

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

	Three Months Ended			Six Months Ended	
	Jun. 30, 2009	Mar. 31, 2009	Jun. 30, 2008	Jun. 30, 2009	Jun. 30, 2008
Revenues:					
Advertising					
Brand advertising	\$ 43,621	\$ 39,074	\$ 41,691	\$ 82,695	\$ 74,846
Sponsored search	1,769	1,562	1,693	3,331	3,307
Subtotal of advertising revenues	45,390	40,636	43,384	86,026	78,153
Online games	66,596	61,607	47,896	128,203	88,851
Wireless and others	15,099	13,495	10,700	28,594	19,799
Total revenues	127,085	115,738	101,980	242,823	186,803
Cost of revenues:					
Advertising					
Brand advertising (includes share-based compensation expense under SFAS 123(R) of \$261, \$236, \$295, \$497 and \$604, respectively)	14,065	13,730	13,907	27,795	25,159
Sponsored search (includes share-based compensation expense under SFAS 123(R) of \$3, \$3, \$6, \$6 and \$12, respectively)	2,265	2,298	1,605	4,563	3,125
Subtotal of cost of advertising revenues	16,330	16,028	15,512	32,358	28,284
Online games (includes stock-based compensation expense under SFAS 123 (R) of \$90, \$8, \$5, \$98 and \$10, respectively)	3,937	3,436	3,505	7,373	6,713
Wireless and others (includes share-based compensation expense under SFAS 123(R) of \$1, \$0, \$2, \$1 and \$4, respectively)	8,512	8,129	5,858	16,641	10,170
Total cost of revenues	28,779	27,593	24,875	56,372	45,167
Gross profit	98,306	88,145	77,105	186,451	141,636
Operating expenses:					
Product development (includes share-based compensation expense under SFAS 123(R) of \$3,299, \$1,274, \$1,228, \$4,573 and \$3,491, respectively)	14,637	13,314	10,798	27,951	22,277
Sales and marketing (includes share-based compensation expense under SFAS 123(R) of \$214, \$285, \$228, \$499 and \$508, respectively)	25,810	16,826	21,408	42,636	37,548
General and administrative (includes share-based compensation expense under SFAS 123(R) of \$2,746, \$481, \$394, \$3,227 and \$1,039, respectively)	9,208	7,894	4,827	17,102	11,012
Amortization of intangible assets	128	74	199	202	395
Total operating expenses	49,783	38,108	37,232	87,891	71,232
Operating profit	48,523	50,037	39,873	98,560	70,404
Other income (expense)	62	1	(575)	63	(532)
Interest income and exchange difference	1,274	1,122	1,480	2,396	1,646
Income before income tax expense	49,859	51,160	40,778	101,019	71,518
Income tax expense	7,969	6,586	577	14,555	9,762
Income from continuing operations	41,890	44,574	40,201	86,464	61,756
Gain (Loss) from discontinued e-commerce operations	446	-	-	446	(1)
Net income	42,336	44,574	40,201	86,910	61,755
Less: Net income attributable to the noncontrolling interest	8,801	(21)	12	8,780	4
Net income attributable to Sohu.com Inc.	33,535	44,595	40,189	78,130	61,751
Basic net income per share attributable to Sohu.com Inc.	\$ 0.88	\$ 1.17	\$ 1.05	\$ 2.04	\$ 1.63
Shares used in computing basic net income per share attributable to Sohu.com Inc.	38,284	38,162	38,108	38,223	37,934
Diluted net income per share attributable to Sohu.com Inc.	\$ 0.79	\$ 1.15	\$ 1.02	\$ 1.94	\$ 1.57
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	39,018	38,851	39,429	38,935	39,234

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

	<u>As of Jun. 30, 2009</u>	<u>As of Dec. 31, 2008</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 546,746	\$ 314,425
Accounts receivable, net	53,333	36,869
Prepaid and other current assets	<u>10,833</u>	<u>27,551</u>
Total current assets	610,912	378,845
Fixed assets, net	74,974	76,237
Goodwill	55,555	55,555
Intangible assets, net	5,207	5,654
Restricted cash	–	2,671
Other assets, net	<u>2,358</u>	<u>2,914</u>
Total assets	<u>\$ 749,006</u>	<u>\$ 521,876</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,716	\$ 4,339
Accrued liabilities to suppliers and agents	34,184	33,054
Receipts in advance and deferred revenue	28,320	31,446
Tax payables	21,680	18,892
Other accrued liabilities	<u>43,480</u>	<u>43,051</u>
Total current liabilities	134,380	130,782
 Shareholders' equity		
Sohu.com Inc. shareholders' equity	573,057	385,946
Noncontrolling interest	<u>41,569</u>	<u>5,148</u>
Total shareholders' equity	614,626	391,094
Total liabilities and shareholders' equity	<u>\$ 749,006</u>	<u>\$ 521,876</u>

