

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

	<u>Three Months Ended</u>			<u>Twelve Months Ended</u>	
	<u>Dec. 31, 2010</u>	<u>Sep. 30, 2010</u>	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>
Revenues:					
Brand advertising	\$ 60,064	\$ 59,083	\$ 45,876	\$ 211,821	\$ 177,073
Online games	91,735	85,623	70,698	327,151	267,585
Sponsored search	6,596	5,357	2,914	18,649	8,491
Wireless and others	14,767	14,001	16,343	55,156	62,090
Total revenues	<u>173,162</u>	<u>164,064</u>	<u>135,831</u>	<u>612,777</u>	<u>515,239</u>
Cost of revenues:					
Brand advertising (includes stock-based compensation expense of \$1,610, \$1,022, \$141, \$4,803 and \$787, respectively)	23,889	23,256	16,238	86,684	59,451
Online games (includes stock-based compensation expense of \$44, \$40, \$57, \$194 and \$324, respectively)	8,923	8,537	5,419	29,852	17,505
Sponsored search (includes stock-based compensation expense of \$0, \$0, \$0 and \$0, respectively)	4,497	3,650	2,854	14,243	9,669
Wireless and others (includes stock-based compensation expense of \$0, \$1, \$1, \$3 and \$38, respectively)	8,075	7,733	9,322	29,528	36,770
Total cost of revenues	<u>45,384</u>	<u>43,176</u>	<u>33,833</u>	<u>160,307</u>	<u>123,395</u>
Gross profit	127,778	120,888	101,998	452,470	391,844
Operating expenses:					
Product development (includes stock-based compensation expense of \$2,791, \$2,238, \$1,952, \$9,692 and \$8,729, respectively)	23,747	19,454	14,461	75,600	56,943
Sales and marketing (includes stock-based compensation expense of \$1,625, \$1,271, \$96, \$5,027 and \$747, respectively)	27,381	25,410	25,405	105,406	93,498
General and administrative (includes stock-based compensation expense of \$1,879, \$1,989, \$1,687, \$7,772 and \$6,694, respectively)	10,489	10,619	8,801	40,375	36,624
Amortization of intangible assets	148	163	93	558	388
Total operating expenses	<u>61,765</u>	<u>55,646</u>	<u>48,760</u>	<u>221,939</u>	<u>187,453</u>
Operating profit	66,013	65,242	53,238	230,531	204,391
Other income/(expense)	504	(939)	239	(790)	342
Interest income and exchange difference	1,267	1,050	1,136	4,474	5,001
Income before income tax expenses	<u>67,784</u>	<u>65,353</u>	<u>54,613</u>	<u>234,215</u>	<u>209,734</u>
Income tax expense/(benefit)	10,399	11,340	12,168	36,031	33,745
Income from continuing operations	<u>57,385</u>	<u>54,013</u>	<u>42,445</u>	<u>198,184</u>	<u>175,989</u>
Gain from discontinued e-commerce operations	-	-	-	-	446
Net income	<u>57,385</u>	<u>54,013</u>	<u>42,445</u>	<u>198,184</u>	<u>176,435</u>
Less: Net income attributable to the Noncontrolling Interest	13,409	13,004	10,096	49,555	28,602
Net income attributable to Sohu.com Inc.	<u>43,976</u>	<u>41,009</u>	<u>32,349</u>	<u>148,629</u>	<u>147,833</u>
Basic net income per share attributable to Sohu.com Inc.	<u>\$ 1.16</u>	<u>\$ 1.08</u>	<u>\$ 0.84</u>	<u>\$ 3.92</u>	<u>\$ 3.86</u>
Shares used in computing basic net income per share attributable to Sohu.com Inc.	<u>37,981</u>	<u>37,896</u>	<u>38,317</u>	<u>37,870</u>	<u>38,294</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 1.07</u>	<u>\$ 1.01</u>	<u>\$ 0.76</u>	<u>\$ 3.62</u>	<u>\$ 3.57</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,669</u>	<u>38,377</u>	<u>38,920</u>	<u>38,445</u>	<u>38,969</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 Dec. 31, 2010			Three Months Ended Sep. 30, 2010			Three Months Ended Dec. 31, 2009		
