

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

|  | Three Months Ended |                 |                 | Nine Months Ended |                  |
|--|--------------------|-----------------|-----------------|-------------------|------------------|
|  | Sep. 30, 2007      | Jun. 30, 2007   | Sep. 30, 2006   | Sep. 30, 2007     | Sep. 30, 2006    |
| Revenues:  |                    |                 |                 |                   |                  |
| Advertising  |                    |                 |                 |                   |                  |
| Brand advertising  | \$ 29,781          | \$ 26,632       | \$ 21,024       | \$ 79,940         | \$ 57,003        |
| Sponsored search   | 1,745              | 1,747           | 2,852           | 5,578             | 9,828            |
| Subtotal of advertising revenues   | <u>31,526</u>      | <u>28,379</u>   | <u>23,876</u>   | <u>85,518</u>     | <u>66,831</u>    |
| Non-advertising  |                    |                 |                 |                   |                  |
| Online game  | 12,693             | 3,825           | 2,214           | 18,135            | 6,421            |
| Wireless   | 6,832              | 6,588           | 8,839           | 18,996            | 25,842           |
| Others   | 467                | 196             | 469             | 943               | 792              |
| Subtotal of non-advertising revenues   | <u>19,992</u>      | <u>10,609</u>   | <u>11,522</u>   | <u>38,074</u>     | <u>33,055</u>    |
| Total revenues   | <u>51,518</u>      | <u>38,988</u>   | <u>35,398</u>   | <u>123,592</u>    | <u>99,886</u>    |
| Cost of revenues:  |                    |                 |                 |                   |                  |
| Advertising  |                    |                 |                 |                   |                  |
| Brand advertising (includes share-based compensation expense under SFAS 123(R) of \$382, \$415, \$403, \$1,209 and \$1,006, respectively)          | 10,253             | 9,287           | 6,181           | 27,684            | 16,122           |
| Sponsored search (includes share-based compensation expense under SFAS 123(R) of \$9, \$22, \$24, \$50 and \$68, respectively)                     | 1,330              | 1,383           | 1,221           | 4,291             | 3,560            |
| Subtotal of advertising cost of revenues   | <u>11,583</u>      | <u>10,670</u>   | <u>7,402</u>    | <u>31,975</u>     | <u>19,682</u>    |
| Non-advertising  |                    |                 |                 |                   |                  |
| Online game (includes stock-based compensation expense under SFAS 123 (R) of \$3, \$15, \$19, \$34 and \$56, respectively)                         | 2,078              | 1,401           | 1,006           | 4,348             | 3,041            |
| Wireless   | 3,311              | 3,175           | 4,104           | 9,096             | 12,380           |
| Others (includes share-based compensation expense under SFAS 123(R) of \$2, \$4, \$5, \$10 and \$15, respectively)                                 | 178                | 132             | 200             | 409               | 425              |
| Subtotal of non-advertising cost of revenues   | <u>5,567</u>       | <u>4,708</u>    | <u>5,310</u>    | <u>13,853</u>     | <u>15,846</u>    |
| Total cost of revenues   | <u>17,150</u>      | <u>15,378</u>   | <u>12,712</u>   | <u>45,828</u>     | <u>35,528</u>    |
| Gross profit   | 34,368             | 23,610          | 22,686          | 77,764            | 64,358           |
| Operating expenses:  |                    |                 |                 |                   |                  |
| Product development (includes share-based compensation expense under SFAS 123(R) of \$672, \$741, \$476, \$2,193 and \$1,301, respectively)        | 6,875              | 5,494           | 4,741           | 17,048            | 12,959           |
| Sales and marketing (includes share-based compensation expense under SFAS 123(R) of \$337, \$438, \$445, \$1,222 and \$1,191, respectively)        | 13,573             | 9,457           | 7,236           | 30,320            | 20,643           |
| General and administrative (includes share-based compensation expense under SFAS 123(R) of \$616, \$761, \$563, \$2,183 and \$1,300, respectively) | 4,900              | 3,414           | 4,094           | 11,672            | 10,369           |
| Amortization of intangibles  | 202                | 310             | 509             | 891               | 1,527            |
| Total operating expenses   | <u>25,550</u>      | <u>18,675</u>   | <u>16,580</u>   | <u>59,931</u>     | <u>45,498</u>    |
| Operating profit   | 8,818              | 4,935           | 6,106           | 17,833            | 18,860           |
| Other income (expense)   | 575                | (120)           | (78)            | 335               | 565              |
| Interest income  | 608                | 1,057           | 951             | 2,434             | 2,267            |
| Income before income tax expense   | 10,001             | 5,872           | 6,979           | 20,602            | 21,692           |
| Income tax expense   | (322)              | (163)           | (351)           | (767)             | (1,097)          |
| Income from continuing operations  | <u>9,679</u>       | <u>5,709</u>    | <u>6,628</u>    | <u>19,835</u>     | <u>20,595</u>    |
| Minority interests   | 12                 | 18              | -               | 42                | -                |
| Net income from continuing operations  | <u>9,691</u>       | <u>5,727</u>    | <u>6,628</u>    | <u>19,877</u>     | <u>20,595</u>    |
| Loss from discontinued E-commerce operations   | (5)                | (20)            | (27)            | (18)              | (784)            |
| Net Income   | <u>\$ 9,686</u>    | <u>\$ 5,707</u> | <u>\$ 6,601</u> | <u>\$ 19,859</u>  | <u>\$ 19,811</u> |
| Basic net income per share   | <u>\$ 0.26</u>     | <u>\$ 0.15</u>  | <u>\$ 0.18</u>  | <u>\$ 0.54</u>    | <u>\$ 0.54</u>   |
| Shares used in computing basic net income per share  | <u>37,307</u>      | <u>36,903</u>   | <u>36,640</u>   | <u>36,979</u>     | <u>36,783</u>    |
| Diluted net income per share   | <u>\$ 0.25</u>     | <u>\$ 0.15</u>  | <u>\$ 0.17</u>  | <u>\$ 0.52</u>    | <u>\$ 0.52</u>   |
| Shares used in computing diluted net income per share  | <u>38,516</u>      | <u>39,130</u>   | <u>38,787</u>   | <u>38,879</u>     | <u>39,214</u>    |

