

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

	Three Months Ended			Twelve Months Ended	
	Dec. 31, 2009	Sep. 30, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Revenues:					
Advertising					
Brand advertising	\$ 45,876	\$ 48,502	\$ 45,024	\$ 177,073	\$ 169,268
Sponsored search	2,929	2,292	1,625	8,552	6,669
Subtotal of advertising revenues	48,805	50,794	46,649	185,625	175,937
Online games	70,698	68,684	58,390	267,585	201,845
Wireless and others	16,328	17,107	16,533	62,029	51,269
Total revenues	135,831	136,585	121,572	515,239	429,051
Cost of revenues:					
Advertising					
Brand advertising (includes share-based compensation expense of \$141, \$149, \$308, \$787 and \$1,200, respectively)	16,238	15,418	15,266	59,451	59,443
Sponsored search (includes share-based compensation expense of \$1, \$19, \$3, \$26 and \$19, respectively)	3,079	2,728	1,916	10,370	6,816
Subtotal of cost of advertising revenues	19,317	18,146	17,182	69,821	66,259
Online games (includes share-based compensation expense of \$57, \$169, \$4, \$324 and \$14, respectively)	5,419	4,713	4,374	17,505	14,567
Wireless and others (includes share-based compensation expense of \$0, \$11, \$1, \$12 and \$5, respectively)	9,097	10,331	8,677	36,069	26,488
Total cost of revenues	33,833	33,190	30,233	123,395	107,314
Gross profit	101,998	103,395	91,339	391,844	321,737
Operating expenses:					
Product development (includes share-based compensation expense of \$1,952, \$2,204, \$1,580, \$8,729 and \$6,749, respectively)	14,461	14,531	14,424	56,943	49,713
Sales and marketing (includes share-based compensation expense of \$96, \$152, \$174, \$747 and \$896, respectively)	25,405	25,457	19,500	93,498	84,691
General and administrative (includes share-based compensation expense of \$1,687, \$1,780, \$321, \$6,694 and \$1,737, respectively)	8,801	10,721	7,535	36,624	22,695
Amortization of intangible assets	93	93	200	388	796
Total operating expenses	48,760	50,802	41,659	187,453	157,895
Operating profit	53,238	52,593	49,680	204,391	163,842
Other income (expense)	239	40	(54)	342	(535)
Interest income and exchange difference	1,136	1,469	1,221	5,001	4,288
Income before income tax expense	54,613	54,102	50,847	209,734	167,595
Income tax expense (benefit)	12,168	7,022	(5,745)	33,745	9,009
Income from continuing operations	42,445	47,080	56,592	175,989	158,586
Gain (Loss) from discontinued e-commerce operations	-	-	(0)	446	(0)
Net income	42,445	47,080	56,592	176,435	158,586
Less: Net income(loss) attributable to the noncontrolling interest	10,096	9,726	(33)	28,602	(51)
Net income attributable to Sohu.com Inc.	32,349	37,354	56,625	147,833	158,637
Basic net income per share attributable to Sohu.com Inc.	\$ 0.84	\$ 0.97	\$ 1.48	\$ 3.86	\$ 4.16
Shares used in computing basic net income per share attributable to Sohu.com Inc.	38,317	38,410	38,311	38,294	38,168
Diluted net income per share attributable to Sohu.com Inc.	\$ 0.76	\$ 0.88	\$ 1.45	\$ 3.57	\$ 4.06
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	38,920	39,082	39,090	38,969	39,117

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

	<u>As of Dec. 31, 2009</u>	<u>As of Dec. 31, 2008</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 563,782	\$ 314,425
Accounts receivable, net	46,610	36,869
Prepaid and other current assets	10,781	27,551
Total current assets	621,173	378,845
Fixed assets, net	115,088	76,237
Goodwill	55,555	55,555
Intangible assets, net	7,933	5,654
Restricted cash	-	2,671
Other assets, net	28,524	2,914
Total assets	\$ 828,273	\$ 521,876
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 4,602	\$ 4,339
Accrued liabilities to suppliers and agents	41,103	33,054
Receipts in advance and deferred revenue	36,944	31,446
Tax payables	21,953	18,892
Other accrued liabilities	45,895	43,051
Total current liabilities	150,497	130,782
 Shareholders' equity:		
Sohu.com Inc. shareholders' equity	609,781	385,946
Noncontrolling interest	67,995	5,148
Total shareholders' equity	677,776	391,094
Total liabilities and shareholders' equity	\$ 828,273	\$ 521,876

