approximately 500,000 shares had been repurchased under this program for a total consideration of US\$20 million.

Supplementary Metrics for the Company's Third Quarter Online Game Results

Operations

Aggregate registered accounts for Changyou's games as of September 30, 2009 increased 9% quarter-on-quarter and 46% year-on-year to 75.1 million.

Aggregate active paying accounts ("APA") for Changyou's games increased 1% quarter-on-quarter and 20% year-on-year to 2.4 million.

Aggregate average revenue per active paying account ("ARPU") for Changyou's games increased 2% quarter-on-quarter and 7% year-on-year to RMB190, which Changyou believes is within a range that is affordable for the majority of Chinese game players.

Aggregate peak concurrent users ("PCU") for Changyou's games was approximately 910,000, a decrease of 4% quarter-on-quarter and an increase of 18% year-on-year.

Revenue

Total online game revenues for the third quarter of 2009 increased 3% quarter-on-quarter and 26% year-on-year to US\$68.7 million.

Revenues from game operations for the third quarter of 2009 increased 3% quarter-on-quarter and 29% year-on-year to US\$66.9 million. The increases were mainly due to increased popularity of Changyou's flagship game, TLBB.

Overseas licensing revenues for the third quarter of 2009 increased 9% quarter-on-quarter and decreased 33% year-on-year to US\$1.8 million. The sequential increase was mainly due to increased momentum of TLBB in Vietnam and Malaysia. The year-on-year decrease was largely the result of greater competition in mature online game markets abroad.

Ms. Carol Yu, Co-President and CFO of Sohu.com, commented, “Our complementary businesses generated record total revenues for the tenth out of the past eleven quarters as our leading mainstream media platform captures increasing market share. By remaining focused on our key strategies, we have been able to maintain our growth momentum over the first nine months of 2009, an impressive accomplishment given our very strong results in 2008 due to the Beijing Olympic Games. We are confident in the future of our business and we continue to actively pursue effective ways to leverage our strong balance sheet and leading market position to provide additional long-term value to our shareholders.”

Business Outlook

Sohu estimates total revenues for the fourth quarter of 2009 to be between US\$134.5 million and US\$138.5 million, with advertising revenues of US\$48.0 million to US\$50.0 million.

Sohu estimates brand advertising revenues for the fourth quarter of 2009 to be between US\$45.0 million and US\$47.0 million.

Sohu estimates online game revenues for the fourth quarter of 2009 to be between US\$69.0 million and US\$71.0 million.

Sohu estimates non-GAAP net income for the fourth quarter of 2009, before deducting the share of non-GAAP net income pertaining to the Non-Controlling Interest in Changyou, to be between US\$49.5 million to US\$51.5 million. After deducting the share of non-GAAP net income pertaining to the Non-Controlling Interest in Changyou, Sohu estimates non-GAAP net income for the fourth quarter of 2009 to be between US\$35.0 million to US\$37.0 million and non-GAAP fully diluted earnings per share for the fourth quarter of 2009 to be between US 90 cents and US 95 cents.

Assuming no new grants of share-based awards, Sohu estimates share-based compensation expense for the fourth quarter of 2009 to be between US\$3.5 million and US\$4.5 million, which includes Changyou’s share-based compensation expense for the fourth quarter of 2009 estimated to be between US\$3.0 million and US\$3.5 million. Considering Sohu’s share in Changyou, the estimated impact of this expense is expected to reduce Sohu’s fully diluted earnings per share for the fourth quarter of 2009 under US GAAP by US 6 cents to US 8 cents.

Non-GAAP Disclosure

To supplement the unaudited consolidated financial statements presented in accordance with United States Generally Accepted Accounting Principles (“GAAP”), Sohu’s management uses non-GAAP measures of cost of revenues, operating expenses, net income and net income per share, which are adjusted from results based on GAAP to exclude the compensation cost of share-based awards granted to employees. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results.

Sohu’s management believes excluding the share-based compensation expense from its non-GAAP financial measure is useful for itself and investors. Further, the amount of share-based compensation expense cannot be anticipated by management and business line leaders and these expenses were not built into the annual budgets and quarterly forecasts, which have been the basis for information Sohu provides to analysts and investors as guidance for future operating performance. As share-based compensation expense does not involve any upfront or subsequent cash outflow, Sohu does not factor this in when evaluating and approving expenditures or when determining the allocation of its resources to its business segments. As a result, the monthly financial results for internal reporting and any performance measure for commissions and bonuses are based on non-GAAP financial measures that exclude share-based compensation expense.

