

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

	Three Months Ended		
	Mar. 31, 2010	Dec. 31, 2009	Mar. 31, 2009
Revenues:			
Advertising			
Brand advertising	\$ 39,512	\$ 45,876	\$ 39,074
Sponsored search	2,834	2,929	1,562
Subtotal of advertising revenues	<u>42,346</u>	<u>48,805</u>	<u>40,636</u>
Online games	72,072	70,698	61,607
Wireless and others	15,036	16,328	13,495
Total revenues	<u>129,454</u>	<u>135,831</u>	<u>115,738</u>
Cost of revenues:			
Advertising			
Brand advertising (includes share-based compensation expense of \$967, \$141 and \$236, respectively)	17,283	16,238	13,730
Sponsored search (includes share-based compensation expense of \$1, \$1 and \$3, respectively)	2,913	3,079	2,298
Subtotal of cost of advertising revenues	<u>20,196</u>	<u>19,317</u>	<u>16,028</u>
Online games (includes share-based compensation expense of \$67, \$57 and \$8, respectively)	5,384	5,419	3,436
Wireless and others (includes share-based compensation expense of \$0, \$0 and \$0, respectively)	7,246	9,097	8,129
Total cost of revenues	<u>32,826</u>	<u>33,833</u>	<u>27,593</u>
Gross profit	96,628	101,998	88,145
Operating expenses:			
Product development (includes share-based compensation expense of \$2,445, \$1,952 and \$1,274, respectively)	15,518	14,461	13,314
Sales and marketing (includes share-based compensation expense of \$955, \$96 and \$285, respectively)	23,009	25,405	16,826
General and administrative (includes share-based compensation expense of \$2,093, \$1,687 and \$481, respectively)	9,883	8,801	7,894
Amortization of intangible assets	108	93	74
Total operating expenses	<u>48,518</u>	<u>48,760</u>	<u>38,108</u>
Operating profit	48,110	53,238	50,037
Other (expense)/income	(25)	239	1
Interest income and exchange difference	1,199	1,136	1,122
Income before income tax expense	<u>49,284</u>	<u>54,613</u>	<u>51,160</u>
Income tax expense	7,963	12,168	6,586
Net income	41,321	42,445	44,574
Less: Net income(loss) attributable to the noncontrolling interest	11,130	10,096	(21)
Net income attributable to Sohu.com Inc.	<u>30,191</u>	<u>32,349</u>	<u>44,595</u>
Basic net income per share attributable to Sohu.com Inc.	<u>\$ 0.80</u>	<u>\$ 0.84</u>	<u>\$ 1.17</u>
Shares used in computing basic net income per share attributable to Sohu.com Inc.	<u>37,778</u>	<u>38,317</u>	<u>38,162</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 0.73</u>	<u>\$ 0.76</u>	<u>\$ 1.15</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,443</u>	<u>38,920</u>	<u>38,851</u>

SOHU.COM INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED, IN THOUSANDS)

	<u>As of Mar. 31, 2010</u>	<u>As of Dec. 31, 2009</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 599,153	\$ 563,782
Accounts receivable, net	47,849	46,610
Prepaid and other current assets	<u>12,483</u>	<u>10,781</u>
Total current assets	659,485	621,173
Fixed assets, net	116,828	115,088
Goodwill	57,440	55,555
Intangible assets, net	9,083	7,933
Other assets, net	<u>31,750</u>	<u>28,524</u>
Total assets	<u>\$ 874,586</u>	<u>\$ 828,273</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,229	\$ 4,602
Accrued liabilities to suppliers and agents	41,722	41,103
Receipts in advance and deferred revenue	32,873	36,944
Accrued salary and benefits	26,216	28,860
Tax payables	21,547	21,953
Other accrued liabilities	<u>17,201</u>	<u>17,035</u>
Total current liabilities	146,788	150,497
Commitments and contingencies	1,318	-
Shareholders' equity:		
Sohu.com Inc. shareholders' equity	641,319	609,781
Noncontrolling interest	<u>85,161</u>	<u>67,995</u>
Total shareholders' equity	726,480	677,776
Total liabilities and shareholders' equity	<u>\$ 874,586</u>	<u>\$ 828,273</u>