**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 Dec. 31, 2009</u>			<u>Three Months Ended Sep. 30, 2009</u>			<u>Three Months Ended Dec. 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	\$ 48,805	\$ -	\$ 48,805	\$ 50,794	\$ -	\$ 50,794	\$ 46,649	\$ -	\$ 46,649
Less: Cost of advertising revenues	19,317	(142)	19,175	18,146	(168)	17,978	17,182	(311)	16,871
Advertising gross profit	<u>\$ 29,488</u>	<u>\$ 142</u>	<u>\$ 29,630</u>	<u>\$ 32,648</u>	<u>\$ 168</u>	<u>\$ 32,816</u>	<u>\$ 29,467</u>	<u>\$ 311</u>	<u>\$ 29,778</u>
Advertising gross margin	<u>60%</u>		<u>61%</u>	<u>64%</u>		<u>65%</u>	<u>63%</u>		<u>64%</u>
Online games revenues	\$ 70,698	\$ -	\$ 70,698	\$ 68,684	\$ -	\$ 68,684	\$ 58,390	\$ -	\$ 58,390
Less: Cost of online games revenues	5,419	(57)	5,362	4,713	(169)	4,544	4,374	(4)	4,370
Online games gross profit	<u>\$ 65,279</u>	<u>\$ 57</u>	<u>\$ 65,336</u>	<u>\$ 63,971</u>	<u>\$ 169</u>	<u>\$ 64,140</u>	<u>\$ 54,016</u>	<u>\$ 4</u>	<u>\$ 54,020</u>
Online games gross margin	<u>92%</u>		<u>92%</u>	<u>93%</u>		<u>93%</u>	<u>93%</u>		<u>93%</u>
Wireless and others revenues	\$ 16,328	\$ -	\$ 16,328	\$ 17,107	\$ -	\$ 17,107	\$ 16,533	\$ -	\$ 16,533
Less: Cost of wireless and others revenues	9,097	-	9,097	10,331	(11)	10,320	8,677	(1)	8,676
Wireless and others gross profit	<u>\$ 7,231</u>	<u>\$ -</u>	<u>\$ 7,231</u>	<u>\$ 6,776</u>	<u>\$ 11</u>	<u>\$ 6,787</u>	<u>\$ 7,856</u>	<u>\$ 1</u>	<u>\$ 7,857</u>
Wireless and others gross margin	<u>44%</u>		<u>44%</u>	<u>40%</u>		<u>40%</u>	<u>48%</u>		<u>48%</u>
Total revenues	\$ 135,831	\$ -	\$ 135,831	\$ 136,585	\$ -	\$ 136,585	\$ 121,572	\$ -	\$ 121,572
Less: Total cost of revenues	33,833	(199)	33,634	33,190	(348)	32,842	30,233	(316)	29,917
Gross profit	<u>\$ 101,998</u>	<u>\$ 199</u>	<u>\$ 102,197</u>	<u>\$ 103,395</u>	<u>\$ 348</u>	<u>\$ 103,743</u>	<u>\$ 91,339</u>	<u>\$ 316</u>	<u>\$ 91,655</u>
Gross margin	<u>75%</u>		<u>75%</u>	<u>76%</u>		<u>76%</u>	<u>75%</u>		<u>75%</u>
Operating expenses	\$ 48,760	\$ (3,735)	\$ 45,025	\$ 50,802	\$ (4,136)	\$ 46,666	\$ 41,659	\$ (2,075)	\$ 39,584
Operating profit	<u>\$ 53,238</u>	<u>\$ 3,934</u>	<u>\$ 57,172</u>	<u>\$ 52,593</u>	<u>\$ 4,484</u>	<u>\$ 57,077</u>	<u>\$ 49,680</u>	<u>\$ 2,391</u>	<u>\$ 52,071</u>
Operating margin	<u>39%</u>		<u>42%</u>	<u>39%</u>		<u>42%</u>	<u>41%</u>		<u>43%</u>
Income tax expense(benefit)	<u>\$ 12,168</u>	<u>\$ (3,927)</u>	<u>\$ 8,241</u>	<u>\$ 7,022</u>	<u>\$ -</u>	<u>\$ 7,022</u>	<u>\$ (5,745)</u>	<u>\$ -</u>	<u>\$ (5,745)</u>
Net income before Non-Controlling Interest	<u>\$ 42,445</u>	<u>\$ 7,861</u>	<u>\$ 50,306</u>	<u>\$ 47,080</u>	<u>\$ 4,484</u>	<u>\$ 51,564</u>	<u>\$ 56,592</u>	<u>\$ 2,391</u>	<u>\$ 58,983</u>
Net income attributable to Sohu.com Inc.	<u>\$ 32,349</u>	<u>\$ 6,996</u>	<u>\$ 39,345</u>	<u>\$ 37,354</u>	<u>\$ 3,567</u>	<u>\$ 40,921</u>	<u>\$ 56,625</u>	<u>\$ 2,391</u>	<u>\$ 59,016</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 0.76</u>		<u>\$ 0.92</u>	<u>\$ 0.88</u>		<u>\$ 0.96</u>	<u>\$ 1.45</u>		<u>\$ 1.50</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,920</u>		<u>38,957</u>	<u>39,082</u>		<u>39,129</u>	<u>39,090</u>		<u>39,281</u>

