

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

	<u>Three Months Ended</u>			<u>Nine Months Ended</u>	
	<u>Sep. 30, 2009</u>	<u>Jun. 30, 2009</u>	<u>Sep. 30, 2008</u>	<u>Sep. 30, 2009</u>	<u>Sep. 30, 2008</u>
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	54,102	49,859	45,230	155,121	116,748
Income tax expense	7,022	7,969	4,992	21,577	14,754
Income from continuing operations	47,080	41,890	40,238	133,544	101,994
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.
RECONCILIATIONS TO UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

NON-GAAP NET INCOME EXCLUDING SHARE-BASED COMPENSATION EXPENSE

	<u>Three Months Ended Sep. 30, 2009</u>			<u>Three Months Ended Jun. 30, 2009</u>			<u>Three Months Ended Sep. 30, 2008</u>		
	<u>GAAP</u>	<u>Non-GAAP Adjustments (a)</u>	<u>Non-GAAP</u>	<u>GAAP</u>	<u>Non-GAAP Adjustments (a)</u>	<u>Non-GAAP</u>	<u>GAAP</u>	<u>Non-GAAP Adjustments (a)</u>	<u>Non-GAAP</u>
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

	<u>Nine Months Ended Sep. 30, 2009</u>			<u>Nine Months Ended Sep. 30, 2008</u>		
	<u>GAAP</u>	<u>Non-GAAP Adjustments (a)</u>	<u>Non-GAAP</u>	<u>GAAP</u>	<u>Non-GAAP Adjustments (a)</u>	<u>Non-GAAP</u>
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:

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