

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

	<u>Three Months Ended</u>			<u>Six Months Ended</u>	
	<u>Jun. 30, 2010</u>	<u>Mar. 31, 2010</u>	<u>Jun. 30, 2009</u>	<u>Jun. 30, 2010</u>	<u>Jun. 30, 2009</u>
Revenues:					
Advertising					
Brand advertising	\$ 53,162	\$ 39,512	\$ 43,621	\$ 92,674	\$ 82,695
Sponsored search	3,891	2,834	1,769	6,725	3,331
Subtotal of advertising revenues	<u>57,053</u>	<u>42,346</u>	<u>45,390</u>	<u>99,399</u>	<u>86,026</u>
Online games	77,721	72,072	66,596	149,793	128,203
Wireless and others	11,323	15,036	15,099	26,359	28,594
Total revenues	<u>146,097</u>	<u>129,454</u>	<u>127,085</u>	<u>275,551</u>	<u>242,823</u>
Cost of revenues:					
Advertising					
Brand advertising (includes share-based compensation expense of \$1,204, \$967, \$261, \$2,171 and \$497, respectively)	22,256	17,283	14,065	39,539	27,795
Sponsored search (includes share-based compensation expense of \$1, \$1, \$3, \$2 and \$6, respectively)	3,507	2,913	2,265	6,420	4,563
Subtotal of cost of advertising revenues	<u>25,763</u>	<u>20,196</u>	<u>16,330</u>	<u>45,959</u>	<u>32,358</u>
Online games (includes share-based compensation expense of \$43, \$67, \$90, \$110 and \$98, respectively)	7,008	5,384	3,937	12,392	7,373
Wireless and others (includes share-based compensation expense of \$0, \$0, \$1, \$0 and \$1, respectively)	6,150	7,246	8,512	13,396	16,641
Total cost of revenues	<u>38,921</u>	<u>32,826</u>	<u>28,779</u>	<u>71,747</u>	<u>56,372</u>
Gross profit	107,176	96,628	98,306	203,804	186,451
Operating expenses:					
Product development (includes share-based compensation expense of \$2,218, \$2,445, \$3,299, \$4,663 and \$4,573, respectively)	16,881	15,518	14,637	32,399	27,951
Sales and marketing (includes share-based compensation expense of \$1,176, \$955, \$214, \$2,131 and \$499, respectively)	29,606	23,009	25,810	52,615	42,636
General and administrative (includes share-based compensation expense of \$1,811, \$2,093, \$2,746, \$3,904 and \$3,227, respectively)	9,384	9,883	9,208	19,267	17,102
Amortization of intangible assets	139	108	128	247	202
Total operating expenses	<u>56,010</u>	<u>48,518</u>	<u>49,783</u>	<u>104,528</u>	<u>87,891</u>
Operating profit	51,166	48,110	48,523	99,276	98,560
Other (expense) / income	(330)	(25)	62	(355)	63
Interest income and exchange difference	958	1,199	1,274	2,157	2,396
Income before income tax expense	51,794	49,284	49,859	101,078	101,019
Income tax expense	6,329	7,963	7,969	14,292	14,555
Income from continuing operations	45,465	41,321	41,890	86,786	86,464
Gain from discontinued e-commerce operations	-	-	446	-	446
Net income	<u>45,465</u>	<u>41,321</u>	<u>42,336</u>	<u>86,786</u>	<u>86,910</u>
Less: Net income attributable to the noncontrolling interest	12,012	11,130	8,801	23,142	8,780
Net income attributable to Sohu.com Inc.	<u>33,453</u>	<u>30,191</u>	<u>33,535</u>	<u>63,644</u>	<u>78,130</u>
Basic net income per share attributable to Sohu.com Inc.	\$ 0.88	\$ 0.80	\$ 0.88	\$ 1.68	\$ 2.04
Shares used in computing basic net income per share attributable to Sohu.com Inc.	<u>37,822</u>	<u>37,778</u>	<u>38,284</u>	<u>37,800</u>	<u>38,223</u>
Diluted net income per share attributable to Sohu.com Inc.	\$ 0.82	\$ 0.73	\$ 0.79	\$ 1.54	\$ 1.94
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,289</u>	<u>38,443</u>	<u>39,018</u>	<u>38,366</u>	<u>38,935</u>