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

NON-GAAP NET INCOME EXCLUDING SHARE-BASED COMPENSATION EXPENSE

	<u>Three Months Ended Jun. 30, 2009</u>			<u>Three Months Ended Mar. 31, 2009</u>			<u>Three Months Ended Jun. 30, 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	\$ 45,390	\$ -	\$ 45,390	\$ 40,636	\$ -	\$ 40,636	\$ 43,384	\$ -	\$ 43,384
Less: Cost of advertising revenues	16,330	(264)	16,066	16,028	(239)	15,789	15,512	(301)	15,211
Advertising gross profit	<u>\$ 29,060</u>	<u>\$ 264</u>	<u>\$ 29,324</u>	<u>\$ 24,608</u>	<u>\$ 239</u>	<u>\$ 24,847</u>	<u>\$ 27,872</u>	<u>\$ 301</u>	<u>\$ 28,173</u>
Advertising gross margin	<u>64%</u>		<u>65%</u>	<u>61%</u>		<u>61%</u>	<u>64%</u>		<u>65%</u>
Online games revenues	\$ 66,596	\$ -	\$ 66,596	\$ 61,607	\$ -	\$ 61,607	\$ 47,896	\$ -	\$ 47,896
Less: Cost of online games revenues	3,937	(90)	3,847	3,436	(8)	3,428	3,505	(5)	3,500
Online games gross profit	<u>\$ 62,659</u>	<u>\$ 90</u>	<u>\$ 62,749</u>	<u>\$ 58,171</u>	<u>\$ 8</u>	<u>\$ 58,179</u>	<u>\$ 44,391</u>	<u>\$ 5</u>	<u>\$ 44,396</u>
Online games gross margin	<u>94%</u>		<u>94%</u>	<u>94%</u>		<u>94%</u>	<u>93%</u>		<u>93%</u>
Wireless and others revenues	\$ 15,099	\$ -	\$ 15,099	\$ 13,495	\$ -	\$ 13,495	\$ 10,700	\$ -	\$ 10,700
Less: Cost of wireless and others revenues	8,512	(1)	8,511	8,129	-	8,129	5,858	(2)	5,856
Wireless and others gross profit	<u>\$ 6,587</u>	<u>\$ 1</u>	<u>\$ 6,588</u>	<u>\$ 5,366</u>	<u>\$ -</u>	<u>\$ 5,366</u>	<u>\$ 4,842</u>	<u>\$ 2</u>	<u>\$ 4,844</u>
Wireless and others gross margin	<u>44%</u>		<u>44%</u>	<u>40%</u>		<u>40%</u>	<u>45%</u>		<u>45%</u>
Total revenues	\$ 127,085	\$ -	\$ 127,085	\$ 115,738	\$ -	\$ 115,738	\$ 101,980	\$ -	\$ 101,980
Less: Total cost of revenues	28,779	(355)	28,424	27,593	(247)	27,346	24,875	(308)	24,567
Gross profit	<u>\$ 98,306</u>	<u>\$ 355</u>	<u>\$ 98,661</u>	<u>\$ 88,145</u>	<u>\$ 247</u>	<u>\$ 88,392</u>	<u>\$ 77,105</u>	<u>\$ 308</u>	<u>\$ 77,413</u>
Gross margin	<u>77%</u>		<u>78%</u>	<u>76%</u>		<u>76%</u>	<u>76%</u>		<u>76%</u>
Operating expenses	\$ 49,783	\$ (6,259)	\$ 43,524	\$ 38,108	\$ (2,040)	\$ 36,068	\$ 37,232	\$ (1,850)	\$ 35,382
Operating profit	<u>48,523</u>	<u>6,614</u>	<u>55,137</u>	<u>50,037</u>	<u>2,287</u>	<u>52,324</u>	<u>39,873</u>	<u>2,158</u>	<u>42,031</u>
Operating margin	<u>38%</u>		<u>43%</u>	<u>43%</u>		<u>45%</u>	<u>39%</u>		<u>41%</u>
Net income attributable to Sohu.com Inc.	<u>\$ 33,535</u>	<u>5,162</u>	<u>\$ 38,697</u>	<u>\$ 44,595</u>	<u>\$ 2,287</u>	<u>\$ 46,882</u>	<u>\$ 40,189</u>	<u>\$ 2,158</u>	<u>\$ 42,347</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 0.79</u>		<u>\$ 0.90</u>	<u>\$ 1.15</u>		<u>\$ 1.20</u>	<u>\$ 1.02</u>		<u>\$ 1.07</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>39,018</u>		<u>39,092</u>	<u>38,851</u>		<u>39,020</u>	<u>39,429</u>		<u>39,540</u>

