

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

	Three Months Ended			Six Months Ended	
	Jun. 30, 2008	Mar. 31, 2008	Jun. 30, 2007	Jun. 30, 2008	Jun. 30, 2007
<b>Revenues:</b>					
Advertising					
Brand advertising	\$ 41,691	\$ 33,155	\$ 26,632	\$ 74,846	\$ 50,159
Sponsored search	1,693	1,614	1,747	3,307	3,833
Subtotal of advertising revenues	<u>43,384</u>	<u>34,769</u>	<u>28,379</u>	<u>78,153</u>	<u>53,992</u>
Non-advertising					
Online games	47,896	40,955	3,825	88,851	5,442
Wireless	9,166	8,593	6,588	17,759	12,164
Others	1,534	506	196	2,040	476
Subtotal of non-advertising revenues	<u>58,596</u>	<u>50,054</u>	<u>10,609</u>	<u>108,650</u>	<u>18,082</u>
Total revenues	<u>101,980</u>	<u>84,823</u>	<u>38,988</u>	<u>186,803</u>	<u>72,074</u>
<b>Cost of revenues:</b>					
Advertising					
Brand advertising (includes share-based compensation expense under SFAS 123(R) of \$295, \$309, \$415, \$604 and \$827, respectively)	13,907	11,252	9,287	25,159	17,431
Sponsored search (includes share-based compensation expense under SFAS 123(R) of \$6, \$6, \$22, \$12 and \$41, respectively)	1,605	1,520	1,383	3,125	2,961
Subtotal of advertising cost of revenues	<u>15,512</u>	<u>12,772</u>	<u>10,670</u>	<u>28,284</u>	<u>20,392</u>
Non-advertising					
Online games (includes stock-based compensation expense under SFAS 123 (R) of \$5, \$5, \$15, \$10 and \$31, respectively)	3,505	3,208	1,401	6,713	2,270
Wireless	5,480	3,931	3,175	9,411	5,785
Others (includes share-based compensation expense under SFAS 123(R) of \$2, \$2, \$4, \$4 and \$8, respectively)	378	381	132	759	231
Subtotal of non-advertising cost of revenues	<u>9,363</u>	<u>7,520</u>	<u>4,708</u>	<u>16,883</u>	<u>8,286</u>
Total cost of revenues	<u>24,875</u>	<u>20,292</u>	<u>15,378</u>	<u>45,167</u>	<u>28,678</u>
Gross profit	77,105	64,531	23,610	141,636	43,396
<b>Operating expenses:</b>					
Product development (includes share-based compensation expense under SFAS 123(R) of \$1,228, \$2,263, \$741, \$3,491 and \$1,521, respectively)	10,798	11,479	5,494	22,277	10,173
Sales and marketing (includes share-based compensation expense under SFAS 123(R) of \$228, \$280, \$438, \$508 and \$885, respectively)	21,408	16,140	9,457	37,548	16,747
General and administrative (includes share-based compensation expense under SFAS 123(R) of \$394, \$645, \$761, \$1,039 and \$1,567, respectively)	4,827	6,185	3,414	11,012	6,772
Amortization of intangibles	199	196	310	395	689
Total operating expenses	<u>37,232</u>	<u>34,000</u>	<u>18,675</u>	<u>71,232</u>	<u>34,381</u>
Operating profit	39,873	30,531	4,935	70,404	9,015
Other (expense) income	(575)	43	(120)	(532)	(240)
Interest income and exchange difference	1,480	166	1,057	1,646	1,826
Income before income tax expense	40,778	30,740	5,872	71,518	10,601
Income tax expense	(577)	(9,185)	(163)	(9,762)	(445)
Income from continuing operations	40,201	21,555	5,709	61,756	10,156
Minority interests	(12)	8	18	(4)	30
Net income from continuing operations	40,189	21,563	5,727	61,752	10,186
Loss from discontinued E-commerce operations	-	(1)	(20)	(1)	(13)
Net income	<u>\$ 40,189</u>	<u>\$ 21,562</u>	<u>\$ 5,707</u>	<u>\$ 61,751</u>	<u>\$ 10,173</u>
Basic net income per share	<u>\$ 1.05</u>	<u>\$ 0.57</u>	<u>\$ 0.15</u>	<u>\$ 1.63</u>	<u>\$ 0.28</u>
Shares used in computing basic net income per share	<u>38,108</u>	<u>37,759</u>	<u>36,903</u>	<u>37,934</u>	<u>36,813</u>
Diluted net income per share	<u>\$ 1.02</u>	<u>\$ 0.55</u>	<u>\$ 0.15</u>	<u>\$ 1.57</u>	<u>\$ 0.27</u>
Shares used in computing diluted net income per share	<u>39,429</u>	<u>39,037</u>	<u>39,130</u>	<u>39,234</u>	<u>39,059</u>