**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**

	<u>Three Months Ended Jun. 30, 2010</u>			<u>Three Months Ended Mar. 31, 2010</u>			<u>Three Months Ended Jun. 30, 2009</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	\$ 57,053	\$ –	\$ 57,053	\$ 42,346	\$ –	\$ 42,346	\$ 45,390	\$ –	\$ 45,390
Less: Cost of advertising revenues	25,763	(1,205)	24,558	20,196	(968)	19,228	16,330	(264)	16,066
Advertising gross profit	<u>\$ 31,290</u>	<u>\$ 1,205</u>	<u>\$ 32,495</u>	<u>\$ 22,150</u>	<u>\$ 968</u>	<u>\$ 23,118</u>	<u>\$ 29,060</u>	<u>\$ 264</u>	<u>\$ 29,324</u>
Advertising gross margin	<u>55%</u>		<u>57%</u>	<u>52%</u>		<u>55%</u>	<u>64%</u>		<u>65%</u>
Online games revenues	\$ 77,721	\$ –	\$ 77,721	\$ 72,072	\$ –	\$ 72,072	\$ 66,596	\$ –	\$ 66,596
Less: Cost of online games revenues	7,008	(43)	6,965	5,384	(67)	5,317	3,937	(90)	3,847
Online games gross profit	<u>\$ 70,713</u>	<u>\$ 43</u>	<u>\$ 70,756</u>	<u>\$ 66,688</u>	<u>\$ 67</u>	<u>\$ 66,755</u>	<u>\$ 62,659</u>	<u>\$ 90</u>	<u>\$ 62,749</u>
Online games gross margin	<u>91%</u>		<u>91%</u>	<u>93%</u>		<u>93%</u>	<u>94%</u>		<u>94%</u>
Wireless and others revenues	\$ 11,323	\$ –	\$ 11,323	\$ 15,036	\$ –	\$ 15,036	\$ 15,099	\$ –	\$ 15,099
Less: Cost of wireless and others revenues	6,150	–	6,150	7,246	–	7,246	8,512	(1)	8,511
Wireless and others gross profit	<u>\$ 5,173</u>	<u>\$ –</u>	<u>\$ 5,173</u>	<u>\$ 7,790</u>	<u>\$ –</u>	<u>\$ 7,790</u>	<u>\$ 6,587</u>	<u>\$ 1</u>	<u>\$ 6,588</u>
Wireless and others gross margin	<u>46%</u>		<u>46%</u>	<u>52%</u>		<u>52%</u>	<u>44%</u>		<u>44%</u>
Total revenues	\$ 146,097	\$ –	\$ 146,097	\$ 129,454	\$ –	\$ 129,454	\$ 127,085	\$ –	\$ 127,085
Less: Total cost of revenues	38,921	(1,248)	37,673	32,826	(1,035)	31,791	28,779	(355)	28,424
Gross profit	<u>\$ 107,176</u>	<u>\$ 1,248</u>	<u>\$ 108,424</u>	<u>\$ 96,628</u>	<u>\$ 1,035</u>	<u>\$ 97,663</u>	<u>\$ 98,306</u>	<u>\$ 355</u>	<u>\$ 98,661</u>
Gross margin	<u>73%</u>		<u>74%</u>	<u>75%</u>		<u>75%</u>	<u>77%</u>		<u>78%</u>
Operating expenses	\$ 56,010	\$ (5,205)	\$ 50,805	\$ 48,518	\$ (5,493)	\$ 43,025	\$ 49,783	\$ (6,259)	\$ 43,524
Operating profit	<u>\$ 51,166</u>	<u>\$ 6,453</u>	<u>\$ 57,619</u>	<u>\$ 48,110</u>	<u>\$ 6,528</u>	<u>\$ 54,638</u>	<u>\$ 48,523</u>	<u>\$ 6,614</u>	<u>\$ 55,137</u>
Operating margin	<u>35%</u>		<u>39%</u>	<u>37%</u>		<u>42%</u>	<u>38%</u>		<u>43%</u>
Income tax expense / (benefit)	\$ 6,329	\$ (624)	\$ 5,705	\$ 7,963	\$ (531)	\$ 7,432	\$ 7,969	\$ –	\$ 7,969
Net income before Non-Controlling Interest	<u>\$ 45,465</u>	<u>\$ 7,077</u>	<u>\$ 52,542</u>	<u>\$ 41,321</u>	<u>\$ 7,059</u>	<u>\$ 48,380</u>	<u>\$ 42,336</u>	<u>\$ 6,614</u>	<u>\$ 48,950</u>
Net income attributable to Sohu.com Inc. for basic net income per share	<u>\$ 33,453</u>	<u>\$ 6,511</u>	<u>\$ 39,964</u>	<u>\$ 30,191</u>	<u>\$ 6,224</u>	<u>\$ 36,415</u>	<u>\$ 33,535</u>	<u>\$ 5,162</u>	<u>\$ 38,697</u>
Net income attributable to Sohu.com Inc. for diluted net income per share (b)	<u>\$ 31,265</u>	<u>\$ 6,187</u>	<u>\$ 37,452</u>	<u>\$ 27,927</u>	<u>\$ 5,842</u>	<u>\$ 33,769</u>	<u>\$ 30,876</u>	<u>\$ 4,323</u>	<u>\$ 35,199</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 0.82</u>		<u>\$ 0.96</u>	<u>\$ 0.73</u>		<u>\$ 0.86</u>	<u>\$ 0.79</u>		<u>\$ 0.90</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,289</u>		<u>39,037</u>	<u>38,443</u>		<u>39,079</u>	<u>39,018</u>		<u>39,092</u>

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 under the treasury stock method.

