

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

| | Three Months Ended | | |
|--|--------------------|------------------|------------------|
| | Mar. 31, 2009 | Dec. 31, 2008 | Mar. 31, 2008 |
| Revenues: | | | |
| Advertising | | | |
| Brand advertising | \$ 39,074 | \$ 45,024 | \$ 33,155 |
| Sponsored search | 1,562 | 1,625 | 1,614 |
| Subtotal of advertising revenues | <u>40,636</u> | <u>46,649</u> | <u>34,769</u> |
| Non-advertising | | | |
| Online game | 61,607 | 58,390 | 40,955 |
| Wireless | 13,378 | 14,804 | 8,593 |
| Others | 117 | 1,729 | 506 |
| Subtotal of non-advertising revenues | <u>75,102</u> | <u>74,923</u> | <u>50,054</u> |
| Total revenues | <u>115,738</u> | <u>121,572</u> | <u>84,823</u> |
| Cost of revenues: | | | |
| Advertising | | | |
| Brand advertising (includes share-based compensation expense under SFAS 123(R) of \$236, \$308 and \$309, respectively) | 13,730 | 15,266 | 11,252 |
| Sponsored search (includes share-based compensation expense under SFAS 123(R) of \$3, \$3 and \$6, respectively) | 2,298 | 1,916 | 1,520 |
| Subtotal of cost of advertising revenues | <u>16,028</u> | <u>17,182</u> | <u>12,772</u> |
| Non-advertising | | | |
| Online game (includes stock-based compensation expense under SFAS 123(R) of \$8, \$4 and \$5, respectively) | 3,436 | 4,374 | 3,208 |
| Wireless | 7,643 | 8,063 | 3,931 |
| Others (includes share-based compensation expense under SFAS 123(R) of \$0, \$1 and \$2, respectively) | 486 | 614 | 381 |
| Subtotal of cost of non-advertising revenues | <u>11,565</u> | <u>13,051</u> | <u>7,520</u> |
| Total cost of revenues | <u>27,593</u> | <u>30,233</u> | <u>20,292</u> |
| Gross profit | 88,145 | 91,339 | 64,531 |
| Operating expenses: | | | |
| Product development (includes share-based compensation expense under SFAS 123(R) of \$1,274, \$1,580 and \$2,263, respectively) | 13,314 | 14,424 | 11,479 |
| Sales and marketing (includes share-based compensation expense under SFAS 123(R) of \$285, \$174 and \$280, respectively) | 16,826 | 19,500 | 16,140 |
| General and administrative (includes share-based compensation expense under SFAS 123(R) of \$481, \$321 and \$645, respectively) | 7,894 | 7,535 | 6,185 |
| Amortization of intangible assets | 74 | 200 | 196 |
| Total operating expenses | <u>38,108</u> | <u>41,659</u> | <u>34,000</u> |
| Operating profit | 50,037 | 49,680 | 30,531 |
| Other income (expense) | 1 | (54) | 43 |
| Interest income and exchange difference | 1,122 | 1,221 | 166 |
| Income before income tax expense | 51,160 | 50,847 | 30,740 |
| Income tax expense (benefit) | 6,586 | (5,745) | 9,185 |
| Income from continuing operations | 44,574 | 56,592 | 21,555 |
| Loss from discontinued e-commerce operations | - | - | (1) |
| Net income | 44,574 | 56,592 | 21,554 |
| Less: Net income attributable to the noncontrolling interest | (21) | (33) | (8) |
| Net income attributable to Sohu.com Inc. | <u>\$ 44,595</u> | <u>\$ 56,625</u> | <u>\$ 21,562</u> |
| Basic net income per share attributable to Sohu.com Inc. | <u>\$ 1.17</u> | <u>\$ 1.48</u> | <u>\$ 0.57</u> |
| Shares used in computing basic net income per share attributable to Sohu.com Inc. | <u>38,162</u> | <u>38,311</u> | <u>37,759</u> |
| Diluted net income per share attributable to Sohu.com Inc. | <u>\$ 1.15</u> | <u>\$ 1.45</u> | <u>\$ 0.55</u> |
| Shares used in computing diluted net income per share attributable to Sohu.com Inc. | <u>38,851</u> | <u>39,090</u> | <u>39,037</u> |

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

| | <u>As of Mar. 31, 2009</u> | <u>As of Dec. 31, 2008</u> |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 373,166 | \$ 314,425 |
| Accounts receivable, net | 43,782 | 36,869 |
| Prepaid and other current assets | <u>15,414</u> | <u>27,551</u> |
| Total current assets | 432,362 | 378,845 |
| Fixed assets, net | 76,225 | 76,237 |
| Goodwill | 55,555 | 55,555 |
| Intangible assets, net | 5,410 | 5,654 |
| Restricted cash | 375 | 2,671 |
| Other assets, net | <u>2,847</u> | <u>2,914</u> |
| Total assets | <u>\$ 572,774</u> | <u>\$ 521,876</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 4,202 | \$ 4,339 |
| Accrued liabilities to suppliers and agents | 29,762 | 33,054 |
| Receipts in advance and deferred revenue | 29,129 | 31,446 |
| Tax payables | 25,505 | 18,892 |
| Other accrued liabilities | <u>44,416</u> | <u>43,051</u> |
| Total current liabilities | 133,014 | 130,782 |
| Equity | | |
| Sohu.com Inc. shareholders' equity | 433,917 | 385,946 |
| Noncontrolling interest | <u>5,843</u> | <u>5,148</u> |
| Total equity | 439,760 | 391,094 |
| Total liabilities and equity | <u>\$ 572,774</u> | <u>\$ 521,876</u> |

