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生活从此精彩

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足及生活每一天



www.sohu.com

**SOHU.COM**

**Corporate Presentation**

**March 2007**



# Safe Harbor Statement

**This presentation contains forward-looking statements, including, among other things, a statement of Sohu's expectations regarding future profitability. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Potential risks and uncertainties include, but are not limited to, the uncertain regulatory landscape in the People's Republic of China, fluctuations in Sohu's quarterly operating results, Sohu's historical and possible future losses and limited operating history, and the company's reliance on online advertising sales, wireless services (most wireless revenues are collected from a few mobile telecom operators) and online games for its revenues. Further information regarding these and other risks is included in Sohu's Annual Report on Form 10K, its quarterly reports on Form 10Q, and in its other filings with the Securities and Exchange Commission.**

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# Corporate Facts

**Sohu:** Top ranked Internet portal & search engine in China, built around a matrix of seven branded websites.

- **Founded:** 1996
- **Founder:** Dr. Charles Zhang
- **# of employees:** 2,022
- **Exchange:** Nasdaq
- **IPO:** July 2000
- **Ticker Symbol:** SOHU

**Vision:** To provide the most advanced interactive online services in China with the goal of continually capturing users' imaginations and consistently delivering customer satisfaction...To become **SIMPLY INDISPENSABLE** in the lives of Chinese people.

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# Sohu's Web Properties

...appeal to the increasingly segmented user population in China.

Domain	Description
<a href="http://www.sohu.com">www.sohu.com</a>	leading online media property
<a href="http://www.chinaren.com">www.chinaren.com</a>	#1 online alumni club in China
<a href="http://www.17173.com">www.17173.com</a>	#1 online games information portal
<a href="http://www.focus.cn">www.focus.cn</a>	leading real estate & home furnishings website
<a href="http://www.sogou.com">www.sogou.com</a>	proprietary search engine
<a href="http://www.Go2Map.com">www.Go2Map.com</a>	leading online-mapping services provider
<a href="http://www.goodfeel.com.cn">www.goodfeel.com.cn</a>	wireless value-added services provider

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# Financial Summary



# Key Financial Metrics

	Q4 2006	Q-o-Q %	Y-o-Y %	Fiscal 2006	Y-o-Y %	Q1 2007 Guidance
Total revenues	\$ 34.4m	(3%)	16%	\$ 134.2m	28%	\$32.0 - \$34.0m
Ad revenues	\$ 24.9m	4%	23%	\$ 91.8m	29%	\$25.0 - \$26.0m
Brand advertising	\$22.0m	5%	30%	\$79.0m	35%	\$22.5 - \$23.0m
Sponsored search	\$2.9m			\$12.8m		
Non-ad revenues	\$9.5m	(18%)	1%	\$42.4m	26%	\$7.0 - \$8.0m
Wireless	\$6.8m			\$32.6m		
Others (incl. game)	\$2.7m			\$9.8m		
Operating income (non-GAAP)	\$7.7m	(4%)	24%	\$31.5m	20%	n/a
Net income (non-GAAP)	\$8.1m	(5%)	(10%)	\$32.8m	10%	n/a
Net income per diluted share (non-GAAP)	\$0.21	(5%)	(9%)	\$0.85	10%	\$0.18 - \$0.20*

\*Note: Non-GAAP operating income, net income and diluted EPS exclude the effect of share-based compensation expense under SFAS123R, effective January 1, 2006. For Q406 and Q306, share-based compensation expense was \$2.0 million and \$1.9 million, respectively. For Q1 2007, assuming no new grants of share-based awards, share-based compensation expense is estimated to be \$2.3 to \$2.4 million (equivalent to approximately \$0.06 per fully diluted share).

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# Brand Advertising Business





# China Internet Industry

- China ranks No. 2 in total Internet users with more time spent online and more users under the age of 30 than any other country.
- China enjoys a faster growth rate than other markets with more growth potential.