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

	<u>Six Months Ended Jun. 30, 2010</u>			<u>Six Months Ended Jun. 30, 2009</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	\$ 99,399	\$ –	\$ 99,399	\$ 86,026	\$ –	\$ 86,026
Less: Cost of advertising revenues	45,959	(2,173)	43,786	32,358	(503)	31,855
Advertising gross profit	<u>\$ 53,440</u>	<u>\$ 2,173</u>	<u>\$ 55,613</u>	<u>\$ 53,668</u>	<u>\$ 503</u>	<u>\$ 54,171</u>
Advertising gross margin	<u>54%</u>		<u>56%</u>	<u>62%</u>		<u>63%</u>
Online games revenues	\$ 149,793	\$ –	\$ 149,793	\$ 128,203	\$ –	\$ 128,203
Less: Cost of online games revenues	12,392	(110)	12,282	7,373	(98)	7,275
Online games gross profit	<u>\$ 137,401</u>	<u>\$ 110</u>	<u>\$ 137,511</u>	<u>\$ 120,830</u>	<u>\$ 98</u>	<u>\$ 120,928</u>
Online games gross margin	<u>92%</u>		<u>92%</u>	<u>94%</u>		<u>94%</u>
Wireless and others revenues	\$ 26,359	\$ –	\$ 26,359	\$ 28,594	\$ –	\$ 28,594
Less: Cost of wireless and others revenues	13,396	–	13,396	16,641	(1)	16,640
wireless and others gross profit	<u>\$ 12,963</u>	<u>\$ –</u>	<u>\$ 12,963</u>	<u>\$ 11,953</u>	<u>\$ 1</u>	<u>\$ 11,954</u>
wireless and others gross margin	<u>49%</u>		<u>49%</u>	<u>42%</u>		<u>42%</u>
Total revenues	\$ 275,551	\$ –	\$ 275,551	\$ 242,823	\$ –	\$ 242,823
Less: Total cost of revenues	71,747	(2,283)	69,464	56,372	(602)	55,770
Gross profit	<u>\$ 203,804</u>	<u>\$ 2,283</u>	<u>\$ 206,087</u>	<u>\$ 186,451</u>	<u>\$ 602</u>	<u>\$ 187,053</u>
Gross margin	<u>74%</u>		<u>75%</u>	<u>77%</u>		<u>77%</u>
Operating expenses	\$ 104,528	\$ (10,698)	\$ 93,830	\$ 87,891	\$ (8,299)	\$ 79,592
Operating profit	<u>\$ 99,276</u>	<u>\$ 12,981</u>	<u>\$ 112,257</u>	<u>\$ 98,560</u>	<u>\$ 8,901</u>	<u>\$ 107,461</u>
Operating margin	<u>36%</u>		<u>41%</u>	<u>41%</u>		<u>44%</u>
Income tax expense	<u>\$ 14,292</u>	<u>\$ (1,155)</u>	<u>\$ 13,137</u>	<u>\$ 14,555</u>	<u>\$ –</u>	<u>\$ 14,555</u>
Net income before Non-Controlling Interest	<u>\$ 86,786</u>	<u>\$ 14,136</u>	<u>\$ 100,922</u>	<u>\$ 86,910</u>	<u>\$ 8,901</u>	<u>\$ 95,811</u>
Net income attributable to Sohu.com Inc. for basic net income per share	<u>\$ 63,644</u>	<u>\$ 12,735</u>	<u>\$ 76,379</u>	<u>\$ 78,130</u>	<u>\$ 7,449</u>	<u>\$ 85,579</u>
Net income attributable to Sohu.com Inc. for diluted net income per share (b)	<u>\$ 59,192</u>	<u>\$ 12,029</u>	<u>\$ 71,221</u>	<u>\$ 75,471</u>	<u>\$ 6,610</u>	<u>\$ 82,081</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 1.54</u>		<u>\$ 1.82</u>	<u>\$ 1.94</u>		<u>\$ 2.10</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,366</u>		<u>39,058</u>	<u>38,935</u>		<u>39,057</u>

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 under the treasury stock method.
- (c) Certain amounts from prior periods have been reclassified to conform with current period presentation.