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

|   | <u>As of Sep. 30, 2007</u> | <u>As of Dec. 31, 2006</u> |
|---|----------------------------|----------------------------|
|   | (Unaudited)                | (Audited)                  |
| <b>ASSETS</b>                                   |                            |                            |
| Cash, cash equivalents and investments in       |                            |                            |
| marketable debt securities                      | \$ 76,890                  | \$ 129,698                 |
| Accounts receivable, net                        | 34,858                     | 23,825                     |
| Prepaid and other current assets                | 8,450                      | 5,961                      |
| Fixed assets, net                               | 61,772                     | 21,453                     |
| Goodwill  | 55,537                     | 54,986                     |
| Intangible assets, net                          | 7,475                      | 8,360                      |
| Restricted cash                                 | 4,281                      | 4,774                      |
| Other assets, net                               | 2,584                      | 4,534                      |
|   | \$ 251,847                 | \$ 253,591                 |
| <br><b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                            |                            |
| Accounts payable and accrued liabilities        | \$ 55,489                  | \$ 37,795                  |
| Zero coupon convertible senior notes            | 1,256                      | 59,780                     |
| Total liabilities                               | 56,745                     | 97,575                     |
| <br>Minority interests                          | <br>12                     | <br>53                     |
| <br>Shareholders' equity                        | <br>195,090                | <br>155,963                |
|   | \$ 251,847                 | \$ 253,591                 |