	China	United States
<u>Internet Users</u>	137 million (increase of 23.4% y-o-y)	~ 150 million
<u>Internet Penetration</u> (% of total population)	10.5%	60~70%
<u>Broadband Users</u> (% of total Internet users)	104 million	
<u>Demographics</u>	72% under the age 30	~70% above the age of 30
<u>Time spend on Internet</u>	> 2 billion hours per week (16.5 hours on average)	~ 130 million hours per week

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# China Advertising Spending

Online advertising spending currently only accounts for a small % of total advertising spending in China...with enormous growth potential still to be realized.

Total Advertising Spending as % of GDP:

China	Other emerging Asia economies	Western economies
0.7%	0.7%~1.0%	1.0~1.5%

Online Advertising as % of Total Advertising Spending:

China	United States	Korea
2%	4~5%	4%

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# Benefits of Online Advertising

- In China, the Internet is the only alternative to CCTV which enjoys national reach.
- Internet is a *more effective* means of advertising, with a *more reasonable cost* per viewer compared to TV.
- With the development of rich media, Internet is offering *more TV-like* content to users and attracting more advertisers.

	SOHU	CCTV-1
Hot Resources	Column Ads on Homepage	TV Ads after Weather Forecast every evening
Duration	24 hours	15 seconds
Attention of viewers	High	Medium
Speed of ads update	Instantaneous	Slow
Interactivity	High	Medium
Price after typical discount (Rmb)	90,000	500,000

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# Online Media Gaining Market Share

Online advertising is gaining market share from traditional forms of media advertising as more advertisers recognize the benefits.

- According to iResearch, 2005 advertising revenue for online media in China was US\$396 million, surpassing that for traditional magazines, but still only representing an estimated 2.3% of China's total advertising market.

## Examples of Revenue Growth in Traditional vs. Online

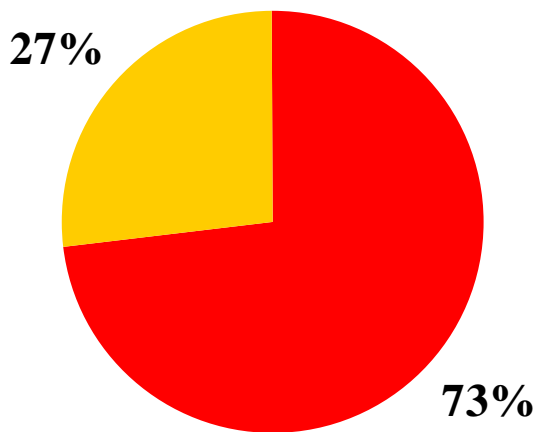
Year-on-year Growth %	2006 vs. 2005
Beijing Media	-6%
Sohu.com	28%

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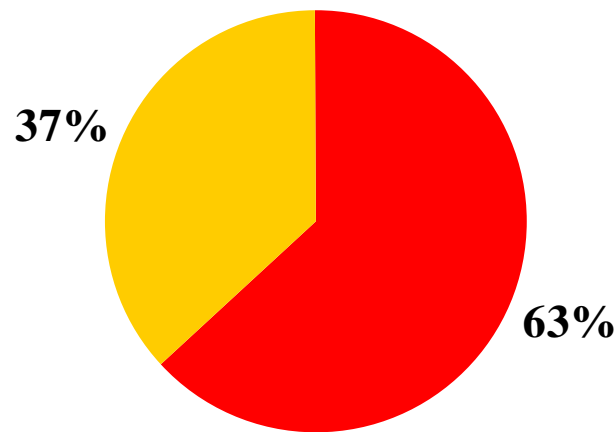


# Sohu To Benefit Most From These Trends

- Sohu enjoys the highest portion of advertising revenue among all internet peers in China.
- For 2006, our advertising revenue accounted for 73% of total revenue, compared to approximately 63% of our major competitor.



