

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

| | <u>Three Months Ended</u> | | | <u>Nine Months Ended</u> | |
|--|---------------------------|----------------------|----------------------|--------------------------|----------------------|
| | <u>Sep. 30, 2009</u> | <u>Jun. 30, 2009</u> | <u>Sep. 30, 2008</u> | <u>Sep. 30, 2009</u> | <u>Sep. 30, 2008</u> |
| Revenues: | | | | | |
| Advertising | | | | | |
| Brand advertising | \$ 48,502 | \$ 43,621 | \$ 49,398 | \$ 131,197 | \$ 124,244 |
| Sponsored search | 2,292 | 1,769 | 1,737 | 5,623 | 5,044 |
| Subtotal of advertising revenues | <u>50,794</u> | <u>45,390</u> | <u>51,135</u> | <u>136,820</u> | <u>129,288</u> |
| Online games | 68,684 | 66,596 | 54,604 | 196,887 | 143,455 |
| Wireless and others | 17,107 | 15,099 | 14,937 | 45,701 | 34,736 |
| Total revenues | <u>136,585</u> | <u>127,085</u> | <u>120,676</u> | <u>379,408</u> | <u>307,479</u> |
| Cost of revenues: | | | | | |
| Advertising | | | | | |
| Brand advertising (includes share-based compensation expense of \$149, \$261, \$288, \$646 and \$892, respectively) | 15,418 | 14,065 | 19,018 | 43,213 | 44,177 |
| Sponsored search (includes share-based compensation expense of \$19, \$3, \$4, \$25 and \$16, respectively) | 2,728 | 2,265 | 1,775 | 7,291 | 4,900 |
| Subtotal of cost of advertising revenues | <u>18,146</u> | <u>16,330</u> | <u>20,793</u> | <u>50,504</u> | <u>49,077</u> |
| Online games (includes share-based compensation expense of \$169, \$90, \$0, \$267 and \$10, respectively) | 4,713 | 3,937 | 3,480 | 12,086 | 10,193 |
| Wireless and others (includes share-based compensation expense of \$11, \$1, \$0, \$12 and \$4, respectively) | 10,331 | 8,512 | 7,641 | 26,972 | 17,811 |
| Total cost of revenues | <u>33,190</u> | <u>28,779</u> | <u>31,914</u> | <u>89,562</u> | <u>77,081</u> |
| Gross profit | 103,395 | 98,306 | 88,762 | 289,846 | 230,398 |
| Operating expenses: | | | | | |
| Product development (includes share-based compensation expense of \$2,204, \$3,299, \$1,678, \$6,777 and \$5,169, respectively) | 14,531 | 14,637 | 13,012 | 42,482 | 35,289 |
| Sales and marketing (includes share-based compensation expense of \$152, \$214, \$214, \$651 and \$722, respectively) | 25,457 | 25,810 | 27,643 | 68,093 | 65,191 |
| General and administrative (includes share-based compensation expense of \$1,780, \$2,746, \$377, \$5,007 and \$1,416, respectively) | 10,721 | 9,208 | 4,148 | 27,823 | 15,160 |
| Amortization of intangible assets | 93 | 128 | 201 | 295 | 596 |
| Total operating expenses | <u>50,802</u> | <u>49,783</u> | <u>45,004</u> | <u>138,693</u> | <u>116,236</u> |
| Operating profit | 52,593 | 48,523 | 43,758 | 151,153 | 114,162 |
| Other income (expense) | 40 | 62 | 51 | 103 | (481) |
| Interest income and exchange difference | 1,469 | 1,274 | 1,421 | 3,865 | 3,067 |
| Income before income tax expense | 54,102 | 49,859 | 45,230 | 155,121 | 116,748 |
| Income tax expense | 7,022 | 7,969 | 4,992 | 21,577 | 14,754 |
| Income from continuing operations | 47,080 | 41,890 | 40,238 | 133,544 | 101,994 |
| Gain (Loss) from discontinued e-commerce operations | - | 446 | 1 | 446 | (0) |
| Net income | 47,080 | 42,336 | 40,239 | 133,990 | 101,994 |
| Less: Net income attributable to the noncontrolling interest | 9,726 | 8,801 | (22) | 18,506 | (18) |
| Net income attributable to Sohu.com Inc. | <u>37,354</u> | <u>33,535</u> | <u>40,261</u> | <u>115,484</u> | <u>102,012</u> |
| Basic net income per share attributable to Sohu.com Inc. | <u>\$ 0.97</u> | <u>\$ 0.88</u> | <u>\$ 1.05</u> | <u>\$ 3.02</u> | <u>\$ 2.68</u> |
| Shares used in computing basic net income per share attributable to Sohu.com Inc. | <u>38,410</u> | <u>38,284</u> | <u>38,496</u> | <u>38,286</u> | <u>38,121</u> |
| Diluted net income per share attributable to Sohu.com Inc. | <u>\$ 0.88</u> | <u>\$ 0.79</u> | <u>\$ 1.02</u> | <u>\$ 2.82</u> | <u>\$ 2.61</u> |
| Shares used in computing diluted net income per share attributable to Sohu.com Inc. | <u>39,082</u> | <u>39,018</u> | <u>39,321</u> | <u>38,985</u> | <u>39,126</u> |