**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, 2007</u> |                             |                 | <u>Three Months Ended Jun. 30, 2007</u> |                             |                 | <u>Three Months Ended Sep. 30, 2006</u> |                             |                 |
|---|---|-----------------------------|-----------------|---|-----------------------------|-----------------|---|-----------------------------|-----------------|
|   | <u>GAAP</u>                             | <u>Non-GAAP Adjustments</u> | <u>Non-GAAP</u> | <u>GAAP</u>                             | <u>Non-GAAP Adjustments</u> | <u>Non-GAAP</u> | <u>GAAP</u>                             | <u>Non-GAAP Adjustments</u> | <u>Non-GAAP</u> |
| Advertising revenues                                  | \$ 31,526                               | \$ -                        | \$ 31,526       | \$ 28,379                               | \$ -                        | \$ 28,379       | \$ 23,876                               | \$ -                        | \$ 23,876       |
| Less: Cost of advertising revenues                    | 11,583                                  | (391) (a)                   | 11,192          | 10,670                                  | (437) (a)                   | 10,233          | 7,402                                   | (427) (a)                   | 6,975           |
| Advertising gross profit                              | \$ 19,943                               | \$ 391                      | \$ 20,334       | \$ 17,709                               | \$ 437                      | \$ 18,146       | \$ 16,474                               | \$ 427                      | \$ 16,901       |
| Advertising gross margin                              | <u>63%</u>                              |                             | <u>64%</u>      | <u>62%</u>                              |                             | <u>64%</u>      | <u>69%</u>                              |                             | <u>71%</u>      |
| Non-advertising revenues                              | \$ 19,992                               | \$ -                        | \$ 19,992       | \$ 10,609                               | \$ -                        | \$ 10,609       | \$ 11,522                               | \$ -                        | \$ 11,522       |
| Less: Cost of non-advertising revenues                | 5,567                                   | (5) (a)                     | 5,562           | 4,708                                   | (19) (a)                    | 4,689           | 5,310                                   | (24) (a)                    | 5,286           |
| Non-advertising gross profit                          | \$ 14,425                               | \$ 5                        | \$ 14,430       | \$ 5,901                                | \$ 19                       | \$ 5,920        | \$ 6,212                                | \$ 24                       | \$ 6,236        |
| Non-advertising gross margin                          | <u>72%</u>                              |                             | <u>72%</u>      | <u>56%</u>                              |                             | <u>56%</u>      | <u>54%</u>                              |                             | <u>54%</u>      |
| Total revenues  | \$ 51,518                               | \$ -                        | \$ 51,518       | \$ 38,988                               | \$ -                        | \$ 38,988       | \$ 35,398                               | \$ -                        | \$ 35,398       |
| Less: Total cost of revenues                          | 17,150                                  | (396) (a)                   | 16,754          | 15,378                                  | (456) (a)                   | 14,922          | 12,712                                  | (451) (a)                   | 12,261          |
| Gross profit  | \$ 34,368                               | \$ 396                      | \$ 34,764       | \$ 23,610                               | \$ 456                      | \$ 24,066       | \$ 22,686                               | \$ 451                      | \$ 23,137       |
| Gross margin  | <u>67%</u>                              |                             | <u>67%</u>      | <u>61%</u>                              |                             | <u>62%</u>      | <u>64%</u>                              |                             | <u>65%</u>      |
| Operating expenses                                    | \$ 25,550                               | \$ (1,625) (a)              | \$ 23,925       | \$ 18,675                               | \$ (1,940) (a)              | \$ 16,735       | \$ 16,580                               | \$ (1,484) (a)              | \$ 15,096       |
| Net income  | \$ 9,686                                | \$ 2,021                    | \$ 11,707       | \$ 5,707                                | \$ 2,396                    | \$ 8,103        | \$ 6,601                                | \$ 1,935                    | \$ 8,536        |
