

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

	Three Months Ended		
	Mar. 31, 2011	Dec. 31, 2010	Mar. 31, 2010
Revenues:			
Online brand advertising	\$ 57,153	\$ 60,064	\$ 39,512
Online games	94,930	91,735	72,072
Sponsored search	7,979	6,596	2,824
Wireless	11,704	14,365	13,288
Others	2,603	402	1,758
Total revenues	<u>174,369</u>	<u>173,162</u>	<u>129,454</u>
Cost of revenues:			
Online brand advertising (includes stock-based compensation expense of \$702, \$1,610 and \$967, respectively)	22,445	23,889	17,283
Online games (includes stock-based compensation expense of \$33, \$44 and \$67, respectively)	8,968	8,923	5,384
Sponsored search (includes stock-based compensation expense of \$0, \$0 and \$0, respectively)	4,877	4,497	2,753
Wireless (includes stock-based compensation expense of \$0, \$0 and \$0, respectively)	6,892	7,939	6,911
Others (includes stock-based compensation expense of \$0, \$0 and \$1, respectively)	2,670	136	495
Total cost of revenues	<u>45,852</u>	<u>45,384</u>	<u>32,826</u>
Gross profit	128,517	127,778	96,628
Operating expenses:			
Product development (includes stock-based compensation expense of \$1,772, \$2,791 and \$2,445, respectively)	22,782	23,747	15,518
Sales and marketing (includes stock-based compensation expense of \$1,089, \$1,625 and \$955, respectively)	30,177	27,381	23,009
General and administrative (includes stock-based compensation expense of \$1,672, \$1,879 and \$2,093, respectively)	11,998	10,489	9,883
Amortization of intangibles	192	148	108
Total operating expenses	<u>65,149</u>	<u>61,765</u>	<u>48,518</u>
Operating profit	63,368	66,013	48,110
Other income/(expense)	510	504	(25)
Interest income and exchange difference	2,293	1,267	1,199
Income before income tax expenses	<u>66,171</u>	<u>67,784</u>	<u>49,284</u>
Income tax expense	11,002	10,399	7,963
Income from continuing operations	<u>55,169</u>	<u>57,385</u>	<u>41,321</u>
Net income	<u>55,169</u>	<u>57,385</u>	<u>41,321</u>
Less: Net income attributable to the Noncontrolling Interest	10,362	13,409	11,130
Net income attributable to Sohu.com Inc.	<u>44,807</u>	<u>43,976</u>	<u>30,191</u>
Basic net income per share attributable to Sohu.com Inc.	<u>\$ 1.17</u>	<u>\$ 1.16</u>	<u>\$ 0.80</u>
Shares used in computing basic net income per share attributable to Sohu.com Inc.	<u>38,193</u>	<u>37,981</u>	<u>37,778</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 1.01</u>	<u>\$ 1.07</u>	<u>\$ 0.73</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,767</u>	<u>38,669</u>	<u>38,443</u>

Note:

(a) 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
(UNAUDITED, IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

