

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

	Three Months Ended		
	Jun. 30, 2012	Mar. 31, 2012	Jun. 30, 2011
Revenues:			
Online advertising			
Brand advertising	\$ 69,312	\$ 60,968	\$ 67,728
Search and others	28,763	21,637	13,613
Subtotal	<u>98,075</u>	<u>82,605</u>	<u>81,341</u>
Online games	137,172	127,446	101,531
Wireless	15,598	13,351	11,645
Others	<u>4,882</u>	<u>3,202</u>	<u>4,188</u>
Total revenues	<u>255,727</u>	<u>226,604</u>	<u>198,705</u>
Cost of revenues:			
Online advertising			
Brand advertising (includes stock-based compensation expense of \$-175, \$194 and \$536, respectively)	50,963	36,892	24,937
Search and others (includes stock-based compensation expense of \$38, \$5 and \$0, respectively)	<u>16,192</u>	<u>13,128</u>	<u>8,222</u>
Subtotal	<u>67,155</u>	<u>50,020</u>	<u>33,159</u>
Online games (includes stock-based compensation expense of \$61, \$71 and \$19, respectively)	18,301	16,408	9,950
Wireless (includes stock-based compensation expense of \$0, \$0, and \$0, respectively)	10,208	8,853	7,109
Others (includes stock-based compensation expense of \$0, \$0 and \$0, respectively)	<u>4,180</u>	<u>4,241</u>	<u>4,220</u>
Total cost of revenues	<u>99,844</u>	<u>79,522</u>	<u>54,438</u>
Gross profit	155,883	147,082	144,267
Operating expenses:			
Product development (includes stock-based compensation expense of \$1,531, \$1,172 and \$1,421, respectively)	43,340	38,593	25,839
Sales and marketing (includes stock-based compensation expense of \$497, \$534 and \$872, respectively)	48,999	38,654	36,492
General and administrative (includes stock-based compensation expense of \$1,477, \$954 and \$1,568, respectively)	17,508	17,794	13,148
Impairment of acquired intangibles via acquisition of businesses	<u>2,906</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>112,753</u>	<u>95,041</u>	<u>75,479</u>
Operating profit	43,130	52,041	68,788
Other income/(expense)	1,818	1,613	1,479
Interest income	7,223	6,495	3,279
Exchange difference	<u>45</u>	<u>(643)</u>	<u>(1,658)</u>
Income before income tax expenses	52,216	59,506	71,888
Income tax expense	<u>18,467</u>	<u>18,687</u>	<u>10,281</u>
Net Income	<u>33,749</u>	<u>40,819</u>	<u>61,607</u>
Less: Net income attributable to the mezzanine classified noncontrolling interest shareholders	1,095	1,111	361
Net income attributable to the noncontrolling interest shareholders	<u>19,872</u>	<u>16,600</u>	<u>16,981</u>
Net income attributable to Sohu.com Inc.	<u>12,782</u>	<u>23,108</u>	<u>44,265</u>
Basic net income per share attributable to Sohu.com Inc.	<u>\$ 0.34</u>	<u>\$ 0.61</u>	<u>\$ 1.16</u>
Shares used in computing basic net income per share attributable to Sohu.com Inc.	<u>38,002</u>	<u>38,084</u>	<u>38,295</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 0.28</u>	<u>\$ 0.53</u>	<u>\$ 1.10</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,347</u>	<u>38,485</u>	<u>38,860</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 Jun. 30, 2012			Three Months Ended Mar. 31, 2012			Three Months Ended Jun. 30, 2011		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 18,349	(175) (a)	\$ 18,174	\$ 24,076	194 (a)	\$ 24,270	\$ 42,791	536 (a)	\$ 43,327
Brand advertising gross margin	26%		26%	39%		40%	63%		64%
Search and others gross profit	\$ 12,571	38 (a)	\$ 12,609	\$ 8,509	5 (a)	\$ 8,514	\$ 5,391	-	\$ 5,391
Search and others gross margin	44%		44%	39%		39%	40%		40%
Online advertising gross profit	\$ 30,920	(137) (a)	\$ 30,783	\$ 32,585	199 (a)	\$ 32,784	\$ 48,182	536 (a)	\$ 48,718
Online advertising gross margin	32%		31%	39%		40%	59%		60%
Online games gross profit	\$ 118,871	61 (a)	\$ 118,932	\$ 111,038	71 (a)	\$ 111,109	\$ 91,581	19 (a)	\$ 91,600
Online games gross margin	87%		87%	87%		87%	90%		90%
Wireless gross profit	\$ 5,390	-	\$ 5,390	\$ 4,498	-	\$ 4,498	\$ 4,536	-	\$ 4,536
Wireless gross margin	35%		35%	34%		34%	39%		39%
Others gross profit	\$ 702	-	\$ 702	\$ (1,039)	-	\$ (1,039)	\$ (32)	-	\$ (32)
Others gross margin	14%		14%	-32%		-32%	-1%		-1%
Gross profit	\$ 155,883	(76) (a)	\$ 155,807	\$ 147,082	270 (a)	\$ 147,352	\$ 144,267	555 (a)	\$ 144,822
Gross margin	61%		61%	65%		65%	73%		73%
Operating profit	\$ 43,130	3,429 (a)	\$ 49,465	\$ 52,041	2,930 (a)	\$ 54,971	\$ 68,788	4,416 (a)	\$ 73,204
Operating margin	17%		19%	23%		24%	35%		37%
Net income before Non-Controlling Interest	\$ 33,749	2,268 (b)	\$ 40,917	\$ 40,819	1,048 (c)	\$ 44,797	\$ 61,607	934 (c)	\$ 66,957