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

| | <u>As of Sep. 30, 2009</u> | <u>As of Dec. 31, 2008</u> |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 596,353 | \$ 314,425 |
| Accounts receivable, net | 60,153 | 36,869 |
| Prepaid and other current assets | <u>18,451</u> | <u>27,551</u> |
| Total current assets | 674,957 | 378,845 |
| Fixed assets, net | 76,885 | 76,237 |
| Goodwill | 55,555 | 55,555 |
| Intangible assets, net | 4,982 | 5,654 |
| Restricted cash | - | 2,671 |
| Other assets, net | <u>3,141</u> | <u>2,914</u> |
| Total assets | <u>\$ 815,520</u> | <u>\$ 521,876</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 6,824 | \$ 4,339 |
| Accrued liabilities to suppliers and agents | 39,044 | 33,054 |
| Receipts in advance and deferred revenue | 35,544 | 31,446 |
| Tax payables | 21,573 | 18,892 |
| Other accrued liabilities | <u>45,451</u> | <u>43,051</u> |
| Total current liabilities | 148,436 | 130,782 |
| Shareholders' equity | | |
| Sohu.com Inc. shareholders' equity | 612,260 | 385,946 |
| Noncontrolling interest | <u>54,824</u> | <u>5,148</u> |
| Total shareholders' equity | 667,084 | 391,094 |
| Total liabilities and shareholders' equity | <u>\$ 815,520</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 Sep. 30, 2009</u> | | | <u>Three Months Ended Jun. 30, 2009</u> | | | <u>Three Months Ended Sep. 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 | \$ 50,794 | \$ – | \$ 50,794 | \$ 45,390 | \$ – | \$ 45,390 | \$ 51,135 | \$ – | \$ 51,135 |
| Less: Cost of advertising revenues | 18,146 | (168) | 17,978 | 16,330 | (264) | 16,066 | 20,793 | (292) | 20,501 |
| Advertising gross profit | <u>\$ 32,648</u> | <u>\$ 168</u> | <u>\$ 32,816</u> | <u>\$ 29,060</u> | <u>\$ 264</u> | <u>\$ 29,324</u> | <u>\$ 30,342</u> | <u>\$ 292</u> | <u>\$ 30,634</u> |
| Advertising gross margin | <u>64%</u> | | <u>65%</u> | <u>64%</u> | | <u>65%</u> | <u>59%</u> | | <u>60%</u> |
| Online games revenues | \$ 68,684 | \$ – | \$ 68,684 | \$ 66,596 | \$ – | \$ 66,596 | \$ 54,604 | \$ – | \$ 54,604 |
| Less: Cost of online games revenues | 4,713 | (169) | 4,544 | 3,937 | (90) | 3,847 | 3,480 | – | 3,480 |
| Online games gross profit | <u>\$ 63,971</u> | <u>\$ 169</u> | <u>\$ 64,140</u> | <u>\$ 62,659</u> | <u>\$ 90</u> | <u>\$ 62,749</u> | <u>\$ 51,124</u> | <u>\$ –</u> | <u>\$ 51,124</u> |
| Online games gross margin | <u>93%</u> | | <u>93%</u> | <u>94%</u> | | <u>94%</u> | <u>94%</u> | | <u>94%</u> |
| Wireless and others revenues | \$ 17,107 | \$ – | \$ 17,107 | \$ 15,099 | \$ – | \$ 15,099 | \$ 14,937 | \$ – | \$ 14,937 |
| Less: Cost of wireless and others revenues | 10,331 | (11) | 10,320 | 8,512 | (1) | 8,511 | 7,641 | – | 7,641 |
| Wireless and others gross profit | <u>\$ 6,776</u> | <u>\$ 11</u> | <u>\$ 6,787</u> | <u>\$ 6,587</u> | <u>\$ 1</u> | <u>\$ 6,588</u> | <u>\$ 7,296</u> | <u>\$ –</u> | <u>\$ 7,296</u> |
| Wireless and others gross margin | <u>40%</u> | | <u>40%</u> | <u>44%</u> | | <u>44%</u> | <u>49%</u> | | <u>49%</u> |
| Total revenues | \$ 136,585 | \$ – | \$ 136,585 | \$ 127,085 | \$ – | \$ 127,085 | \$ 120,676 | \$ – | \$ 120,676 |
| Less: Total cost of revenues | 33,190 | (348) | 32,842 | 28,779 | (355) | 28,424 | 31,914 | (292) | 31,622 |
| Gross profit | <u>\$ 103,395</u> | <u>\$ 348</u> | <u>\$ 103,743</u> | <u>\$ 98,306</u> | <u>\$ 355</u> | <u>\$ 98,661</u> | <u>\$ 88,762</u> | <u>\$ 292</u> | <u>\$ 89,054</u> |
| Gross margin | <u>76%</u> | | <u>76%</u> | <u>77%</u> | | <u>78%</u> | <u>74%</u> | | <u>74%</u> |
| Operating expenses | \$ 50,802 | \$ (4,136) | \$ 46,666 | \$ 49,783 | \$ (6,259) | \$ 43,524 | \$ 45,004 | \$ (2,269) | \$ 42,735 |
| Operating profit | <u>52,593</u> | <u>4,484</u> | <u>57,077</u> | <u>48,523</u> | <u>6,614</u> | <u>55,137</u> | <u>43,758</u> | <u>2,561</u> | <u>46,319</u> |
| Operating margin | <u>39%</u> | | <u>42%</u> | <u>38%</u> | | <u>43%</u> | <u>36%</u> | | <u>38%</u> |
| Net income attributable to Sohu.com Inc. | <u>\$ 37,354</u> | <u>\$ 3,567</u> | <u>\$ 40,921</u> | <u>\$ 33,535</u> | <u>\$ 5,162</u> | <u>\$ 38,697</u> | <u>\$ 40,261</u> | <u>\$ 2,561</u> | <u>\$ 42,822</u> |
| Diluted net income per share attributable to Sohu.com Inc. | <u>\$ 0.88</u> | | <u>\$ 0.96</u> | <u>\$ 0.79</u> | | <u>\$ 0.90</u> | <u>\$ 1.02</u> | | <u>\$ 1.08</u> |
| Shares used in computing diluted net income per share attributable to Sohu.com Inc. | <u>39,082</u> | | <u>39,129</u> | <u>39,018</u> | | <u>39,092</u> | <u>39,321</u> | | <u>39,626</u> |

