

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

	Three Months Ended			Twelve Months Ended	
	Dec. 31, 2006	Sep. 30, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005 (Audited)
Revenues:					
Advertising					
Brand advertising	\$ 21,990	\$ 21,024	\$ 16,882	\$ 78,993	\$ 58,483
Sponsored search	2,937	2,852	3,406	12,765	12,414
Subtotal of advertising revenues	<u>24,927</u>	<u>23,876</u>	<u>20,288</u>	<u>91,758</u>	<u>70,897</u>
Non-advertising					
Wireless	6,750	8,839	7,249	32,592	26,330
Others	2,673	2,683	2,113	9,886	7,320
Subtotal of non-advertising revenues	<u>9,423</u>	<u>11,522</u>	<u>9,362</u>	<u>42,478</u>	<u>33,650</u>
Total revenues	<u>34,350</u>	<u>35,398</u>	<u>29,650</u>	<u>134,236</u>	<u>104,547</u>
Cost of revenues:					
Advertising					
Brand advertising (includes share-based compensation expense under SFAS 123(R) of \$388, \$403, \$0, \$1,394 and \$0, respectively)	7,089	6,181	4,272	23,211	14,611
Sponsored search (includes share-based compensation expense under SFAS 123(R) of \$20, \$24, \$0, \$88 and \$0, respectively)	1,686	1,221	1,084	5,246	3,077
Subtotal of advertising cost of revenues	<u>8,775</u>	<u>7,402</u>	<u>5,356</u>	<u>28,457</u>	<u>17,688</u>
Non-advertising					
Wireless	3,061	4,104	3,437	15,441	11,983
Others (includes share-based compensation expense under SFAS 123(R) of \$4, \$5, \$0, \$19 and \$0, respectively)	703	910	774	3,231	2,748
Subtotal of non-advertising cost of revenues	<u>3,764</u>	<u>5,014</u>	<u>4,211</u>	<u>18,672</u>	<u>14,731</u>
Total cost of revenues	<u>12,539</u>	<u>12,416</u>	<u>9,567</u>	<u>47,129</u>	<u>32,419</u>
Gross profit	21,811	22,982	20,083	87,107	72,128
Operating expenses:					
Product development (includes share-based compensation expense under SFAS 123(R) of \$572, \$495, \$0, \$1,929 and \$0, respectively)	4,988	5,037	3,555	18,885	13,730
Sales and marketing (includes share-based compensation expense under SFAS 123(R) of \$442, \$445, \$0, \$1,633 and \$0, respectively)	7,889	7,236	7,353	28,532	20,110
General and administrative (includes share-based compensation expense under SFAS 123(R) of \$576, \$563, \$0, \$1,876 and \$0, respectively)	2,723	4,094	2,441	13,092	10,153
Amortization of intangibles	466	509	509	1,993	1,948
Total operating expenses	<u>16,066</u>	<u>16,876</u>	<u>13,858</u>	<u>62,502</u>	<u>45,941</u>
Operating profit	5,745	6,106	6,225	24,605	26,187
Other (expense)/ income	(88)	(78)	2,351	477	2,447
Interest income	949	951	755	3,216	2,500
Income before income tax expense	6,606	6,979	9,331	28,298	31,134
Income tax expense	(482)	(351)	20	(1,579)	(11)
Income from continuing operations	6,124	6,628	9,351	26,719	31,123
Minority Interests	7	-	-	7	-
Net income from continuing operations	6,131	6,628	9,351	26,726	31,123
Loss from discontinued E-commerce operations	(57)	(27)	(414)	(841)	(1,342)
Net income	<u>\$ 6,074</u>	<u>\$ 6,601</u>	<u>\$ 8,937</u>	<u>\$ 25,885</u>	<u>\$ 29,781</u>
Basic net income per share	<u>\$ 0.17</u>	<u>\$ 0.18</u>	<u>\$ 0.24</u>	<u>\$ 0.70</u>	<u>\$ 0.82</u>
Shares used in computing basic net income per share	<u>36,574</u>	<u>36,640</u>	<u>36,626</u>	<u>36,730</u>	<u>36,309</u>
Diluted net income per share	<u>\$ 0.16</u>	<u>\$ 0.17</u>	<u>\$ 0.23</u>	<u>\$ 0.68</u>	<u>\$ 0.77</u>
Shares used in computing diluted net income per share	<u>38,780</u>	<u>38,787</u>	<u>39,435</u>	<u>39,105</u>	<u>39,680</u>

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

	<u>As of Dec. 31, 2006</u>	<u>As of Dec. 31, 2005</u>
		(Audited)
<b>ASSETS</b>		
Cash, cash equivalents and investments in marketable debt securities	\$ 129,698	\$ 133,086
Accounts receivable, net	23,825	19,283
Prepaid and other current assets	5,961	4,546
Fixed assets, net	21,453	15,745
Goodwill	54,986	50,918
Intangible assets, net	8,360	11,251
Restricted cash	4,774	991
Other assets, net	4,534	3,861
	\$ 253,591	\$ 239,681
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Accounts payable and accrued liabilities	\$ 37,795	\$ 35,053
Zero coupon convertible senior notes	59,780	74,780
Total liabilities	97,575	109,833
Minority interests	53	-
Shareholders' equity	155,963	129,848
	\$ 253,591	\$ 239,681

