

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

	<u>Three Months Ended</u>			<u>Nine Months Ended</u>	
	<u>Sep. 30,</u> <u>2004</u>	<u>Jun. 30,</u> <u>2004</u>	<u>Sep. 30,</u> <u>2003</u>	<u>Sep. 30,</u> <u>2004</u>	<u>Sep. 30,</u> <u>2003</u>
Revenues:					
Advertising	\$ 15,473	\$ 13,382	\$ 8,748	\$ 39,869	\$ 20,025
Non-advertising:					
Wireless	8,145	11,316	11,693	31,706	31,160
E-commerce	1,486	1,370	692	4,175	2,851
Other	<u>836</u>	<u>1,199</u>	<u>947</u>	<u>3,392</u>	<u>1,804</u>
Subtotal of non-advertising revenues	<u>10,467</u>	<u>13,885</u>	<u>13,332</u>	<u>39,273</u>	<u>35,815</u>
Total revenues	<u>25,940</u>	<u>27,267</u>	<u>22,080</u>	<u>79,142</u>	<u>55,840</u>
Cost of revenues:					
Advertising	3,576	3,372	1,973	9,736	5,325
Non-advertising:					
Wireless	3,021	4,132	3,876	11,334	9,643
E-commerce	1,450	1,346	629	4,082	2,528
Other	<u>340</u>	<u>386</u>	<u>423</u>	<u>1,094</u>	<u>932</u>
Subtotal of non-advertising cost of revenues	<u>4,811</u>	<u>5,864</u>	<u>4,928</u>	<u>16,510</u>	<u>13,103</u>
Total cost of revenues	<u>8,387</u>	<u>9,236</u>	<u>6,901</u>	<u>26,246</u>	<u>18,428</u>
Gross profit	17,553	18,031	15,179	52,896	37,412
Operating expenses:					
Product development	2,462	2,091	1,968	6,433	5,642
Sales and marketing	4,600	4,261	2,839	11,982	7,366
General and administrative	2,210	1,752	1,181	5,534	3,575
Amortization of intangibles	<u>368</u>	<u>360</u>	<u>-</u>	<u>905</u>	<u>-</u>
Total operating expenses	<u>9,640</u>	<u>8,464</u>	<u>5,988</u>	<u>24,854</u>	<u>16,583</u>
Operating profit	7,913	9,567	9,191	28,042	20,829
Other expense	(190)	(196)	(552)	(594)	(743)
Interest income	<u>641</u>	<u>578</u>	<u>532</u>	<u>1,849</u>	<u>1,202</u>
Net income before taxes	8,364	9,949	9,171	29,297	21,288
Income tax expense	<u>38</u>	<u>70</u>	<u>6,500</u>	<u>162</u>	<u>6,500</u>
Net income	<u>8,326</u>	<u>9,879</u>	<u>2,671</u>	<u>29,135</u>	<u>14,788</u>
Basic net income per share	<u>\$ 0.23</u>	<u>\$ 0.27</u>	<u>\$ 0.07</u>	<u>\$ 0.80</u>	<u>\$ 0.42</u>
Shares used in computing basic net income per share	<u>36,392</u>	<u>36,349</u>	<u>35,824</u>	<u>36,332</u>	<u>35,289</u>
Diluted net income per share	<u>\$ 0.21</u>	<u>\$ 0.25</u>	<u>\$ 0.07</u>	<u>\$ 0.73</u>	<u>\$ 0.38</u>
Shares used in computing diluted net income per share	<u>40,644</u>	<u>40,893</u>	<u>41,643</u>	<u>40,772</u>	<u>39,728</u>

**SOHU.COM INC.**  
**CONSOLIDATED SUMMARY BALANCE SHEET DATA**  
**(UNAUDITED, IN THOUSANDS)**

	<u>Sep. 30,</u> <u>2004</u>	<u>Dec. 31,</u> <u>2003</u>
<b>ASSETS</b>		
Cash, cash equivalents and investments in marketable debt securities	\$ 137,269	\$ 142,570
Accounts receivable, net	21,226	12,381
Prepaid and other current assets	5,121	4,050
Fixed assets, net	9,204	6,846
Long-term investment to Related Parties	997	-
Goodwill	43,669	31,664
Intangible assets, net	7,960	4,082
Other assets, net	<u>3,815</u>	<u>3,462</u>
	<u>229,261</u>	<u>205,055</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Accounts payable and accrued liabilities	27,880	19,454
Deferred revenues	5,374	3,962
Zero coupon convertible senior notes	<u>90,000</u>	<u>90,000</u>
Total liabilities	123,254	113,416
Shareholders' equity	<u>106,007</u>	<u>91,639</u>
	<u>\$ 229,261</u>	<u>\$ 205,055</u>