Note:

- (a) To eliminate the impact of share-based awards 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.**  
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**(UNAUDITED, IN THOUSANDS EXCEPT PER SHARE AMOUNTS)**

**NON-GAAP NET INCOME EXCLUDING SHARE-BASED COMPENSATION EXPENSE**

	<u>Twelve Months Ended Dec. 31, 2009</u>			<u>Twelve Months Ended Dec. 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>
Advertising revenues	\$ 185,625	\$ –	\$ 185,625	\$ 175,937	\$ –	\$ 175,937
Less: Cost of advertising revenues	69,821	(813)	69,008	66,259	(1,219)	65,040
Advertising gross profit	<u>\$ 115,804</u>	<u>\$ 813</u>	<u>\$ 116,617</u>	<u>\$ 109,678</u>	<u>\$ 1,219</u>	<u>\$ 110,897</u>
Advertising gross margin	<u>62%</u>		<u>63%</u>	<u>62%</u>		<u>63%</u>
Online games revenues	\$ 267,585	\$ –	\$ 267,585	\$ 201,845	\$ –	\$ 201,845
Less: Cost of online games revenues	17,505	(324)	17,181	14,567	(14)	14,553
Online games gross profit	<u>\$ 250,080</u>	<u>\$ 324</u>	<u>\$ 250,404</u>	<u>\$ 187,278</u>	<u>\$ 14</u>	<u>\$ 187,292</u>
Online games gross margin	<u>93%</u>		<u>94%</u>	<u>93%</u>		<u>93%</u>
Wireless and others revenues	\$ 62,029	\$ –	\$ 62,029	\$ 51,269	\$ –	\$ 51,269
Less: Cost of wireless and others revenues	36,069	(12)	36,057	26,488	(5)	26,483
Wireless and others gross profit	<u>\$ 25,960</u>	<u>\$ 12</u>	<u>\$ 25,972</u>	<u>\$ 24,781</u>	<u>\$ 5</u>	<u>\$ 24,786</u>
Wireless and others gross margin	<u>42%</u>		<u>42%</u>	<u>48%</u>		<u>48%</u>
Total revenues	\$ 515,239	\$ –	\$ 515,239	\$ 429,051	\$ –	\$ 429,051
Less: Total cost of revenues	123,395	(1,149)	122,246	107,314	(1,238)	106,076
Gross profit	<u>\$ 391,844</u>	<u>\$ 1,149</u>	<u>\$ 392,993</u>	<u>\$ 321,737</u>	<u>\$ 1,238</u>	<u>\$ 322,975</u>
Gross margin	<u>76%</u>		<u>76%</u>	<u>75%</u>		<u>75%</u>
Operating expenses	\$ 187,453	\$ (16,170)	\$ 171,283	\$ 157,895	\$ (9,382)	\$ 148,513
Operating profit	<u>\$ 204,391</u>	<u>\$ 17,319</u>	<u>\$ 221,710</u>	<u>\$ 163,842</u>	<u>\$ 10,620</u>	<u>\$ 174,462</u>
Operating margin	<u>40%</u>		<u>43%</u>	<u>38%</u>		<u>41%</u>
Income tax expense	<u>\$ 33,745</u>	<u>\$ (3,927)</u>	<u>\$ 29,818</u>	<u>\$ 9,009</u>	<u>\$ –</u>	<u>\$ 9,009</u>
Net income before Non-Controlling Interest	<u>\$ 176,435</u>	<u>\$ 21,246</u>	<u>\$ 197,681</u>	<u>\$ 158,586</u>	<u>\$ 10,620</u>	<u>\$ 169,206</u>
Net income attributable to Sohu.com Inc.	<u>\$ 147,833</u>	<u>\$ 18,012</u>	<u>\$ 165,845</u>	<u>\$ 158,637</u>	<u>\$ 10,620</u>	<u>\$ 169,257</u>
Diluted net income per share attributable to Sohu.com Inc.	<u>\$ 3.57</u>		<u>\$ 3.98</u>	<u>\$ 4.06</u>		<u>\$ 4.29</u>
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	<u>38,969</u>		<u>39,051</u>	<u>39,117</u>		<u>39,417</u>

Note:

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