SOHU



SINA

■ Ad Revenue

■ Non-Ad Revenue

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# Premier, Differentiated and Exclusive Contents

Sohu has more than 1000 content partners including exclusive partnerships with:

- Team China Football
  - NBA
  - Eurosport
  - Formula One
  - China Open
  - Asian Cup
  - AC Milan
  - FIFA World Cup 2006 (online video clips)
  - Chinese Football Association Super League 2006
  - China Basketball Association Professional League 2006-2007
- .....Many of them are exclusive video contents.



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# Sohu's Community-based Products

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- Sohu community matrix includes Chinaren, Sohu Club, Sohu Blog Plus, Sohu Commentary and Sogou Message Board.
  - **Chinaren** is the leading real-name online alumni club in China with over 76 million registered users.
  - **Sohu BBS** (Sohu Club) is the leading BBS in China, consistently ranking on top.
  - **Sohu Blog Plus** Launched with “Fun and Personalization” features. In Q4 2006,
    - registered bloggers increased about 50% quarter-on-quarter
    - pageviews increased 70% quarter-on-quarter
- Sohu continues to integrate community-based products with traditional online products into a uniform platform.
- Growing traffic for these products will lead to increased monetization – Revenues from Web 2.0/community-based products grew approximately 60% sequentially in Q4 2006.





# ICS Sponsor of Beijing 2008 Olympics

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搜狐成为北京2008年奥运会互联网内容服务赞助商

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**Beijing 2008 Olympics is the most important differentiating factor between Sohu and other Chinese Internet companies.**

- Prestigious win of the official 'Internet Content Service Sponsor' for the Beijing 2008 Olympics
- Increased Sohu branding via additional partnerships amongst the other exclusive Olympics sponsors and increased publicity as the event approaches
- Sohu is the only Internet company on which Beijing Olympics local partners and sponsors can advertise with their Beijing 2008 Olympics joint logo





# Executing Well in Olympics Strategy

—— Team China

**Exclusive Internet Content Partner for Team China:  
(from now through 2008)**

- 15th Asian Games (late 2006)
- 6th Asian Winter Games (early 2007)
- Beijing 2008 Olympics



亚运会中国体育代表团合作伙伴



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# Executing Well in Olympics Strategy

## — Expanded Content Offerings

- Sohu Olympics Channel – launched on November 7, 2006, the first anniversary of Sohu winning the Olympics sponsorship.
- CISports
  - backed by the China General Administration of Sports
  - owns substantial and significant resources relating to athletes
  - Sohu and CISports jointly manage and operate all its underlying websites including [www.sports.cn](http://www.sports.cn), [www.sport.org.cn](http://www.sport.org.cn), the official website of China Olympics Committee [www.olympic.cn](http://www.olympic.cn) and other official websites for various sports associations, as well as the official websites and blogs for famous athletes such as Liu Xiang.
- Working with TV stations – to promote programs such as athlete interviews, including CCTV, Beijing, Shanghai and Guangdong TV stations.
- Asian Games – Sohu is the only Internet company who has exclusive legal rights to interview athletes before each game and gold medal winners after the games.



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# Executing Well in Olympics Strategy

## —— Partnerships amongst other exclusive Olympic sponsors

Increased partnership and advertising opportunities within the exclusive Olympic sponsorship community comprised of many Fortune 1000 companies and beyond:

- Co-marketing partnership with fellow Olympics sponsor, *Adidas* as the co-branded partner of Sohu's sports channel
- Olympic-related advertising deals signed with companies such as *VISA*, *Lenovo* and *Audi China*.