The non-GAAP financial measures are provided to enhance investors' overall understanding of Sohu's current financial performance and prospects for the future. A limitation of using non-GAAP cost of revenues, operating expenses, net income and net income per share, excluding share-based compensation expense, is that the share-based compensation charge has been and will continue to be a significant recurring expense in Sohu's business for the foreseeable future. In order to mitigate these limitations we have provided specific information regarding the GAAP amounts excluded from each non-GAAP measure. The accompanying tables include details on the reconciliation between the GAAP financial measures that are most directly comparable to the non-GAAP financial measures we have presented.

Notes to Financial Information

Financial information in this press release other than the information indicated as being non-GAAP is extracted from Sohu's unaudited interim financial statements prepared in accordance with GAAP.

On June 20, 2006, Sohu discontinued its own e-commerce platform of physical consumer goods. While processing the disposal of its e-commerce business, Sohu is reporting the related business activities as discontinued operations. Sohu's income statement separates out discontinued operations for both current and prior periods in order to focus on continuing operations and provide a consistent basis for comparing financial performance over time.

Safe Harbor Statement

This announcement contains forward-looking statements. It is currently expected that the Business Outlook will not be updated until release of Sohu's next quarterly earnings announcement; however, Sohu reserves right to update its Business Outlook at any time for any reason. Statements that are not historical facts, including statements about Sohu's beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Potential risks and uncertainties include, but are not limited to, the current global financial and credit markets crisis and its potential impact on the Chinese economy, the slower growth the Chinese economy experienced during the latter half of 2008, and first three quarters of 2009, which could continue through the remainder of 2009, the uncertain regulatory landscape in the People's Republic of China, fluctuations in Sohu's quarterly operating results, EPS dilution resulting from Changyou's initial public offering, Sohu's historical and possible future losses, and its reliance on online advertising sales, online games and wireless services (most wireless revenues are collected from a few mobile network operators) for its revenues. Further information regarding these and other risks is included in Sohu's annual report on Form 10-K for the year ended December 31, 2008, and other filings with the Securities and Exchange Commission.

Conference Call and Webcast

Sohu's management team will host a conference call at 8:30 a.m. ET, October 26, 2009 (8:30 p.m. October 26, 2009 Beijing/Hong Kong time). To listen to the conference call, please use the dial in numbers below:

US: +1-800-901-5248
Hong Kong: +852-3002-1672
International: +1-617-786-4512

Please dial in 10 minutes before the call is scheduled to begin and provide the passcode to join the call. The passcode is "SOHU."

A replay of the conference call may be accessed by phone at the following number until November 2, 2009:

International: +1-617-801-6888
Passcode: 69550498

The conference call will be available on webcast live and available for replay at: <http://corp.sohu.com/>.

About Sohu.com

Sohu.com Inc. (NASDAQ: [SOHU](#)) is China's premier online brand and indispensable to the daily life of millions of Chinese, providing a network of web properties and community based/web 2.0 products which offer the vast Sohu user community a broad array of choices regarding information, entertainment and communication. Sohu has built one of the most comprehensive matrices of Chinese language web properties and proprietary search engines, consisting of the mass portal and leading online media destination [www.sohu.com](#); interactive search engine [www.sogou.com](#); #1 games information portal [www.17173.com](#); the top real estate website [www.focus.cn](#); #1 online alumni club [www.chinaren.com](#); wireless value-added services provider [www.goodfeel.com.cn](#); leading online mapping service provider [www.go2map.com](#); and developer and operator of online games [www.changyou.com](#).

Sohu corporate services consist of brand advertising on its matrix of websites as well as paid listing and bid listing on its in-house developed search directory and engines. Sohu also offers wireless value-added services such as news, information, music, ringtone and picture content sent over mobile phones. The Company's massively multiplayer online role-playing game (MMORPG) subsidiary, Changyou.com (NASDAQ: CYOU), currently operates three MMORPGs, Tian Long Ba Bu, Blade Online and Blade Hero 2. Sohu.com, established by Dr. Charles Zhang, one of China's internet pioneers, is in its thirteenth year of operation.