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

NON-GAAP NET INCOME EXCLUDING SHARE-BASED COMPENSATION EXPENSE

	<u>Six Months Ended Jun. 30, 2009</u>			<u>Six Months Ended Jun. 30, 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>
Advertising revenues	\$ 86,026	\$ –	\$ 86,026	\$ 78,153	\$ –	\$ 78,153
Less: Cost of advertising revenues	<u>32,358</u>	<u>(503)</u>	<u>31,855</u>	<u>28,284</u>	<u>(616)</u>	<u>27,668</u>
Advertising gross profit	\$ <u>53,668</u>	\$ <u>503</u>	\$ <u>54,171</u>	\$ <u>49,869</u>	\$ <u>616</u>	\$ <u>50,485</u>
Advertising gross margin	<u>62%</u>		<u>63%</u>	<u>64%</u>		<u>65%</u>
Online games revenues	\$ 128,203	\$ –	\$ 128,203	\$ 88,851	\$ –	\$ 88,851
Less: Cost of online games revenues	<u>7,373</u>	<u>(98)</u>	<u>7,275</u>	<u>6,713</u>	<u>(10)</u>	<u>6,703</u>
Online games gross profit	\$ <u>120,830</u>	\$ <u>98</u>	\$ <u>120,928</u>	\$ <u>82,138</u>	\$ <u>10</u>	\$ <u>82,148</u>
Online games gross margin	<u>94%</u>		<u>94%</u>	<u>92%</u>		<u>92%</u>
Wireless and others revenues	\$ 28,594	\$ –	\$ 28,594	\$ 19,799	\$ –	\$ 19,799
Less: Cost of wireless and others revenues	<u>16,641</u>	<u>(1)</u>	<u>16,640</u>	<u>10,170</u>	<u>(4)</u>	<u>10,166</u>
wireless and others gross profit	\$ <u>11,953</u>	\$ <u>1</u>	\$ <u>11,954</u>	\$ <u>9,629</u>	\$ <u>4</u>	\$ <u>9,633</u>
wireless and others gross margin	<u>42%</u>		<u>42%</u>	<u>49%</u>		<u>49%</u>
Total revenues	\$ 242,823	\$ –	\$ 242,823	\$ 186,803	\$ –	\$ 186,803
Less: Total cost of revenues	<u>56,372</u>	<u>(602)</u>	<u>55,770</u>	<u>45,167</u>	<u>(630)</u>	<u>44,537</u>
Gross profit	\$ <u>186,451</u>	\$ <u>602</u>	\$ <u>187,053</u>	\$ <u>141,636</u>	\$ <u>630</u>	\$ <u>142,266</u>
Gross margin	<u>77%</u>		<u>77%</u>	<u>76%</u>		<u>76%</u>
Operating expenses	\$ 87,891	\$ (8,299)	\$ 79,592	\$ 71,232	\$ (5,038)	\$ 66,194
Operating profit	<u>98,560</u>	<u>8,901</u>	<u>107,461</u>	<u>70,404</u>	<u>5,668</u>	<u>76,072</u>
Operating margin	<u>41%</u>		<u>44%</u>	<u>38%</u>		<u>41%</u>
Net income attributable to Sohu.com Inc.	\$ <u>78,130</u>	\$ <u>7,449</u>	\$ <u>85,579</u>	\$ <u>61,751</u>	\$ <u>5,668</u>	\$ <u>67,419</u>
Diluted net income per share attributable to Sohu.com Inc.	\$ <u>1.94</u>		\$ <u>2.10</u>	\$ <u>1.57</u>		\$ <u>1.71</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,935</u>		<u>39,057</u>	<u>39,234</u>		<u>39,381</u>

Note:

- (a) To eliminate share-based compensation expense as measured using the fair value method under SFAS 123(R).
- (b) Certain amounts from prior periods have been reclassified to conform with current period presentation.