Note:

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

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

| | Nine Months Ended Sep. 30, 2009 | | | Nine Months Ended Sep. 30, 2008 | | |
|---|---------------------------------|-----------------------------|------------|---------------------------------|-----------------------------|------------|
| | GAAP | Non-GAAP Adjustments (a) | Non-GAAP | GAAP | Non-GAAP Adjustments (a) | Non-GAAP |
| Advertising revenues | \$ 136,820 | \$ – | \$ 136,820 | \$ 129,288 | \$ – | \$ 129,288 |
| Less: Cost of advertising revenues | 50,504 | (671) | 49,833 | 49,077 | (908) | 48,169 |
| Advertising gross profit | \$ 86,316 | \$ 671 | \$ 86,987 | \$ 80,211 | \$ 908 | \$ 81,119 |
| Advertising gross margin | 63% | | 64% | 62% | | 63% |
| Online games revenues | \$ 196,887 | \$ – | \$ 196,887 | \$ 143,455 | \$ – | \$ 143,455 |
| Less: Cost of online games revenues | 12,086 | (267) | 11,819 | 10,193 | (10) | 10,183 |
| Online games gross profit | \$ 184,801 | \$ 267 | \$ 185,068 | \$ 133,262 | \$ 10 | \$ 133,272 |
| Online games gross margin | 94% | | 94% | 93% | | 93% |
| Wireless and others revenues | \$ 45,701 | \$ – | \$ 45,701 | \$ 34,736 | \$ – | \$ 34,736 |
| Less: Cost of wireless and others revenues | 26,972 | (12) | 26,960 | 17,811 | (4) | 17,807 |
| wireless and others gross profit | \$ 18,729 | \$ 12 | \$ 18,741 | \$ 16,925 | \$ 4 | \$ 16,929 |
| wireless and others gross margin | 41% | | 41% | 49% | | 49% |
| Total revenues | \$ 379,408 | \$ – | \$ 379,408 | \$ 307,479 | \$ – | \$ 307,479 |
| Less: Total cost of revenues | 89,562 | (950) | 88,612 | 77,081 | (922) | 76,159 |
| Gross profit | \$ 289,846 | \$ 950 | \$ 290,796 | \$ 230,398 | \$ 922 | \$ 231,320 |
| Gross margin | 76% | | 77% | 75% | | 75% |
| Operating expenses | \$ 138,693 | \$ (12,435) | \$ 126,258 | \$ 116,236 | \$ (7,307) | \$ 108,929 |
| Operating profit | 151,153 | 13,385 | 164,538 | 114,162 | 8,229 | 122,391 |
| Operating margin | 40% | | 43% | 37% | | 40% |
| Net income attributable to Sohu.com Inc. | \$ 115,484 | \$ 11,016 | \$ 126,500 | \$ 102,012 | \$ 8,229 | \$ 110,241 |
| Diluted net income per share attributable to Sohu.com Inc. | \$ 2.82 | | \$ 3.06 | \$ 2.61 | | \$ 2.79 |
| Shares used in computing diluted net income per share attributable to Sohu.com Inc. | 38,985 | | 39,082 | 39,126 | | 39,462 |

Note:

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