For investor and media inquiries, please contact:

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

	Three Months Ended			Nine Months Ended	
	Sep. 30, 2009	Jun. 30, 2009	Sep. 30, 2008	Sep. 30, 2009	Sep. 30, 2008
Revenues:					
Advertising					
Brand advertising	\$ 48,502	\$ 43,621	\$ 49,398	\$ 131,197	\$ 124,244
Sponsored search	2,292	1,769	1,737	5,623	5,044
Subtotal of advertising revenues	<u>50,794</u>	<u>45,390</u>	<u>51,135</u>	<u>136,820</u>	<u>129,288</u>
Online games	68,684	66,596	54,604	196,887	143,455
Wireless and others	17,107	15,099	14,937	45,701	34,736
Total revenues	<u>136,585</u>	<u>127,085</u>	<u>120,676</u>	<u>379,408</u>	<u>307,479</u>
Cost of revenues:					
Advertising					
Brand advertising (includes share-based compensation expense of \$149, \$261, \$288, \$646 and \$892, respectively)	15,418	14,065	19,018	43,213	44,177
Sponsored search (includes share-based compensation expense of \$19, \$3, \$4, \$25 and \$16, respectively)	2,728	2,265	1,775	7,291	4,900
Subtotal of cost of advertising revenues	<u>18,146</u>	<u>16,330</u>	<u>20,793</u>	<u>50,504</u>	<u>49,077</u>
Online games (includes share-based compensation expense of \$169, \$90, \$0, \$267 and \$10, respectively)	4,713	3,937	3,480	12,086	10,193
Wireless and others (includes share-based compensation expense of \$11, \$1, \$0, \$12 and \$4, respectively)	10,331	8,512	7,641	26,972	17,811
Total cost of revenues	<u>33,190</u>	<u>28,779</u>	<u>31,914</u>	<u>89,562</u>	<u>77,081</u>
Gross profit	103,395	98,306	88,762	289,846	230,398
Operating expenses:					
Product development (includes share-based compensation expense of \$2,204, \$3,299, \$1,678, \$6,777 and \$5,169, respectively)	14,531	14,637	13,012	42,482	35,289
Sales and marketing (includes share-based compensation expense of \$152, \$214, \$214, \$651 and \$722, respectively)	25,457	25,810	27,643	68,093	65,191
General and administrative (includes share-based compensation expense of \$1,780, \$2,746, \$377, \$5,007 and \$1,416, respectively)	10,721	9,208	4,148	27,823	15,160
Amortization of intangible assets	93	128	201	295	596
Total operating expenses	<u>50,802</u>	<u>49,783</u>	<u>45,004</u>	<u>138,693</u>	<u>116,236</u>
Operating profit	52,593	48,523	43,758	151,153	114,162
Other income (expense)	40	62	51	103	(481)
Interest income and exchange difference	1,469	1,274	1,421	3,865	3,067
Income before income tax expense	<u>54,102</u>	<u>49,859</u>	<u>45,230</u>	<u>155,121</u>	<u>116,748</u>
Income tax expense	7,022	7,969	4,992	21,577	14,754
Income from continuing operations	<u>47,080</u>	<u>41,890</u>	<u>40,238</u>	<u>133,544</u>	<u>101,994</u>
Gain (Loss) from discontinued e-commerce operations	—	446	1	446	(0)
Net income	47,080	42,336	40,239	133,990	101,994
Less: Net income attributable to the noncontrolling interest	9,726	8,801	(22)	18,506	(18)
Net income attributable to Sohu.com Inc.	<u>37,354</u>	<u>33,535</u>	<u>40,261</u>	<u>115,484</u>	<u>102,012</u>
Basic net income per share attributable to Sohu.com Inc.	<u>\$ 0.97</u>	<u>\$ 0.88</u>	<u>\$ 1.05</u>	<u>\$ 3.02</u>	<u>\$ 2.68</u>
Shares used in computing basic net income per share attributable to Sohu.com Inc.	<u>38,410</u>	<u>38,284</u>	<u>38,496</u>	<u>38,286</u>	<u>38,121</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 0.88</u>	<u>\$ 0.79</u>	<u>\$ 1.02</u>	<u>\$ 2.82</u>	<u>\$ 2.61</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>39,082</u>	<u>39,018</u>	<u>39,321</u>	<u>38,985</u>	<u>39,126</u>