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

	<u>As of Jun. 30, 2008</u>	<u>As of Dec. 31, 2007</u>
	(Unaudited)	(Audited)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 225,983	\$ 122,706
Accounts receivable, net	36,643	27,058
Prepaid and other current assets	21,422	7,551
Fixed assets, net	74,955	65,027
Goodwill	55,554	55,542
Intangible assets, net	6,022	7,041
Restricted cash	2,835	4,324
Other assets, net	3,228	1,268
	<u>\$ 426,642</u>	<u>\$ 290,517</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Accounts payable	\$ 3,984	\$ 2,667
Accrued liabilities to suppliers and agents	29,819	23,741
Receipts in advance and deferred revenue	24,435	14,139
Tax payables	19,805	6,850
Other accrued liabilities	38,464	24,216
Total liabilities	116,507	71,613
Minority interests	2,985	7
Shareholders' equity	307,150	218,897
	<u>\$ 426,642</u>	<u>\$ 290,517</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>Three Months Ended Jun. 30, 2008</u>			<u>Three Months Ended Mar. 31, 2008</u>			<u>Three Months Ended Jun. 30, 2007</u>		
	<u>GAAP</u>	<u>Non-GAAP Adjustments (a)</u>	<u>Non-GAAP</u>	<u>GAAP</u>	<u>Non-GAAP Adjustments (a)</u>	<u>Non-GAAP</u>	<u>GAAP</u>	<u>Non-GAAP Adjustments (a)</u>	<u>Non-GAAP</u>
Advertising revenues	\$ 43,384	\$ -	\$ 43,384	\$ 34,769	\$ -	\$ 34,769	\$ 28,379	\$ -	\$ 28,379
Less: Cost of advertising revenues	15,512	(301)	15,211	12,772	(315)	12,457	10,670	(437)	10,233
Advertising gross profit	<u>\$ 27,872</u>	<u>\$ 301</u>	<u>\$ 28,173</u>	<u>\$ 21,997</u>	<u>\$ 315</u>	<u>\$ 22,312</u>	<u>\$ 17,709</u>	<u>\$ 437</u>	<u>\$ 18,146</u>
Advertising gross margin	<u>64%</u>		<u>65%</u>	<u>63%</u>		<u>64%</u>	<u>62%</u>		<u>64%</u>
Non-advertising revenues	\$ 58,596	\$ -	\$ 58,596	\$ 50,054	\$ -	\$ 50,054	\$ 10,609	\$ -	\$ 10,609
Less: Cost of non-advertising revenues	9,363	(7)	9,356	7,520	(7)	7,513	4,708	(19)	4,689
Non-advertising gross profit	<u>\$ 49,233</u>	<u>\$ 7</u>	<u>\$ 49,240</u>	<u>\$ 42,534</u>	<u>\$ 7</u>	<u>\$ 42,541</u>	<u>\$ 5,901</u>	<u>\$ 19</u>	<u>\$ 5,920</u>
Non-advertising gross margin	<u>84%</u>		<u>84%</u>	<u>85%</u>		<u>85%</u>	<u>56%</u>		<u>56%</u>
Total revenues	\$ 101,980	\$ -	\$ 101,980	\$ 84,823	\$ -	\$ 84,823	\$ 38,988	\$ -	\$ 38,988
Less: Total cost of revenues	24,875	(308)	24,567	20,292	(322)	19,970	15,378	(456)	14,922
Gross profit	<u>\$ 77,105</u>	<u>\$ 308</u>	<u>\$ 77,413</u>	<u>\$ 64,531</u>	<u>\$ 322</u>	<u>\$ 64,853</u>	<u>\$ 23,610</u>	<u>\$ 456</u>	<u>\$ 24,066</u>
Gross margin	<u>76%</u>		<u>76%</u>	<u>76%</u>		<u>76%</u>	<u>61%</u>		<u>62%</u>
Operating expenses	\$ 37,232	\$ (1,850)	\$ 35,382	\$ 34,000	\$ (3,188)	\$ 30,812	\$ 18,675	\$ (1,940)	\$ 16,735
Net income	<u>\$ 40,189</u>	<u>\$ 2,158</u>	<u>\$ 42,347</u>	<u>\$ 21,562</u>	<u>\$ 3,510</u>	<u>\$ 25,072</u>	<u>\$ 5,707</u>	<u>\$ 2,396</u>	<u>\$ 8,103</u>
Diluted net income per share	<u>\$ 1.02</u>		<u>\$ 1.07</u>	<u>\$ 0.55</u>		<u>\$ 0.64</u>	<u>\$ 0.15</u>		<u>\$ 0.21</u>
Shares used in computing diluted net income per share	<u>39,429</u>		<u>39,540</u>	<u>39,037</u>		<u>39,220</u>	<u>39,130</u>		<u>39,675</u>

