

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

	Three Months Ended		
	Mar. 31, 2007	Dec. 31, 2006	Mar. 31, 2006
Revenues:			
Advertising			
Brand advertising	\$ 23,527	\$ 21,990	\$ 16,675
Sponsored search	2,086	2,937	3,450
Subtotal of advertising revenues	<u>25,613</u>	<u>24,927</u>	<u>20,125</u>
Non-advertising			
Wireless	5,576	6,750	8,009
Others	1,897	2,673	2,280
Subtotal of non-advertising revenues	<u>7,473</u>	<u>9,423</u>	<u>10,289</u>
Total revenues	<u>33,086</u>	<u>34,350</u>	<u>30,414</u>
Cost of revenues:			
Advertising			
Brand advertising (includes share-based compensation expense under SFAS 123(R) of \$412, \$388 and \$339, respectively)	8,144	7,089	4,331
Sponsored search (includes share-based compensation expense under SFAS 123(R) of \$19, \$20 and \$22, respectively)	1,578	1,686	1,092
Subtotal of advertising cost of revenues	<u>9,722</u>	<u>8,775</u>	<u>5,423</u>
Non-advertising			
Wireless	2,610	3,061	3,812
Others (includes share-based compensation expense under SFAS 123(R) of \$4, \$4 and \$5, respectively)	693	703	792
Subtotal of non-advertising cost of revenues	<u>3,303</u>	<u>3,764</u>	<u>4,604</u>
Total cost of revenues	<u>13,025</u>	<u>12,539</u>	<u>10,027</u>
Gross profit	20,061	21,811	20,387
Operating expenses:			
Product development (includes share-based compensation expense under SFAS 123(R) of \$796, \$572 and \$493, respectively)	4,954	4,988	4,243
Sales and marketing (includes share-based compensation expense under SFAS 123(R) of \$447, \$442 and \$448, respectively)	7,290	7,889	6,374
General and administrative (includes share-based compensation expense under SFAS 123(R) of \$806, \$576 and \$424, respectively)	3,358	2,723	3,076
Amortization of intangibles	379	466	509
Total operating expenses	<u>15,981</u>	<u>16,066</u>	<u>14,202</u>
Operating profit	4,080	5,745	6,185
Other expense	(120)	(88)	(68)
Interest income	769	949	529
Income before income tax expense	4,729	6,606	6,646
Income tax expense	(282)	(482)	(443)
Income from continuing operations	4,447	6,124	6,203
Minority Interests	12	7	-
Net income from continuing operations	4,459	6,131	6,203
Gain (loss) from discontinued E-commerce operations	7	(57)	(165)
Net income	<u>\$ 4,466</u>	<u>\$ 6,074</u>	<u>\$ 6,038</u>
Basic net income per share	<u>\$ 0.12</u>	<u>\$ 0.17</u>	<u>\$ 0.16</u>
Shares used in computing basic net income per share	<u>36,722</u>	<u>36,574</u>	<u>36,768</u>
Diluted net income per share	<u>\$ 0.12</u>	<u>\$ 0.16</u>	<u>\$ 0.16</u>
Shares used in computing diluted net income per share	<u>38,986</u>	<u>38,780</u>	<u>39,384</u>

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

	<u>As of Mar. 31, 2007</u>	<u>As of Dec. 31, 2006</u>
		(Audited)
ASSETS		
Cash, cash equivalents and investments in		
marketable debt securities	\$ 97,530	\$ 129,698
Accounts receivable, net	27,465	23,825
Prepaid and other current assets	7,434	5,961
Fixed assets, net	57,590	21,453
Goodwill	55,052	54,986
Intangible assets, net	7,744	8,360
Restricted cash	3,784	4,774
Other assets, net	3,927	4,534
	\$ 260,526	\$ 253,591
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$ 35,398	\$ 37,795
Zero coupon convertible senior notes	59,780	59,780
Total liabilities	95,178	97,575
 Minority interests	 41	 53
 Shareholders' equity	 165,307	 155,963
	\$ 260,526	\$ 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 Mar. 31, 2007</u>			<u>Three Months Ended Dec. 31, 2006</u>			<u>Three Months Ended Mar 31, 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	\$ 25,613	\$ -	\$ 25,613	\$ 24,927	\$ -	\$ 24,927	\$ 20,125	\$ -	\$ 20,125
Less: Cost of advertising revenues	9,722	(431) (a)	9,291	8,775	(408) (a)	8,367	5,423	(361)(a)	5,062
Advertising gross profit	\$ 15,891	\$ 431	\$ 16,322	\$ 16,152	\$ 408	\$ 16,560	\$ 14,702	\$ 361	\$ 15,063
Advertising gross margin	<u>62%</u>		<u>64%</u>	<u>65%</u>		<u>66%</u>	<u>73%</u>		<u>75%</u>
Non-advertising revenues	\$ 7,473	\$ -	\$ 7,473	\$ 9,423	\$ -	\$ 9,423	\$ 10,289	\$ -	\$ 10,289
Less: Cost of non-advertising revenues	3,303	(4) (a)	3,299	3,764	(4) (a)	3,760	4,604	(5)(a)	4,599
Non-advertising gross profit	\$ 4,170	\$ 4	\$ 4,174	\$ 5,659	\$ 4	\$ 5,663	\$ 5,685	\$ 5	\$ 5,690
Non-advertising gross margin	<u>56%</u>		<u>56%</u>	<u>60%</u>		<u>60%</u>	<u>55%</u>		<u>55%</u>
Total revenues	\$ 33,086	\$ -	\$ 33,086	\$ 34,350	\$ -	\$ 34,350	\$ 30,414	\$ -	\$ 30,414
Less: Total cost of revenues	13,025	(435) (a)	12,590	12,539	(412) (a)	12,127	10,027	(366)(a)	9,661
Gross profit	\$ 20,061	\$ 435	\$ 20,496	\$ 21,811	\$ 412	\$ 22,223	\$ 20,387	\$ 366	\$ 20,753
Gross margin	<u>61%</u>		<u>62%</u>	<u>63%</u>		<u>65%</u>	<u>67%</u>		<u>68%</u>
Operating expenses	\$ 15,981	\$ (2,049) (a)	\$ 13,932	\$ 16,066	\$ (1,590) (a)	\$ 14,476	\$ 14,202	\$ (1,365)(a)	\$ 12,837
Net income	\$ 4,466	\$ 2,484	\$ 6,950	\$ 6,074	\$ 2,002	\$ 8,076	\$ 6,038	\$ 1,731	\$ 7,769
Diluted net income per share	\$ 0.12		\$ 0.18	\$ 0.16		\$ 0.21	\$ 0.16		\$ 0.20
Shares used in computing diluted net income per share	<u>38,986</u>		<u>39,582</u>	<u>38,780</u>		<u>39,339</u>	<u>39,384</u>		<u>39,384</u>

Note:

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