SOHU.COM INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(IN THOUSANDS)

	<u>As of Sep. 30, 2009</u>	<u>As of Dec. 31, 2008</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 596,353	\$ 314,425
Accounts receivable, net	60,153	36,869
Prepaid and other current assets	18,451	27,551
Total current assets	674,957	378,845
Fixed assets, net	76,885	76,237
Goodwill	55,555	55,555
Intangible assets, net	4,982	5,654
Restricted cash	—	2,671
Other assets, net	3,141	2,914
Total assets	<u>\$ 815,520</u>	<u>\$ 521,876</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,824	\$ 4,339
Accrued liabilities to suppliers and agents	39,044	33,054
Receipts in advance and deferred revenue	35,544	31,446
Tax payables	21,573	18,892
Other accrued liabilities	45,451	43,051
Total current liabilities	148,436	130,782
Shareholders' equity		
Sohu.com Inc. shareholders' equity	612,260	385,946
Noncontrolling interest	54,824	5,148
Total shareholders' equity	667,084	391,094
Total liabilities and shareholders' equity	<u>\$ 815,520</u>	<u>\$ 521,876</u>

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

NON-GAAP NET INCOME EXCLUDING SHARE-BASED COMPENSATION EXPENSE

	Three Months Ended Sep. 30, 2009			Three Months Ended Jun. 30, 2009			Three Months Ended Sep. 30, 2008		
	GAAP	Non-GAAP Adjustments (a)	Non-GAAP	GAAP	Non-GAAP Adjustments (a)	Non-GAAP	GAAP	Non-GAAP Adjustments (a)	Non-GAAP
Advertising revenues	\$ 50,794	\$ —	\$ 50,794	\$ 45,390	\$ —	\$ 45,390	\$ 51,135	\$ —	\$ 51,135
Less: Cost of advertising revenues	18,146	(168)	17,978	16,330	(264)	16,066	20,793	(292)	20,501
Advertising gross profit	\$ 32,648	\$ 168	\$ 32,816	\$ 29,060	\$ 264	\$ 29,324	\$ 30,342	\$ 292	\$ 30,634
Advertising gross margin	64%		65%	64%		65%	59%		60%
Online games revenues	\$ 68,684	\$ —	\$ 68,684	\$ 66,596	\$ —	\$ 66,596	\$ 54,604	\$ —	\$ 54,604
Less: Cost of online games revenues	4,713	(169)	4,544	3,937	(90)	3,847	3,480	—	3,480
Online games gross profit	\$ 63,971	\$ 169	\$ 64,140	\$ 62,659	\$ 90	\$ 62,749	\$ 51,124	\$ —	\$ 51,124
Online games gross margin	93%		93%	94%		94%	94%		94%
Wireless and others revenues	\$ 17,107	\$ —	\$ 17,107	\$ 15,099	\$ —	\$ 15,099	\$ 14,937	\$ —	\$ 14,937
Less: Cost of wireless and others revenues	10,331	(11)	10,320	8,512	(1)	8,511	7,641	—	7,641
Wireless and others gross profit	\$ 6,776	\$ 11	\$ 6,787	\$ 6,587	\$ 1	\$ 6,588	\$ 7,296	\$ —	\$ 7,296
Wireless and others gross margin	40%		40%	44%		44%	49%		49%
Total revenues	\$ 136,585	\$ —	\$ 136,585	\$ 127,085	\$ —	\$ 127,085	\$ 120,676	\$ —	\$ 120,676
Less: Total cost of revenues	33,190	(348)	32,842	28,779	(355)	28,424	31,914	(292)	31,622
Gross profit	\$ 103,395	\$ 348	\$ 103,743	\$ 98,306	\$ 355	\$ 98,661	\$ 88,762	\$ 292	\$ 89,054
Gross margin	76%		76%	77%		78%	74%		74%
Operating expenses	\$ 50,802	\$ (4,136)	\$ 46,666	\$ 49,783	\$ (6,259)	\$ 43,524	\$ 45,004	\$ (2,269)	\$ 42,735
Operating profit	52,593	4,484	57,077	48,523	6,614	55,137	43,758	2,561	46,319
Operating margin	39%		42%	38%		43%	36%		38%
Net income attributable to Sohu.com Inc.	\$ 37,354	\$ 3,567	\$ 40,921	\$ 33,535	\$ 5,162	\$ 38,697	\$ 40,261	\$ 2,561	\$ 42,822
Diluted net income per share attributable to Sohu.com Inc.	\$ 0.88		\$ 0.96	\$ 0.79		\$ 0.90	\$ 1.02		\$ 1.08
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	39,082		39,129	39,018		39,092	39,321		39,626