	GAAP	Non-GAAP Adjustments (a)	Non-GAAP	GAAP	Non-GAAP Adjustments (a)	Non-GAAP	GAAP	Non-GAAP Adjustments (a)	Non-GAAP
Brand advertising revenues	\$ 60,064	\$ -	\$ 60,064	\$ 59,083	\$ -	\$ 59,083	\$ 45,876	\$ -	\$ 45,876
Less: Cost of brand advertising revenues	23,889	(1,610)	22,279	23,256	(1,022)	22,234	16,238	(141)	16,097
Brand advertising gross profit	\$ 36,175	\$ 1,610	\$ 37,785	\$ 35,827	\$ 1,022	\$ 36,849	\$ 29,638	\$ 141	\$ 29,779
Brand advertising gross margin	60%		63%	61%		62%	65%		65%
Online games revenues	\$ 91,735	\$ -	\$ 91,735	\$ 85,623	\$ -	\$ 85,623	\$ 70,698	\$ -	\$ 70,698
Less: Cost of online games revenues	8,923	(44)	8,879	8,537	(40)	8,497	5,419	(57)	5,362
Online games gross profit	\$ 82,812	\$ 44	\$ 82,856	\$ 77,086	\$ 40	\$ 77,126	\$ 65,279	\$ 57	\$ 65,336
Online games gross margin	90%		90%	90%		90%	92%		92%
Sponsored search revenues	\$ 6,596	\$ -	\$ 6,596	\$ 5,357	\$ -	\$ 5,357	\$ 2,914	\$ -	\$ 2,914
Less: Cost of sponsored search revenues	4,497	-	4,497	3,650	-	3,650	2,854	-	2,854
Sponsored search gross profit	\$ 2,099	\$ -	\$ 2,099	\$ 1,707	\$ -	\$ 1,707	\$ 60	\$ -	\$ 60
Sponsored search gross margin	32%		32%	32%		32%	2%		2%
Wireless and others revenues	\$ 14,767	\$ -	\$ 14,767	\$ 14,001	\$ -	\$ 14,001	\$ 16,343	\$ -	\$ 16,343
Less: Cost of wireless and others revenues	8,075	-	8,075	7,733	(1)	7,732	9,322	(1)	9,321
Wireless and others gross profit	\$ 6,692	\$ -	\$ 6,692	\$ 6,268	\$ 1	\$ 6,269	\$ 7,021	\$ 1	\$ 7,022
Wireless and others gross margin	45%		45%	45%		45%	43%		43%
Total revenues	\$ 173,162	\$ -	\$ 173,162	\$ 164,064	\$ -	\$ 164,064	\$ 135,831	\$ -	\$ 135,831
Less: Total cost of revenues	45,384	(1,654)	43,730	43,176	(1,063)	42,113	33,833	(199)	33,634
Gross profit	\$ 127,778	\$ 1,654	\$ 129,432	\$ 120,888	\$ 1,063	\$ 121,951	\$ 101,998	\$ 199	\$ 102,197
Gross margin	74%		75%	74%		74%	75%		75%
Operating expenses	\$ 61,765	\$ (6,295)	\$ 55,470	\$ 55,646	\$ (5,498)	\$ 50,148	\$ 48,760	\$ (3,735)	\$ 45,025
Operating profit	\$ 66,013	\$ 7,949	\$ 73,962	\$ 65,242	\$ 6,561	\$ 71,803	\$ 53,238	\$ 3,934	\$ 57,172
Operating margin	38%		43%	40%		44%	39%		42%
Income tax expense/(benefit)	\$ 10,399	\$ 718	\$ 11,117	\$ 11,340	\$ (733)	\$ 10,607	\$ 12,168	\$ (3,927)	\$ 8,241
Net income before Noncontrolling Interest	\$ 57,385	\$ 7,231	\$ 64,616	\$ 54,013	\$ 7,294	\$ 61,307	\$ 42,445	\$ 7,861	\$ 50,306
Net income attributable to Sohu.com Inc. for basic net income per share	\$ 43,976	\$ 6,699	\$ 50,675	\$ 41,009	\$ 6,780	\$ 47,789	\$ 32,349	\$ 6,996	\$ 39,345
Net income attributable to Sohu.com Inc for diluted net income per share (b)	\$ 41,489	\$ 6,404	\$ 47,893	\$ 38,654	\$ 6,498	\$ 45,152	\$ 29,396	\$ 6,447	\$ 35,843
Diluted net income per share attributable to Sohu.com Inc.	\$ 1.07		\$ 1.23	\$ 1.01		\$ 1.16	\$ 0.76		\$ 0.92
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	38,669		39,079	38,377		39,019	38,920		38,957