**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 Dec. 31. 2006</u>			<u>Three Months Ended Sep. 30. 2006</u>			<u>Three Months Ended Dec 31. 2005</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	\$ 24,927	\$ -	\$ 24,927	\$ 23,876	\$ -	\$ 23,876	\$ 20,288	\$ -	\$ 20,288
Less: Cost of advertising revenues	8,775	(408) (a)	8,367	7,402	(427) (a)	6,975	5,356	-	5,356
Advertising gross profit	\$ 16,152	\$ 408	\$ 16,560	\$ 16,474	\$ 427	\$ 16,901	\$ 14,932	\$ -	\$ 14,932
Advertising gross margin	<u>65%</u>		<u>66%</u>	<u>69%</u>		<u>71%</u>	<u>74%</u>		<u>74%</u>
Non-advertising revenues	\$ 9,423	\$ -	\$ 9,423	\$ 11,522	\$ -	\$ 11,522	\$ 9,362	\$ -	\$ 9,362
Less: Cost of non-advertising revenues	3,764	(4) (a)	3,760	5,014	(5) (a)	5,009	4,211	-	4,211
Non-advertising gross profit	\$ 5,659	\$ 4	\$ 5,663	\$ 6,508	\$ 5	\$ 6,513	\$ 5,151	\$ -	\$ 5,151
Non-advertising gross margin	<u>60%</u>		<u>60%</u>	<u>56%</u>		<u>57%</u>	<u>55%</u>		<u>55%</u>
Total revenues	\$ 34,350	\$ -	\$ 34,350	\$ 35,398	\$ -	\$ 35,398	\$ 29,650	\$ -	\$ 29,650
Less: Total cost of revenues	12,539	(412) (a)	12,127	12,416	(432) (a)	11,984	9,567	-	9,567
Gross profit	\$ 21,811	\$ 412	\$ 22,223	\$ 22,982	\$ 432	\$ 23,414	\$ 20,083	\$ -	\$ 20,083
Gross margin	<u>63%</u>		<u>65%</u>	<u>65%</u>		<u>66%</u>	<u>68%</u>		<u>68%</u>
Operating expenses	\$ 16,066	\$ (1,590) (a)	\$ 14,476	\$ 16,876	\$ (1,503) (a)	\$ 15,373	\$ 13,858	\$ -	\$ 13,858
Net income	\$ 6,074	\$ 2,002	\$ 8,076	\$ 6,601	\$ 1,935	\$ 8,536	\$ 8,937	\$ -	\$ 8,937
Diluted net income per share	\$ 0.16		\$ 0.21	\$ 0.17		\$ 0.22	\$ 0.23		\$ 0.23
Shares used in computing diluted net income per share	<u>38,780</u>		<u>39,339</u>	<u>38,787</u>		<u>39,370</u>	<u>39,435</u>		<u>39,435</u>

**SOHU.COM INC.**  
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**(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)**

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

	Twelve Months Ended Dec. 31, 2006			Twelve Months Ended Dec. 31, 2005		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Advertising revenues	\$ 91,758	\$	\$ 91,758	\$ 70,897	\$	\$ 70,897
Less: Cost of advertising revenues	28,457	(1,482) (a)	26,975	17,688	-	17,688
Advertising gross profit	<u>\$ 63,301</u>	<u>\$ 1,482</u>	<u>\$ 64,783</u>	<u>\$ 53,209</u>	<u>\$ -</u>	<u>\$ 53,209</u>
Advertising gross margin	<u>69%</u>		<u>71%</u>	<u>75%</u>		<u>75%</u>
Non-advertising revenues	\$ 42,478	\$	\$ 42,478	\$ 33,650	-	\$ 33,650
Less: Cost of non-advertising revenues	18,672	(19) (a)	18,653	14,731	-	14,731
Non-advertising gross profit	<u>\$ 23,806</u>	<u>\$ 19</u>	<u>\$ 23,825</u>	<u>\$ 18,919</u>	<u>\$ -</u>	<u>\$ 18,919</u>
Non-advertising gross margin	<u>56%</u>		<u>56%</u>	<u>56%</u>		<u>56%</u>
Total revenues	\$ 134,236	\$	\$ 134,236	\$ 104,547	-	\$ 104,547
Less: Total cost of revenues	47,129	(1,501) (a)	45,628	32,419	-	32,419
Gross profit	<u>\$ 87,107</u>	<u>\$ 1,501</u>	<u>\$ 88,608</u>	<u>\$ 72,128</u>	<u>\$ -</u>	<u>\$ 72,128</u>
Gross margin	<u>65%</u>		<u>66%</u>	<u>69%</u>		<u>69%</u>
Operating expenses	<u>\$ 62,502</u>	<u>\$ (5,438) (a)</u>	<u>\$ 57,064</u>	<u>\$ 45,941</u>	<u>\$ (2) (b)</u>	<u>\$ 45,939</u>
Net income	<u>\$ 25,885</u>	<u>\$ 6,939</u>	<u>\$ 32,824</u>	<u>\$ 29,781</u>	<u>\$ 2 (b)</u>	<u>\$ 29,783</u>
Diluted net income per share	<u>\$ 0.68</u>		<u>\$ 0.85</u>	<u>\$ 0.77</u>		<u>\$ 0.77</u>
Shares used in computing diluted net income per share	<u>39,105</u>		<u>39,467</u>	<u>39,680</u>		<u>39,680</u>

Note:

- (a) To eliminate share-based compensation expense as measured using the fair value method under SFAS 123(R).  
(b) To eliminate share-based compensation expense as measured using the intrinsic value method under APB 25.