

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

	Three Months Ended			Nine Months Ended	
	Sep. 30, 2006	Jun. 30, 2006	Sep. 30, 2005	Sep. 30, 2006	Sep. 30, 2005
Revenues:					
Advertising					
Brand advertising	\$ 21,024	\$ 19,304	\$ 15,618	\$ 57,003	\$ 41,601
Sponsored search	2,852	3,526	3,172	9,828	9,008
Subtotal of advertising revenues	<u>23,876</u>	<u>22,830</u>	<u>18,790</u>	<u>66,831</u>	<u>50,609</u>
Non-advertising					
Wireless	8,839	8,994	6,762	25,842	19,081
Others	2,683	2,250	1,847	7,213	5,207
Subtotal of non-advertising revenues	<u>11,522</u>	<u>11,244</u>	<u>8,609</u>	<u>33,055</u>	<u>24,288</u>
Total revenues	<u>35,398</u>	<u>34,074</u>	<u>27,399</u>	<u>99,886</u>	<u>74,897</u>
Cost of revenues:					
Advertising					
Brand advertising (includes share-based compensation expense under SFAS 123(R) of \$403, \$264, \$0, \$1,006 and \$0, respectively)	6,181	5,610	4,122	16,122	10,339
Sponsored search (includes share-based compensation expense under SFAS 123(R) of \$24, \$22, \$0, \$68 and \$0, respectively)	1,221	1,247	813	3,560	1,993
Subtotal of advertising cost of revenues	<u>7,402</u>	<u>6,857</u>	<u>4,935</u>	<u>19,682</u>	<u>12,332</u>
Non-advertising					
Wireless	4,104	4,464	3,353	12,380	8,546
Others (includes share-based compensation expense under SFAS 123(R) of \$5, \$5, \$0, \$15 and \$0, respectively)	910	826	626	2,528	1,974
Subtotal of non-advertising cost of revenues	<u>5,014</u>	<u>5,290</u>	<u>3,979</u>	<u>14,908</u>	<u>10,520</u>
Total cost of revenues	<u>12,416</u>	<u>12,147</u>	<u>8,914</u>	<u>34,590</u>	<u>22,852</u>
Gross profit	22,982	21,927	18,485	65,296	52,045
Operating expenses:					
Product development (includes share-based compensation expense under SFAS 123(R) of \$495, \$369, \$0, \$1,357 and \$0, respectively)	5,037	4,617	3,439	13,897	10,175
Sales and marketing (includes share-based compensation expense under SFAS 123(R) of \$445, \$298, \$0, \$1,191 and \$0, respectively)	7,236	7,033	4,318	20,643	12,757
General and administrative (includes share-based compensation expense under SFAS 123(R) of \$563, \$313, \$0, \$1,300 and \$0, respectively)	4,094	3,199	2,813	10,369	7,712
Amortization of intangibles	509	509	509	1,527	1,439
Total operating expenses	<u>16,876</u>	<u>15,358</u>	<u>11,079</u>	<u>46,436</u>	<u>32,083</u>
Operating profit	6,106	6,569	7,406	18,860	19,962
Other (expense)/ income	(78)	711	358	565	96
Interest income	951	787	617	2,267	1,745
Income before income tax expense	6,979	8,067	8,381	21,692	21,803
Income tax expense	(351)	(303)	81	(1,097)	(31)
Income from continuing operations	6,628	7,764	8,462	20,595	21,772
Loss from discontinued E-commerce operations	(27)	(592)	(432)	(784)	(928)
Net Income	<u>\$ 6,601</u>	<u>\$ 7,172</u>	<u>\$ 8,030</u>	<u>\$ 19,811</u>	<u>\$ 20,844</u>
Basic net income per share	<u>\$ 0.18</u>	<u>\$ 0.19</u>	<u>\$ 0.22</u>	<u>\$ 0.54</u>	<u>\$ 0.58</u>
