

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

	Three Months Ended		
	Sep. 30, 2012	Jun. 30, 2012	Sep. 30, 2011
Revenues:			
Online advertising			
Brand advertising	\$ 77,874	\$ 69,312	\$ 76,572
Search and others	35,284	28,763	18,410
Subtotal	<u>113,158</u>	<u>98,075</u>	<u>94,982</u>
Online games	151,093	137,172	115,798
Wireless	14,312	15,598	14,210
Others	6,815	4,882	7,870
Total revenues	<u>285,378</u>	<u>255,727</u>	<u>232,860</u>
Cost of revenues:			
Online advertising			
Brand advertising (includes stock-based compensation expense of \$150, \$-175 and \$232, respectively)	37,476	50,963	30,221
Search and others (includes stock-based compensation expense of \$21, \$38 and \$0, respectively)	19,736	16,192	9,478
Subtotal	<u>57,212</u>	<u>67,155</u>	<u>39,699</u>
Online games (includes stock-based compensation expense of \$61, \$61 and \$21, respectively)	21,026	18,301	14,578
Wireless (includes stock-based compensation expense of \$0, \$0, and \$0, respectively)	9,474	10,208	8,727
Others (includes stock-based compensation expense of \$0, \$0 and \$0, respectively)	9,037	4,180	4,469
Total cost of revenues	<u>96,749</u>	<u>99,844</u>	<u>67,473</u>
Gross profit	188,629	155,883	165,387
Operating expenses:			
Product development (includes stock-based compensation expense of \$1,316, \$1,531 and \$1,633, respectively)	46,994	43,340	28,943
Sales and marketing (includes stock-based compensation expense of \$582, \$497 and \$874, respectively)	58,250	48,999	47,150
General and administrative (includes stock-based compensation expense of \$1,713, \$1,477 and \$1,617, respectively)	19,666	17,508	15,686
Impairment of acquired intangibles via acquisition of businesses	-	2,906	-
Total operating expenses	<u>124,910</u>	<u>112,753</u>	<u>91,779</u>
Operating profit	63,719	43,130	73,608
Other income/(expense)	(111)	1,818	3,249
Interest income	5,974	7,223	4,314
Exchange difference	667	45	(2,420)
Income before income tax expenses	<u>70,249</u>	<u>52,216</u>	<u>78,751</u>
Income tax expense	18,727	18,467	14,441
Net Income	<u>51,522</u>	<u>33,749</u>	<u>64,310</u>
Less: Net income attributable to the mezzanine classified noncontrolling interest shareholders	4,495	1,095	1,092
Net income attributable to the noncontrolling interest shareholders	<u>21,146</u>	<u>19,872</u>	<u>16,406</u>
Net income attributable to Sohu.com Inc.	<u>25,881</u>	<u>12,782</u>	<u>46,812</u>
Basic net income per share attributable to Sohu.com Inc.	<u>\$ 0.68</u>	<u>\$ 0.34</u>	<u>\$ 1.22</u>
Shares used in computing basic net income per share attributable to Sohu.com Inc.	<u>38,022</u>	<u>38,002</u>	<u>38,298</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 0.63</u>	<u>\$ 0.28</u>	<u>\$ 1.17</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,344</u>	<u>38,347</u>	<u>38,844</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 Sep. 30, 2012			Three Months Ended Jun. 30, 2012			Three Months Ended Sep. 30, 2011		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Brand advertising gross profit	\$ 40,398	\$ 150 (a)	\$ 40,548	\$ 18,349	\$ (175) (a)	\$ 18,174	\$ 46,351	\$ 232 (a)	\$ 46,583
Brand advertising gross margin	52%		52%	26%		26%	61%		61%
Search and others gross profit	\$ 15,548	\$ 21 (a)	\$ 15,569	\$ 12,571	\$ 38 (a)	\$ 12,609	\$ 8,932	\$ -	\$ 8,932
Search and others gross margin	44%		44%	44%		44%	49%		49%
Online advertising gross profit	\$ 55,946	\$ 171 (a)	\$ 56,117	\$ 30,920	\$ (137) (a)	\$ 30,783	\$ 55,283	\$ 232 (a)	\$ 55,515
Online advertising gross margin	49%		50%	32%		31%	58%		58%
Online games gross profit	\$ 130,067	\$ 61 (a)	\$ 130,128	\$ 118,871	\$ 61 (a)	\$ 118,932	\$ 101,220	\$ 21 (a)	\$ 101,241
Online games gross margin	86%		86%	87%		87%	87%		87%
Wireless gross profit	\$ 4,838	\$ -	\$ 4,838	\$ 5,390	\$ -	\$ 5,390	\$ 5,483	\$ -	\$ 5,483
Wireless gross margin	34%		34%	35%		35%	39%		39%
Others gross profit	\$ -2,222	\$ -	\$ -2,222	\$ 702	\$ -	\$ 702	\$ 3,401	\$ -	\$ 3,401
Others gross margin	-33%		-33%	14%		14%	43%		43%
Gross profit	\$ 188,629	\$ 232 (a)	\$ 188,861	\$ 155,883	\$ (76) (a)	\$ 155,807	\$ 165,387	\$ 253 (a)	\$ 165,640
Gross margin	66%		66%	61%		61%	71%		71%
Operating profit	\$ 63,719	\$ 3,843 (a)	\$ 67,562	\$ 43,130	\$ 3,429 (a)	\$ 49,465	\$ 73,608	\$ 4,377 (a)	\$ 77,985
Operating margin	22%		24%	17%		19%	32%		33%
Net income before Non-Controlling Interest	\$ 51,522	\$ 7,011 (a)	\$ 58,533	\$ 33,749	\$ 7,168 (a)	\$ 40,917	\$ 64,310	\$ 4,671 (a)	\$ 68,981