NON-GAAP NET INCOME EXCLUDING IMPACT OF SHARE-BASED AWARDS

	Three Months Ended Mar. 31, 2011			Three Months Ended Dec. 31, 2010			Three Months Ended Mar. 31, 2010		
	GAAP	Non-GAAP Adjustments (a)	Non-GAAP	GAAP	Non-GAAP Adjustments (a)	Non-GAAP	GAAP	Non-GAAP Adjustments (a)	Non-GAAP
Online brand advertising revenues	\$ 57,153	\$ -	\$ 57,153	\$ 60,064	\$ -	\$ 60,064	\$ 39,512	\$ -	\$ 39,512
Less: Cost of online brand advertising revenues	22,445	(702)	21,743	23,889	(1,610)	22,279	17,283	(967)	16,316
Online brand advertising gross profit	\$ 34,708	\$ 702	\$ 35,410	\$ 36,175	\$ 1,610	\$ 37,785	\$ 22,229	\$ 967	\$ 23,196
Online brand advertising gross margin	61%		62%	60%		63%	56%		59%
Online games revenues	\$ 94,930	\$ -	\$ 94,930	\$ 91,735	\$ -	\$ 91,735	\$ 72,072	\$ -	\$ 72,072
Less: Cost of online games revenues	8,968	(33)	8,935	8,923	(44)	8,879	5,384	(67)	5,317
Online games gross profit	\$ 85,962	\$ 33	\$ 85,995	\$ 82,812	\$ 44	\$ 82,856	\$ 66,688	\$ 67	\$ 66,755
Online games gross margin	91%		91%	90%		90%	93%		93%
Sponsored search revenues	\$ 7,979	\$ -	\$ 7,979	\$ 6,596	\$ -	\$ 6,596	\$ 2,824	\$ -	\$ 2,824
Less: Cost of sponsored search revenues	4,877	-	4,877	4,497	-	4,497	2,753	-	2,753
Sponsored search gross profit	\$ 3,102	\$ -	\$ 3,102	\$ 2,099	\$ -	\$ 2,099	\$ 71	\$ -	\$ 71
Sponsored search gross margin	39%		39%	32%		32%	3%		3%
Wireless revenues	\$ 11,704	\$ -	\$ 11,704	\$ 14,365	\$ -	\$ 14,365	\$ 13,288	\$ -	\$ 13,288
Less: Cost of wireless revenues	6,892	-	6,892	7,939	-	7,939	6,911	-	6,911
Wireless gross profit	\$ 4,812	\$ -	\$ 4,812	\$ 6,426	\$ -	\$ 6,426	\$ 6,377	\$ -	\$ 6,377
Wireless gross margin	41%		41%	45%		45%	48%		48%
Others revenues	\$ 2,603	\$ -	\$ 2,603	\$ 402	\$ -	\$ 402	\$ 1,758	\$ -	\$ 1,758
Less: Cost of others revenues	2,670	-	2,670	136	-	136	495	(1)	495
Others gross profit	\$ (67)	\$ -	\$ (67)	\$ 266	\$ -	\$ 266	\$ 1,263	\$ 1	\$ 1,263
Others gross margin	(3%)		(3%)	66%		66%	72%		72%
Total revenues	\$ 174,369	\$ -	\$ 174,369	\$ 173,162	\$ -	\$ 173,162	\$ 129,454	\$ -	\$ 129,454
Less: Total cost of revenues	45,852	(735)	45,117	45,384	(1,654)	43,730	32,826	(1,035)	31,791
Gross profit	\$ 128,517	\$ 735	\$ 129,252	\$ 127,778	\$ 1,654	\$ 129,432	\$ 96,628	\$ 1,035	\$ 97,663
Gross margin	74%		74%	74%		75%	75%		75%
Operating expenses	\$ 65,149	\$ (4,533)	\$ 60,616	\$ 61,765	\$ (6,295)	\$ 55,470	\$ 48,518	\$ (5,493)	\$ 43,025
Operating profit	\$ 63,368	\$ 5,268	\$ 68,636	\$ 66,013	\$ 7,949	\$ 73,962	\$ 48,110	\$ 6,528	\$ 54,638
Operating margin	36%		39%	38%		43%	37%		42%
Income tax expense/(benefit)	\$ 11,002	\$ (173)	\$ 10,829	\$ 10,399	\$ 718	\$ 11,117	\$ 7,963	\$ (531)	\$ 7,432
Net income before Noncontrolling Interest	\$ 55,169	\$ 5,441	\$ 60,610	\$ 57,385	\$ 7,231	\$ 64,616	\$ 41,321	\$ 7,059	\$ 48,380
Net income attributable to Sohu.com Inc. for basic net income per share	\$ 44,807	\$ 4,908	\$ 49,715	\$ 43,976	\$ 6,699	\$ 50,675	\$ 30,191	\$ 6,224	\$ 36,415
Net income attributable to Sohu.com Inc for diluted net income per share (b)	\$ 39,336	\$ 4,675	\$ 44,011	\$ 41,489	\$ 6,404	\$ 47,893	\$ 27,927	\$ 5,842	\$ 33,769
Diluted net income per share attributable to Sohu.com Inc.	\$ 1.01		\$ 1.13	\$ 1.07		\$ 1.23	\$ 0.73		\$ 0.86
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	38,767		39,097	38,669		39,079	38,443		39,079

Note:

- (a) To eliminate the impact of share-based awards as measured using the fair value method.
- (b) To adjust Sohu's economic interest in Changyou and Sogou under the treasury stock method and if-converted method, respectively.
- (c) Certain amounts from prior periods have been reclassified to conform with current period presentation.