北京2008年奥运会赞助商



北京2008年奥运会合作伙伴



北京2008年奥运会正式高级用车

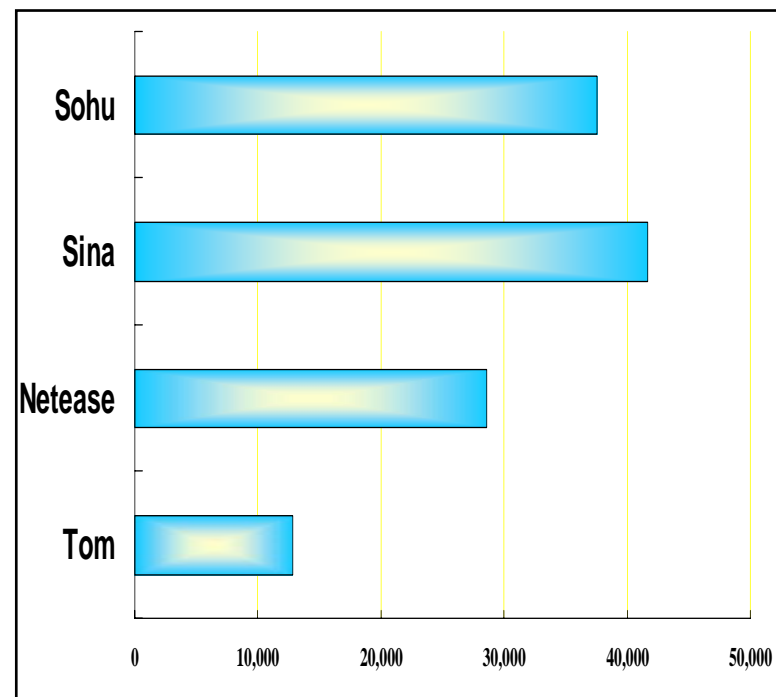
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# Content Strength

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Web properties	Alexa Rankings	
	Top100 Chinese Sites	Top500 Global Sites
Sohu.com	#4	#14
www.sogou.com	#15	#82
www.chinaren.com	#20	#117
www.17173.com	#31	#185
www.Focus.com	#60	#343