		2,610	(a)			2,380	(a)		3,764	(a)								
		1,520	(b)			1,048	(c)		934	(c)								
		<u>1,471</u>				<u>1,048</u>			<u>934</u>									
Net income attributable to Sohu.com Inc for diluted net income per share (d)	\$	<u>10,755</u>	\$	<u>5,601</u>	\$	<u>16,356</u>	\$	<u>20,243</u>	\$	<u>3,428</u>	\$	<u>23,671</u>	\$	<u>42,693</u>	\$	<u>4,698</u>	\$	<u>47,391</u>
Diluted net income per share attributable to Sohu.com Inc.	\$	<u>0.28</u>	\$	<u>0.42</u>	\$	<u>0.53</u>	\$	<u>0.61</u>	\$	<u>1.10</u>	\$	<u>1.21</u>						
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	\$	<u>38,347</u>		<u>38,504</u>		<u>38,485</u>		<u>38,658</u>		<u>38,860</u>		<u>39,105</u>						

Note:

- (a) To eliminate the impact of share-based awards as measured using the fair value method.
- (b) Beginning in the fourth quarter of 2011, the Company revised its non-GAAP reporting methodology to exclude goodwill impairment, impairment of intangibles via acquisitions of businesses and the related tax impact, non-cash tax benefits from excess tax deductions related to share-based awards and income from the reversal of contingent consideration previously recorded for acquisitions, in addition to its historical practice of excluding share-based compensation expense from non-GAAP results. For the three months ended June 30, 2012, there were \$2.9 million of impairment of intangibles via acquisitions of businesses. For the three months ended March 31, 2012, there were no goodwill impairment, impairment of intangibles via acquisitions of businesses and the related tax impact, non-cash tax benefits from excess tax deductions related to share-based awards and income from the reversal of contingent consideration previously recorded for acquisitions.”
- (c) To adjust non-cash tax benefits from excess tax deductions related to share-based awards.
- (d) To adjust Sohu’s economic interest in Changyou and Sogou under the treasury stock method and if-converted method, respectively.
- (e) The classification of certain comparative figures of online advertising expenses has been changed to conform to the current period presentation.