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.

SOHU.COM INC.
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	Twelve Months Ended Dec. 31, 2010			Twelve Months Ended Dec. 31, 2009		
	GAAP	Non-GAAP Adjustments (a)	Non-GAAP	GAAP	Non-GAAP Adjustments (a)	Non-GAAP
Brand Advertising revenues	\$ 211,821	\$ -	\$ 211,821	\$ 177,073	\$ -	\$ 177,073
Less: Cost of brand advertising revenues	86,684	(4,803)	81,881	59,451	(787)	58,664
Brand advertising gross profit	<u>\$ 125,137</u>	<u>\$ 4,803</u>	<u>\$ 129,940</u>	<u>\$ 117,622</u>	<u>\$ 787</u>	<u>\$ 118,409</u>
Brand advertising gross margin	<u>59%</u>		<u>61%</u>	<u>66%</u>		<u>67%</u>
Online games revenues	\$ 327,151	\$ -	\$ 327,151	\$ 267,585	\$ -	\$ 267,585
Less: Cost of online games revenues	29,852	(194)	29,658	17,505	(324)	17,181
Online games gross profit	<u>\$ 297,299</u>	<u>\$ 194</u>	<u>\$ 297,493</u>	<u>\$ 250,080</u>	<u>\$ 324</u>	<u>\$ 250,404</u>
Online games gross margin	<u>91%</u>		<u>91%</u>	<u>93%</u>		<u>94%</u>
Sponsored search revenues	\$ 18,649	\$ -	\$ 18,649	\$ 8,491	\$ -	\$ 8,491
Less: Cost of sponsored search revenues	14,243	-	14,243	9,669	-	9,669
Sponsored search gross profit	<u>\$ 4,406</u>	<u>\$ -</u>	<u>\$ 4,406</u>	<u>\$ (1,178)</u>	<u>\$ -</u>	<u>\$ (1,178)</u>
Sponsored search gross margin	<u>24%</u>		<u>24%</u>	<u>(14%)</u>		<u>(14%)</u>
Wireless and others revenues	\$ 55,156	\$ -	\$ 55,156	\$ 62,090	\$ -	\$ 62,090
Less: Cost of wireless and others revenues	29,528	(3)	29,525	36,770	(38)	36,732
Wireless and others gross profit	<u>\$ 25,628</u>	<u>\$ 3</u>	<u>\$ 25,631</u>	<u>\$ 25,320</u>	<u>\$ 38</u>	<u>\$ 25,358</u>
Wireless and others gross margin	<u>46%</u>		<u>46%</u>	<u>41%</u>		<u>41%</u>
Total revenues	\$ 612,777	\$ -	\$ 612,777	\$ 515,239	\$ -	\$ 515,239
Less: Total cost of revenues	160,307	(5,000)	155,307	123,395	(1,149)	122,246
Gross profit	<u>\$ 452,470</u>	<u>\$ 5,000</u>	<u>\$ 457,470</u>	<u>\$ 391,844</u>	<u>\$ 1,149</u>	<u>\$ 392,993</u>
Gross margin	<u>74%</u>		<u>75%</u>	<u>76%</u>		<u>76%</u>
Operating expenses	\$ 221,939	\$ (22,491)	\$ 199,448	\$ 187,453	\$ (16,170)	\$ 171,283
Operating profit	<u>230,531</u>	<u>27,491</u>	<u>258,022</u>	<u>204,391</u>	<u>17,319</u>	<u>221,710</u>
Operating margin	<u>38%</u>		<u>42%</u>	<u>40%</u>		<u>43%</u>
Income tax expense/(benefit)	\$ 36,031	\$ (1,170)	\$ 34,861	\$ 33,745	\$ (3,927)	\$ 29,818
Net income before Noncontrolling Interest	<u>\$ 198,184</u>	<u>\$ 28,661</u>	<u>\$ 226,845</u>	<u>\$ 176,435</u>	<u>\$ 21,246</u>	<u>\$ 197,681</u>
Net income attributable to Sohu.com Inc. for basic net income per share	<u>\$ 148,629</u>	<u>\$ 26,214</u>	<u>\$ 174,843</u>	<u>\$ 147,833</u>	<u>\$ 18,012</u>	<u>\$ 165,845</u>
Net income attributable to Sohu.com Inc for diluted net income per share (b)	<u>\$ 139,335</u>	<u>\$ 24,931</u>	<u>\$ 164,266</u>	<u>\$ 139,272</u>	<u>\$ 16,058</u>	<u>\$ 155,330</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 3.62</u>		<u>\$ 4.21</u>	<u>\$ 3.57</u>		<u>\$ 3.98</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,445</u>		<u>39,054</u>	<u>38,969</u>		<u>39,051</u>

Note:

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