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

NON-GAAP NET INCOME EXCLUDING SHARE-BASED COMPENSATION EXPENSE

	<u>Three Months Ended Mar. 31, 2010</u>			<u>Three Months Ended Dec. 31, 2009</u>			<u>Three Months Ended Mar. 31, 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	\$ 42,346	\$ –	\$ 42,346	\$ 48,805	\$ –	\$ 48,805	\$ 40,636	\$ –	\$ 40,636
Less: Cost of advertising revenues	20,196	(968)	19,228	19,317	(142)	19,175	16,028	(239)	15,789
Advertising gross profit	<u>\$ 22,150</u>	<u>\$ 968</u>	<u>\$ 23,118</u>	<u>\$ 29,488</u>	<u>\$ 142</u>	<u>\$ 29,630</u>	<u>\$ 24,608</u>	<u>\$ 239</u>	<u>\$ 24,847</u>
Advertising gross margin	<u>52%</u>		<u>55%</u>	<u>60%</u>		<u>61%</u>	<u>61%</u>		<u>61%</u>
Online games revenues	\$ 72,072	\$ –	\$ 72,072	\$ 70,698	\$ –	\$ 70,698	\$ 61,607	\$ –	\$ 61,607
Less: Cost of online games revenues	5,384	(67)	5,317	5,419	(57)	5,362	3,436	(8)	3,428
Online games gross profit	<u>\$ 66,688</u>	<u>\$ 67</u>	<u>\$ 66,755</u>	<u>\$ 65,279</u>	<u>\$ 57</u>	<u>\$ 65,336</u>	<u>\$ 58,171</u>	<u>\$ 8</u>	<u>\$ 58,179</u>
Online games gross margin	<u>93%</u>		<u>93%</u>	<u>92%</u>		<u>92%</u>	<u>94%</u>		<u>94%</u>
Wireless and others revenues	\$ 15,036	\$ –	\$ 15,036	\$ 16,328	\$ –	\$ 16,328	\$ 13,495	\$ –	\$ 13,495
Less: Cost of wireless and others revenues	7,246	–	7,246	9,097	–	9,097	8,129	–	8,129
Wireless and others gross profit	<u>\$ 7,790</u>	<u>\$ –</u>	<u>\$ 7,790</u>	<u>\$ 7,231</u>	<u>\$ –</u>	<u>\$ 7,231</u>	<u>\$ 5,366</u>	<u>\$ –</u>	<u>\$ 5,366</u>
Wireless and others gross margin	<u>52%</u>		<u>52%</u>	<u>44%</u>		<u>44%</u>	<u>40%</u>		<u>40%</u>
Total revenues	\$ 129,454	\$ –	\$ 129,454	\$ 135,831	\$ –	\$ 135,831	\$ 115,738	\$ –	\$ 115,738
Less: Total cost of revenues	32,826	(1,035)	31,791	33,833	(199)	33,634	27,593	(247)	27,346
Gross profit	<u>\$ 96,628</u>	<u>\$ 1,035</u>	<u>\$ 97,663</u>	<u>\$ 101,998</u>	<u>\$ 199</u>	<u>\$ 102,197</u>	<u>\$ 88,145</u>	<u>\$ 247</u>	<u>\$ 88,392</u>
Gross margin	<u>75%</u>		<u>75%</u>	<u>75%</u>		<u>75%</u>	<u>76%</u>		<u>76%</u>
Operating expenses	\$ 48,518	\$ (5,493)	\$ 43,025	\$ 48,760	\$ (3,735)	\$ 45,025	\$ 38,108	\$ (2,040)	\$ 36,068
Operating profit	<u>\$ 48,110</u>	<u>\$ 6,528</u>	<u>\$ 54,638</u>	<u>\$ 53,238</u>	<u>\$ 3,934</u>	<u>\$ 57,172</u>	<u>\$ 50,037</u>	<u>\$ 2,287</u>	<u>\$ 52,324</u>
Operating margin	<u>37%</u>		<u>42%</u>	<u>39%</u>		<u>42%</u>	<u>43%</u>		<u>45%</u>
Income tax expense(benefit)	\$ 7,963	\$ (531)	\$ 7,432	\$ 12,168	\$ (3,927)	\$ 8,241	\$ 6,586	\$ –	\$ 6,586
Net income before Non-Controlling Interest	<u>\$ 41,321</u>	<u>\$ 7,059</u>	<u>\$ 48,380</u>	<u>\$ 42,445</u>	<u>\$ 7,861</u>	<u>\$ 50,306</u>	<u>\$ 44,574</u>	<u>\$ 2,287</u>	<u>\$ 46,861</u>
Net income attributable to Sohu.com Inc. for basic net income per share	<u>\$ 30,191</u>	<u>\$ 6,224</u>	<u>\$ 36,415</u>	<u>\$ 32,349</u>	<u>\$ 6,996</u>	<u>\$ 39,345</u>	<u>\$ 44,595</u>	<u>\$ 2,287</u>	<u>\$ 46,882</u>
Net income attributable to Sohu.com Inc. for diluted net income per share (b)	<u>\$ 27,927</u>	<u>\$ 5,842</u>	<u>\$ 33,769</u>	<u>\$ 29,396</u>	<u>\$ 6,447</u>	<u>\$ 35,843</u>	<u>\$ 44,595</u>	<u>\$ 2,287</u>	<u>\$ 46,882</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 0.73</u>		<u>\$ 0.86</u>	<u>\$ 0.76</u>		<u>\$ 0.92</u>	<u>\$ 1.15</u>		<u>\$ 1.20</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,443</u>		<u>39,079</u>	<u>38,920</u>		<u>38,957</u>	<u>38,851</u>		<u>39,020</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.