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

NON-GAAP NET INCOME EXCLUDING SHARE-BASED COMPENSATION EXPENSE

| | <u>Three Months Ended Mar. 31, 2009</u> | | | <u>Three Months Ended Dec. 31, 2008</u> | | | <u>Three Months Ended Mar. 31, 2008</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 | \$ 40,636 | \$ – | \$ 40,636 | \$ 46,649 | \$ – | \$ 46,649 | \$ 34,769 | \$ – | \$ 34,769 |
| Less: Cost of advertising revenues | 16,028 | (239) | 15,789 | 17,182 | (311) | 16,871 | 12,772 | (315) | 12,457 |
| Advertising gross profit | <u>\$ 24,608</u> | <u>\$ 239</u> | <u>\$ 24,847</u> | <u>\$ 29,467</u> | <u>\$ 311</u> | <u>\$ 29,778</u> | <u>\$ 21,997</u> | <u>\$ 315</u> | <u>\$ 22,312</u> |
| Advertising gross margin | <u>61%</u> | | <u>61%</u> | <u>63%</u> | | <u>64%</u> | <u>63%</u> | | <u>64%</u> |
| Non-advertising revenues | \$ 75,102 | \$ – | \$ 75,102 | \$ 74,923 | \$ – | \$ 74,923 | \$ 50,054 | \$ – | \$ 50,054 |
| Less: Cost of non-advertising revenues | 11,565 | (8) | 11,557 | 13,051 | (5) | 13,046 | 7,520 | (7) | 7,513 |
| Non-advertising gross profit | <u>\$ 63,537</u> | <u>\$ 8</u> | <u>\$ 63,545</u> | <u>\$ 61,872</u> | <u>\$ 5</u> | <u>\$ 61,877</u> | <u>\$ 42,534</u> | <u>\$ 7</u> | <u>\$ 42,541</u> |
| Non-advertising gross margin | <u>85%</u> | | <u>85%</u> | <u>83%</u> | | <u>83%</u> | <u>85%</u> | | <u>85%</u> |
| Total revenues | \$ 115,738 | \$ – | \$ 115,738 | \$ 121,572 | \$ – | \$ 121,572 | \$ 84,823 | \$ – | \$ 84,823 |
| Less: Total cost of revenues | 27,593 | (247) | 27,346 | 30,233 | (316) | 29,917 | 20,292 | (322) | 19,970 |
| Gross profit | <u>\$ 88,145</u> | <u>\$ 247</u> | <u>\$ 88,392</u> | <u>\$ 91,339</u> | <u>\$ 316</u> | <u>\$ 91,655</u> | <u>\$ 64,531</u> | <u>\$ 322</u> | <u>\$ 64,853</u> |
| Gross margin | <u>76%</u> | | <u>76%</u> | <u>75%</u> | | <u>75%</u> | <u>76%</u> | | <u>76%</u> |
| Operating expenses | \$ 38,108 | \$ (2,040) | \$ 36,068 | \$ 41,659 | \$ (2,075) | \$ 39,584 | \$ 34,000 | \$ (3,188) | \$ 30,812 |
| Operating profit | <u>50,037</u> | <u>2,287</u> | <u>52,324</u> | <u>49,680</u> | <u>2,391</u> | <u>52,071</u> | <u>30,531</u> | <u>3,510</u> | <u>34,041</u> |
| Operating margin | <u>43%</u> | | <u>45%</u> | <u>41%</u> | | <u>43%</u> | <u>36%</u> | | <u>40%</u> |
| Net income attributable to Sohu.com Inc. | <u>\$ 44,595</u> | <u>\$ 2,287</u> | <u>\$ 46,882</u> | <u>\$ 56,625</u> | <u>\$ 2,391</u> | <u>\$ 59,016</u> | <u>\$ 21,562</u> | <u>\$ 3,510</u> | <u>\$ 25,072</u> |
| Diluted net income per share attributable to Sohu.com Inc. | <u>\$ 1.15</u> | | <u>\$ 1.20</u> | <u>\$ 1.45</u> | | <u>\$ 1.50</u> | <u>\$ 0.55</u> | | <u>\$ 0.64</u> |
| Shares used in computing diluted net income per share attributable to Sohu.com Inc. | <u>38,851</u> | | <u>39,020</u> | <u>39,090</u> | | <u>39,281</u> | <u>39,037</u> | | <u>39,220</u> |

Note:

(a) To eliminate share-based compensation expense as measured using the fair value method under SFAS 123(R).