| Diluted net income per share                          | \$ 0.25                                 |                             | \$ 0.30         | \$ 0.15                                 |                             | \$ 0.21         | \$ 0.17                                 |                             | \$ 0.22         |
| Shares used in computing diluted net income per share | <u>38,516</u>                           |                             | <u>38,882</u>   | <u>39,130</u>                           |                             | <u>39,675</u>   | <u>38,787</u>                           |                             | <u>39,370</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>Nine Months Ended Sep. 30, 2007</u> |                                 |                  | <u>Nine Months Ended Sep. 30, 2006</u> |                                 |                  |
|---|--|---------------------------------|------------------|--|---------------------------------|------------------|
|   | <u>GAAP</u>                            | <u>Non-GAAP<br/>Adjustments</u> | <u>Non-GAAP</u>  | <u>GAAP</u>                            | <u>Non-GAAP<br/>Adjustments</u> | <u>Non-GAAP</u>  |
| Advertising revenues                                  | \$ 85,518                              | \$ -                            | \$ 85,518        | \$ 66,831                              | \$ -                            | \$ 66,831        |
| Less: Cost of advertising revenues                    | 31,975                                 | (1,259) (a)                     | 30,716           | 19,682                                 | (1,074) (a)                     | 18,608           |
| Advertising gross profit                              | <u>\$ 53,543</u>                       | <u>\$ 1,259</u>                 | <u>\$ 54,802</u> | <u>\$ 47,149</u>                       | <u>\$ 1,074</u>                 | <u>\$ 48,223</u> |
| Advertising gross margin                              | <u>63%</u>                             |                                 | <u>64%</u>       | <u>71%</u>                             |                                 | <u>72%</u>       |
| Non-advertising revenues                              | \$ 38,074                              | \$ -                            | \$ 38,074        | \$ 33,055                              | \$ -                            | \$ 33,055        |
| Less: Cost of non-advertising revenues                | 13,853                                 | (44) (a)                        | 13,809           | 15,846                                 | (71) (a)                        | 15,775           |
| Non-advertising gross profit                          | <u>\$ 24,221</u>                       | <u>\$ 44</u>                    | <u>\$ 24,265</u> | <u>\$ 17,209</u>                       | <u>\$ 71</u>                    | <u>\$ 17,280</u> |
| Non-advertising gross margin                          | <u>64%</u>                             |                                 | <u>64%</u>       | <u>52%</u>                             |                                 | <u>52%</u>       |
| Total revenues  | \$ 123,592                             | \$ -                            | \$ 123,592       | \$ 99,886                              | \$ -                            | \$ 99,886        |
| Less: Total cost of revenues                          | 45,828                                 | (1,303) (a)                     | 44,525           | 35,528                                 | (1,145) (a)                     | 34,383           |
| Gross profit  | <u>\$ 77,764</u>                       | <u>\$ 1,303</u>                 | <u>\$ 79,067</u> | <u>\$ 64,358</u>                       | <u>\$ 1,145</u>                 | <u>\$ 65,503</u> |
| Gross margin  | <u>63%</u>                             |                                 | <u>64%</u>       | <u>64%</u>                             |                                 | <u>66%</u>       |
| Operating expenses                                    | \$ 59,931                              | \$ (5,598) (a)                  | \$ 54,333        | \$ 45,498                              | \$ (3,792) (a)                  | \$ 41,706        |
| Net income  | <u>\$ 19,859</u>                       | <u>\$ 6,901</u>                 | <u>\$ 26,760</u> | <u>\$ 19,811</u>                       | <u>\$ 4,937</u>                 | <u>\$ 24,748</u> |
| Diluted net income per share                          | <u>\$ 0.52</u>                         |                                 | <u>\$ 0.69</u>   | <u>\$ 0.52</u>                         |                                 | <u>\$ 0.64</u>   |
| Shares used in computing diluted net income per share | <u>38,879</u>                          |                                 | <u>39,381</u>    | <u>39,214</u>                          |                                 | <u>39,511</u>    |

Note:

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