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

	<u>Six Months Ended Jun. 30, 2008</u>			<u>Six Months Ended Jun. 30, 2007</u>		
	<u>GAAP</u>	<u>Non-GAAP Adjustments (a)</u>	<u>Non-GAAP</u>	<u>GAAP</u>	<u>Non-GAAP Adjustments (a)</u>	<u>Non-GAAP</u>
Advertising revenues	\$ 78,153	\$ —	\$ 78,153	\$ 53,992	\$ —	\$ 53,992
Less: Cost of advertising revenues	28,284	(616)	27,668	20,392	(868)	19,524
Advertising gross profit	<u>\$ 49,869</u>	<u>\$ 616</u>	<u>\$ 50,485</u>	<u>\$ 33,600</u>	<u>\$ 868</u>	<u>\$ 34,468</u>
Advertising gross margin	<u>64%</u>		<u>65%</u>	<u>62%</u>		<u>64%</u>
Non-advertising revenues	\$ 108,650	\$ —	\$ 108,650	\$ 18,082	\$ —	\$ 18,082
Less: Cost of non-advertising revenues	16,883	(14)	16,869	8,286	(39)	8,247
Non-advertising gross profit	<u>\$ 91,767</u>	<u>\$ 14</u>	<u>\$ 91,781</u>	<u>\$ 9,796</u>	<u>\$ 39</u>	<u>\$ 9,835</u>
Non-advertising gross margin	<u>84%</u>		<u>84%</u>	<u>54%</u>		<u>54%</u>
Total revenues	\$ 186,803	\$ —	\$ 186,803	\$ 72,074	\$ —	\$ 72,074
Less: Total cost of revenues	45,167	(630)	44,537	28,678	(907)	27,771
Gross profit	<u>\$ 141,636</u>	<u>\$ 630</u>	<u>\$ 142,266</u>	<u>\$ 43,396</u>	<u>\$ 907</u>	<u>\$ 44,303</u>
Gross margin	<u>76%</u>		<u>76%</u>	<u>60%</u>		<u>61%</u>
Operating expenses	<u>\$ 71,232</u>	<u>\$ (5,038)</u>	<u>\$ 66,194</u>	<u>\$ 34,381</u>	<u>\$ (3,973)</u>	<u>\$ 30,408</u>
Net income	<u>\$ 61,751</u>	<u>\$ 5,668</u>	<u>\$ 67,419</u>	<u>\$ 10,173</u>	<u>\$ 4,880</u>	<u>\$ 15,053</u>
Diluted net income per share	<u>\$ 1.57</u>		<u>\$ 1.71</u>	<u>\$ 0.27</u>		<u>\$ 0.39</u>
Shares used in computing diluted net income per share	<u>39,234</u>		<u>39,381</u>	<u>39,059</u>		<u>39,629</u>

Note:

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