Shares used in computing basic net income per share	<u>36,640</u>	<u>36,943</u>	<u>36,417</u>	<u>36,783</u>	<u>36,202</u>
Diluted net income per share	<u>\$ 0.17</u>	<u>\$ 0.19</u>	<u>\$ 0.21</u>	<u>\$ 0.52</u>	<u>\$ 0.54</u>
Shares used in computing diluted net income per share	<u>38,787</u>	<u>39,474</u>	<u>39,750</u>	<u>39,214</u>	<u>39,760</u>

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

	<u>As of Sep. 30, 2006</u>	<u>As of Dec. 31, 2005</u>
		(Audited)
ASSETS		
Cash, cash equivalents and investments in		
marketable debt securities	\$ 119,950	\$ 133,086
Accounts receivable, net	25,919	19,283
Prepaid and other current assets	5,221	4,546
Fixed assets, net	20,316	15,745
Goodwill	51,442	50,918
Intangible assets, net	9,050	11,251
Restricted cash	4,762	991
Other assets, net	5,250	3,861
	\$ 241,910	\$ 239,681
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$ 36,914	\$ 35,053
Zero coupon convertible senior notes	59,780	74,780
Total liabilities	96,694	109,833
Shareholders' equity	145,216	129,848
	\$ 241,910	\$ 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 Sep. 30, 2006</u>			<u>Three Months Ended Jun. 30, 2006</u>			<u>Three Months Ended Sep. 30, 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>
Brand advertising revenues	\$ 21,024	\$ -	\$ 21,024	\$ 19,304	\$ -	\$ 19,304	\$ 15,618	\$ -	\$ 15,618
Less: Cost of brand advertising revenues	6,181	(403) (a)	5,778	5,610	(264) (a)	5,346	4,122	-	4,122
Brand advertising gross profit	\$ 14,843	\$ 403	\$ 15,246	\$ 13,694	\$ 264	\$ 13,958	\$ 11,496	\$ -	\$ 11,496
Brand advertising gross margin	<u>71%</u>		<u>73%</u>	<u>71%</u>		<u>72%</u>	<u>74%</u>		<u>74%</u>
Advertising revenues	\$ 23,876	\$ -	\$ 23,876	\$ 22,830	\$ -	\$ 22,830	\$ 18,790	\$ -	\$ 18,790
Less: Cost of advertising revenues	7,402	(427) (a)	6,975	6,857	(286) (a)	6,571	4,935	-	4,935
Advertising gross profit	\$ 16,474	\$ 427	\$ 16,901	\$ 15,973	\$ 286	\$ 16,259	\$ 13,855	\$ -	\$ 13,855
Advertising gross margin	<u>69%</u>		<u>71%</u>	<u>70%</u>		<u>71%</u>	<u>74%</u>		<u>74%</u>
Non-advertising revenues	11,522	-	11,522	11,244	-	11,244	8,609	-	8,609
Less: Cost of non-advertising revenues	5,014	(5) (a)	5,009	5,290	(5) (a)	5,285	3,979	-	3,979
Non-advertising gross profit	\$ 6,508	\$ 5	\$ 6,513	\$ 5,954	\$ 5	\$ 5,959	\$ 4,630	\$ -	\$ 4,630
Non-advertising gross margin	<u>56%</u>		<u>57%</u>	<u>53%</u>		<u>53%</u>	<u>54%</u>		<u>54%</u>
Total revenues	35,398	-	35,398	34,074	-	34,074	27,399	-	27,399
Less: Total cost of revenues	12,416	(432) (a)	11,984	12,147	(291) (a)	11,856	8,914	-	8,914
Gross profit	\$ 22,982	\$ 432	\$ 23,414	\$ 21,927	\$ 291	\$ 22,218	\$ 18,485	\$ -	\$ 18,485
Gross margin	<u>65%</u>		<u>66%</u>	<u>64%</u>		<u>65%</u>	<u>67%</u>		<u>67%</u>
Operating expenses	\$ 16,876	\$ (1,503) (a)	\$ 15,373	\$ 15,358	\$ (980) (a)	\$ 14,378	\$ 11,079	\$ -	\$ 11,079
