

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

	Three Months Ended		
	Mar. 31, 2013	Dec. 31, 2012	Mar. 31, 2012
Revenues:			
Online advertising			
Brand advertising	\$ 80,237	\$ 82,051	\$ 60,968
Search and others	36,052	38,705	21,637
Subtotal	<u>116,289</u>	<u>120,756</u>	<u>82,605</u>
Online games	167,421	158,159	125,968
Wireless	13,773	12,632	13,351
Others	10,113	7,945	4,680
Total revenues	<u>307,596</u>	<u>299,492</u>	<u>226,604</u>
Cost of revenues:			
Online advertising			
Brand advertising (includes stock-based compensation expense of \$87, \$155 and \$194, respectively)	44,878	35,864	36,892
Search and others (includes stock-based compensation expense of \$2, \$23 and \$5, respectively)	20,792	21,572	13,128
Subtotal	<u>65,670</u>	<u>57,436</u>	<u>50,020</u>
Online games (includes stock-based compensation expense of \$-19, \$44 and \$71, respectively)	22,650	21,875	15,831
Wireless (includes stock-based compensation expense of \$0, \$0, and \$0, respectively)	9,271	8,358	8,853
Others (includes stock-based compensation expense of \$0, \$0 and \$0, respectively)	5,938	5,874	4,818
Total cost of revenues	<u>103,529</u>	<u>93,543</u>	<u>79,522</u>
Gross profit	204,067	205,949	147,082
Operating expenses:			
Product development (includes stock-based compensation expense of \$350, \$1,191 and \$1,172, respectively)	51,819	52,432	38,593
Sales and marketing (includes stock-based compensation expense of \$172, \$536 and \$534, respectively)	58,723	68,833	38,654
General and administrative (includes stock-based compensation expense of \$494, \$1,815 and \$954, respectively)	22,589	20,275	17,794
Total operating expenses	<u>133,131</u>	<u>141,540</u>	<u>95,041</u>
Operating profit	70,936	64,409	52,041
Other income/(expense)	2,531	2,102	1,613
Interest income	6,701	5,585	6,495
Exchange difference	(1,985)	(704)	(643)
Income before income tax expense	<u>78,183</u>	<u>71,392</u>	<u>59,506</u>
Income tax expense	20,018	20,290	18,687
Net Income	<u>58,165</u>	<u>51,102</u>	<u>40,819</u>
Less: Net income attributable to the mezzanine classified noncontrolling interest shareholders	10,668	4,495	1,111
Net income attributable to the noncontrolling interest shareholders	23,066	21,219	16,600
Net income attributable to Sohu.com Inc.	<u>24,431</u>	<u>25,388</u>	<u>23,108</u>
Basic net income per share attributable to Sohu.com Inc.	<u>\$ 0.64</u>	<u>\$ 0.67</u>	<u>\$ 0.61</u>
Shares used in computing basic net income per share attributable to Sohu.com Inc.	<u>38,169</u>	<u>38,046</u>	<u>38,084</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 0.60</u>	<u>\$ 0.60</u>	<u>\$ 0.53</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,429</u>	<u>38,393</u>	<u>38,485</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 Mar. 31, 2013			Three Months Ended Dec. 31, 2012			Three Months Ended Mar. 31, 2012		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 35,359	\$ 87 (a)	\$ 35,446	\$ 46,187	\$ 155 (a)	\$ 46,342	\$ 24,076	\$ 194 (a)	\$ 24,270
Brand advertising gross margin	44%		44%	56%		56%	39%		40%
Search and others gross profit	\$ 15,260	\$ 2 (a)	\$ 15,262	\$ 17,133	\$ 23 (a)	\$ 17,156	\$ 8,509	\$ 5 (a)	\$ 8,514
Search and others gross margin	42%		42%	44%		44%	39%		39%
Online advertising gross profit	\$ 50,619	\$ 89 (a)	\$ 50,708	\$ 63,320	\$ 178 (a)	\$ 63,498	\$ 32,585	\$ 199 (a)	\$ 32,784
Online advertising gross margin	44%		44%	52%		53%	39%		40%
Online games gross profit (d)	\$ 144,771	\$ (19) (a)	\$ 144,752	\$ 136,284	\$ 44 (a)	\$ 136,328	\$ 110,137	\$ 71 (a)	\$ 110,208
Online games gross margin	86%		86%	86%		86%	87%		87%
Wireless gross profit	\$ 4,502	\$ -	\$ 4,502	\$ 4,274	\$ -	\$ 4,274	\$ 4,498	\$ -	\$ 4,498
Wireless gross margin	33%		33%	34%		34%	34%		34%
Others gross profit (d)	\$ 4,175	\$ -	\$ 4,175	\$ 2,071	\$ -	\$ 2,071	\$ (138)	\$ -	\$ (138)
Others gross margin	41%		41%	26%		26%	-3%		-3%
Gross profit	\$ 204,067	\$ 70 (a)	\$ 204,137	\$ 205,949	\$ 222 (a)	\$ 206,171	\$ 147,082	\$ 270 (a)	\$ 147,352
Gross margin	66%		66%	69%		69%	65%		65%
Operating profit	\$ 70,936	\$ 1,086 (a)	\$ 72,022	\$ 64,409	\$ 3,764 (a)	\$ 68,173	\$ 52,041	\$ 2,930 (a)	\$ 54,971
Operating margin	23%		23%	22%		23%	23%		24%
Net income before Non-Controlling Interest	\$ 58,165	\$ 1,086 (a)	\$ 59,251	\$ 51,102	\$ 5,863 (a)	\$ 56,965	\$ 40,819	\$ 3,978 (a)	\$ 44,797

		<u>941</u>	(a)			<u>3,061</u>	(a)			<u>2,380</u>	(a)
						<u>2,099</u>	(b)			<u>1,048</u>	(b)
Net income attributable to Sohu.com Inc for <b>diluted</b> net income per share (c)	\$ <u>22,988</u>	\$ <u>941</u>	\$ <u>23,929</u>	\$ <u>23,064</u>	\$ <u>5,160</u>	\$ <u>28,224</u>	\$ <u>20,243</u>	\$ <u>3,428</u>	\$ <u>23,671</u>		
<b>Diluted</b> net income per share attributable to Sohu.com Inc.	\$ <u>0.60</u>		\$ <u>0.62</u>	\$ <u>0.60</u>		\$ <u>0.73</u>	\$ <u>0.53</u>		\$ <u>0.61</u>		
Shares used in computing <b>diluted</b> net income per share attributable to Sohu.com Inc.	<u>38,429</u>		<u>38,493</u>	<u>38,393</u>		<u>38,480</u>	<u>38,485</u>		<u>38,658</u>		

Note:

- (a) To eliminate the impact of share-based awards as measured using the fair value method.
- (b) To adjust non-cash tax benefits from excess tax deductions related to share-based awards.
- (c) To adjust Sohu's economic interest in Changyou and Sogou under the treasury stock method and if-converted method, respectively.
- (d) The classification of certain comparative figures of revenues and cost of revenues for online games and others has been changed to conform to the current period presentation.