Note:

- (a) To eliminate share-based compensation expense as measured using the fair value method.
(b) 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
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

NON-GAAP NET INCOME EXCLUDING SHARE-BASED COMPENSATION EXPENSE

	Nine Months Ended Sep. 30, 2009			Nine Months Ended Sep. 30, 2008		
	GAAP	Non-GAAP Adjustments (a)	Non-GAAP	GAAP	Non-GAAP Adjustments (a)	Non-GAAP
Advertising revenues	\$ 136,820	\$ —	\$ 136,820	\$ 129,288	\$ —	\$ 129,288
Less: Cost of advertising revenues	50,504	(671)	49,833	49,077	(908)	48,169
Advertising gross profit	<u>\$ 86,316</u>	<u>\$ 671</u>	<u>\$ 86,987</u>	<u>\$ 80,211</u>	<u>\$ 908</u>	<u>\$ 81,119</u>
Advertising gross margin	<u>63%</u>		<u>64%</u>	<u>62%</u>		<u>63%</u>
Online games revenues	\$ 196,887	\$ —	\$ 196,887	\$ 143,455	\$ —	\$ 143,455
Less: Cost of online games revenues	12,086	(267)	11,819	10,193	(10)	10,183
Online games gross profit	<u>\$ 184,801</u>	<u>\$ 267</u>	<u>\$ 185,068</u>	<u>\$ 133,262</u>	<u>\$ 10</u>	<u>\$ 133,272</u>
Online games gross margin	<u>94%</u>		<u>94%</u>	<u>93%</u>		<u>93%</u>
Wireless and others revenues	\$ 45,701	\$ —	\$ 45,701	\$ 34,736	\$ —	\$ 34,736
Less: Cost of wireless and others revenues	26,972	(12)	26,960	17,811	(4)	17,807
wireless and others gross profit	<u>\$ 18,729</u>	<u>\$ 12</u>	<u>\$ 18,741</u>	<u>\$ 16,925</u>	<u>\$ 4</u>	<u>\$ 16,929</u>
wireless and others gross margin	<u>41%</u>		<u>41%</u>	<u>49%</u>		<u>49%</u>
Total revenues	\$ 379,408	\$ —	\$ 379,408	\$ 307,479	\$ —	\$ 307,479
Less: Total cost of revenues	89,562	(950)	88,612	77,081	(922)	76,159
Gross profit	<u>\$ 289,846</u>	<u>\$ 950</u>	<u>\$ 290,796</u>	<u>\$ 230,398</u>	<u>\$ 922</u>	<u>\$ 231,320</u>
Gross margin	<u>76%</u>		<u>77%</u>	<u>75%</u>		<u>75%</u>
Operating expenses	\$ 138,693	\$ (12,435)	\$ 126,258	\$ 116,236	\$ (7,307)	\$ 108,929
Operating profit	<u>151,153</u>	<u>13,385</u>	<u>164,538</u>	<u>114,162</u>	<u>8,229</u>	<u>122,391</u>
Operating margin	<u>40%</u>		<u>43%</u>	<u>37%</u>		<u>40%</u>
Net income attributable to Sohu.com Inc.	<u>\$ 115,484</u>	<u>\$ 11,016</u>	<u>\$ 126,500</u>	<u>\$ 102,012</u>	<u>\$ 8,229</u>	<u>\$ 110,241</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 2.82</u>		<u>\$ 3.06</u>	<u>\$ 2.61</u>		<u>\$ 2.79</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,985</u>		<u>39,082</u>	<u>39,126</u>		<u>39,462</u>

Note:

- (a) To eliminate share-based compensation expense as measured using the fair value method.
(b) Certain amounts from prior periods have been reclassified to conform with current period presentation.