Net income	\$ 6,601	\$ 1,935	\$ 8,536	\$ 7,172	\$ 1,271	\$ 8,443	\$ 8,030	\$ -	\$ 8,030
Net margin	<u>19%</u>		<u>24%</u>	<u>21%</u>		<u>25%</u>	<u>29%</u>		<u>29%</u>
Basic net income per share	\$ 0.18		\$ 0.23	\$ 0.19		\$ 0.23	\$ 0.22		\$ 0.22
Shares used in computing basic net income per share	<u>36,640</u>		<u>36,640</u>	<u>36,943</u>		<u>36,943</u>	<u>36,417</u>		<u>36,417</u>
Diluted net income per share	\$ 0.17		\$ 0.22	\$ 0.19		\$ 0.22	\$ 0.21		\$ 0.21
Shares used in computing diluted net income per share	<u>38,787</u>		<u>39,370</u>	<u>39,474</u>		<u>39,780</u>	<u>39,750</u>		<u>39,750</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, 2006</u>			<u>Nine Months Ended Sep. 30, 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>
Brand advertising revenues	\$ 57,003	\$ -	\$ 57,003	\$ 41,601	\$ -	\$ 41,601
Less: Cost of brand advertising revenues	16,122	(1,006) (a)	15,116	10,339	-	10,339
Brand advertising gross profit	<u>\$ 40,881</u>	<u>\$ 1,006</u>	<u>\$ 41,887</u>	<u>\$ 31,262</u>	<u>\$ -</u>	<u>\$ 31,262</u>
Brand advertising gross margin	<u>72%</u>		<u>73%</u>	<u>75%</u>		<u>75%</u>
Advertising revenues	\$ 66,831	\$ -	\$ 66,831	\$ 50,609	\$ -	\$ 50,609
Less: Cost of advertising revenues	19,682	(1,074) (a)	18,608	12,332	-	12,332
Advertising gross profit	<u>\$ 47,149</u>	<u>\$ 1,074</u>	<u>\$ 48,223</u>	<u>\$ 38,277</u>	<u>\$ -</u>	<u>\$ 38,277</u>
Advertising gross margin	<u>71%</u>		<u>72%</u>	<u>76%</u>		<u>76%</u>
Non-advertising revenues	33,055	-	33,055	24,288	-	24,288
Less: Cost of non-advertising revenues	14,908	(15) (a)	14,893	10,520	-	10,520
Non-advertising gross profit	<u>\$ 18,147</u>	<u>\$ 15</u>	<u>\$ 18,162</u>	<u>\$ 13,768</u>	<u>\$ -</u>	<u>\$ 13,768</u>
Non-advertising gross margin	<u>55%</u>		<u>55%</u>	<u>57%</u>		<u>57%</u>
Total revenues	99,886	-	99,886	74,897	-	74,897
Less: Total cost of revenues	34,590	(1,089) (a)	33,501	22,852	-	22,852
Gross profit	<u>\$ 65,296</u>	<u>\$ 1,089</u>	<u>\$ 66,385</u>	<u>\$ 52,045</u>	<u>\$ -</u>	<u>\$ 52,045</u>
Gross margin	<u>65%</u>		<u>66%</u>	<u>69%</u>		<u>69%</u>
Operating expenses	\$ 46,436	\$ (3,848) (a)	\$ 42,588	\$ 32,083	\$ (2) (b)	\$ 32,081
Net income	<u>\$ 19,811</u>	<u>\$ 4,937</u>	<u>\$ 24,748</u>	<u>\$ 20,844</u>	<u>\$ 2</u>	<u>\$ 20,846</u>
Net margin	<u>20%</u>		<u>25%</u>	<u>28%</u>		<u>28%</u>
Basic net income per share	<u>\$ 0.54</u>		<u>\$ 0.67</u>	<u>\$ 0.58</u>		<u>\$ 0.58</u>
Shares used in computing basic net income per share	<u>36,783</u>		<u>36,783</u>	<u>36,202</u>		<u>36,202</u>
Diluted net income per share	<u>\$ 0.52</u>		<u>\$ 0.64</u>	<u>\$ 0.54</u>		<u>\$ 0.54</u>
Shares used in computing diluted net income per share	<u>39,214</u>		<u>39,511</u>	<u>39,760</u>		<u>39,760</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.