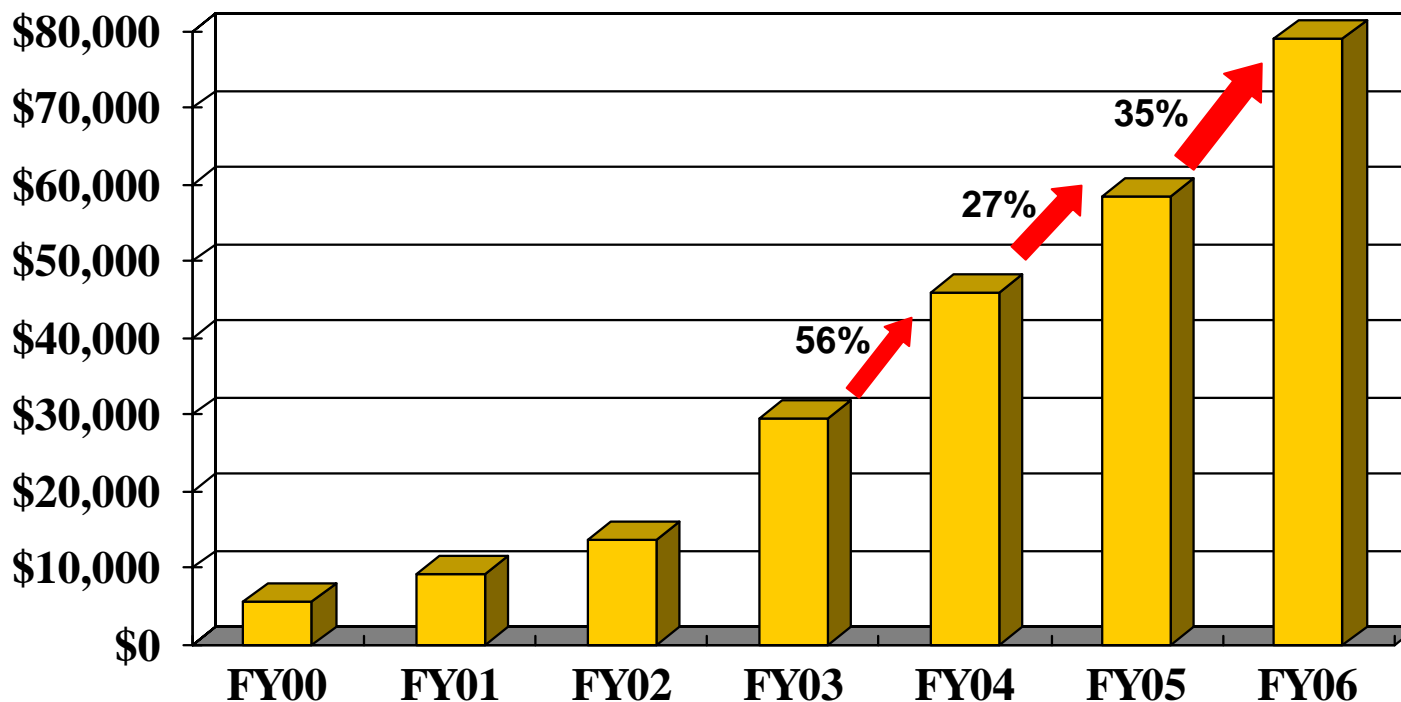


Reach with China's Internet Population - Average monthly reach per one million Internet users  
(Source: Alexa/iResearch January 2007)



# Brand Advertising Revenue

(\$ in thousands)



- Continuous growth in Sohu brand advertising over the past 6 years
- Growth achieved with a gross margin of over 70%

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# Search Business



# Sohu's Search Strategy

## - Product Enhancement



Continuous Product Enhancement (2005-2006) **“Larger, Faster, Smarter.”**

- February 2006, launched new picture search capability
- March 2006, added an improved seamless map search function & completed fully integrating Go2Map.com
- Sogou Pinyin version 2.0 (Chinese Character Input Method Software)
  - Increased active daily users by 60% - 100% for Q3 and Q4 2006
- January 1, 2007, launched Sogou 3.0
  - The first search engine with a database of 10 billion retrieved Chinese pages
  - Crawling speed increased significantly to 500 million pages per day
  - Traffic in the first month of launch grew by 20%





# Sohu's Search Strategy

## - Marketing

- Innovative Marketing & Promotions
  - Apply Sohu's marketing strength and leverage portal user base and brand to grow user base for Sogou
  - Aggressive marketing campaign following Sogou 3.0 launch
- Plan to more aggressively monetize Sogou when we further enhance our traffic

2006 Q4 revenue	US\$ 2.9 million
2006 Q4 # of clients	~ 48,000
# of distributors	~ 550
# of employees	~ 300





# Wireless VAS Business



# Wireless: Steady Progress



- Wireless revenues of \$6.7 million in Q4 2006

	<b>Q4 06</b> (in US\$million)	<b>Q3 06</b> (in US\$million)
SMS	3.1	5.1
WAP	2.3	2.5
MMS, IVR and RBT	1.3	1.2
Wireless Total	6.7	8.8

- Well-positioned to minimize risks associated with this sector as it only represented 20% of total 2006 Q4 revenue



# Wireless: WAP Portal

Our WAP portal is essentially a WAP version of our existing portal in a simplified format

- WAP focus best positions Sohu to capture market opportunity from imminent launch of 3G
- Traffic to our WAP portal showed steady sequential improvement throughout 2006
- Our WAP portal will continue to benefit from our broad content and media strength via Sohu's portal and family of web sites
- Our strategy is continue to grow traffic before monetization



# Management Confidence in the Company



# Management Confidence

## Share Buy-back

- Ongoing stock repurchase program for US\$15 million

## Management open-market purchases

- CEO, Charles Zhang, has purchased 550,000 shares in the open market, and has exercised and held 566,000 options since May 2004.
- CFO, Carol Yu, purchased 15,000 shares in February 2005

**This underscores management's confidence in Sohu's sustainable long term growth and value to shareholders.**

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# Well-positioned for Future Growth

Continuous focus on our core business:

- Brand Advertising
- Search

Remain a premier technology innovator in China

Leverage the numerous opportunities to come along with our premier, differentiated and exclusive content

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北京2008年奥运会赞助商  
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**SOHU – Choice of 2008 Olympic Games!**