

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, 2008</u>	<u>Jun. 30, 2008</u>	<u>Sep. 30, 2007</u>	<u>Sep. 30, 2008</u>	<u>Sep. 30, 2007</u>
Revenues:					
Advertising					
Brand advertising	\$ 49,398	\$ 41,691	\$ 29,781	\$ 124,244	\$ 79,940
Sponsored search	1,737	1,693	1,745	5,044	5,578
Subtotal of advertising revenues	<u>51,135</u>	<u>43,384</u>	<u>31,526</u>	<u>129,288</u>	<u>85,518</u>
Non-advertising					
Online games	54,604	47,896	12,693	143,455	18,135
Wireless	14,483	9,166	6,832	32,242	18,996
Others	454	1,534	467	2,494	943
Subtotal of non-advertising revenues	<u>69,541</u>	<u>58,596</u>	<u>19,992</u>	<u>178,191</u>	<u>38,074</u>
Total revenues	<u>120,676</u>	<u>101,980</u>	<u>51,518</u>	<u>307,479</u>	<u>123,592</u>
Cost of revenues:					
Advertising					
Brand advertising (includes share-based compensation expense under SFAS 123(R) of \$288, \$295, \$382, \$892 and \$1,209 respectively)	19,018	13,907	10,253	44,177	27,684
Sponsored search (includes share-based compensation expense under SFAS 123(R) of \$4, \$6, \$9, \$16 and \$50, respectively)	1,775	1,605	1,330	4,900	4,291
Subtotal of advertising cost of revenues	<u>20,793</u>	<u>15,512</u>	<u>11,583</u>	<u>49,077</u>	<u>31,975</u>
Non-advertising					
Online games (includes stock-based compensation expense under SFAS 123 (R) of \$0, \$5, \$3, \$10 and \$34, respectively)	3,480	3,505	2,078	10,193	4,348
Wireless	7,064	5,480	3,311	16,475	9,096
Others (includes share-based compensation expense under SFAS 123(R) of \$0, \$2, \$2, \$4 and \$10, respectively)	577	378	178	1,336	409
Subtotal of non-advertising cost of revenues	<u>11,121</u>	<u>9,363</u>	<u>5,567</u>	<u>28,004</u>	<u>13,853</u>
Total cost of revenues	<u>31,914</u>	<u>24,875</u>	<u>17,150</u>	<u>77,081</u>	<u>45,828</u>
Gross profit	88,762	77,105	34,368	230,398	77,764
Operating expenses:					
Product development (includes share-based compensation expense under SFAS 123(R) of \$1,678, \$1,228, \$672, \$5,169 and \$2,193, respectively)	13,012	10,798	6,875	35,289	17,048
Sales and marketing (includes share-based compensation expense under SFAS 123(R) of \$214, \$228, \$337, \$722 and \$1,222, respectively)	27,643	21,408	13,573	65,191	30,320
General and administrative (includes share-based compensation expense under SFAS 123(R) of \$377, \$394, \$616, \$1,416 and \$2,183, respectively)	4,148	4,827	4,900	15,160	11,672
Amortization of intangibles	201	199	202	596	891
Total operating expenses	<u>45,004</u>	<u>37,232</u>	<u>25,550</u>	<u>116,236</u>	<u>59,931</u>
Operating profit	43,758	39,873	8,818	114,162	17,833
Other income (expense)	51	(575)	575	(481)	335
Interest income and exchange difference	1,421	1,480	608	3,067	2,434
Income before income tax expense	45,230	40,778	10,001	116,748	20,602
Income tax expense	(4,992)	(577)	(322)	(14,754)	(767)
Income from continuing operations	40,238	40,201	9,679	101,994	19,835
Minority interests	22	(12)	12	18	42
Net income from continuing operations	40,260	40,189	9,691	102,012	19,877
Gain (loss) from discontinued E-commerce operations	1	-	(5)	-	(18)
Net income	<u>\$ 40,261</u>	<u>\$ 40,189</u>	<u>\$ 9,686</u>	<u>\$ 102,012</u>	<u>\$ 19,859</u>
Basic net income per share	<u>\$ 1.05</u>	<u>\$ 1.05</u>	<u>\$ 0.26</u>	<u>\$ 2.68</u>	<u>\$ 0.54</u>
Shares used in computing basic net income per share	<u>38,496</u>	<u>38,108</u>	<u>37,307</u>	<u>38,121</u>	<u>36,979</u>
Diluted net income per share	<u>\$ 1.02</u>	<u>\$ 1.02</u>	<u>\$ 0.25</u>	<u>\$ 2.61</u>	<u>\$ 0.52</u>
Shares used in computing diluted net income per share	<u>39,321</u>	<u>39,429</u>	<u>38,516</u>	<u>39,126</u>	<u>38,879</u>

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

	<u>As of Sep. 30, 2008</u>	<u>As of Dec. 31, 2007</u>
	(Unaudited)	(Audited)
ASSETS		
Cash and cash equivalents	\$ 279,352	\$ 122,706
Accounts receivable, net	46,481	27,058
Prepaid and other current assets	28,421	7,551
Fixed assets, net	76,936	65,027
Goodwill	55,555	55,542
Intangible assets, net	6,086	7,041
Restricted cash	2,673	4,324
Other assets, net	4,525	1,268
	<u>\$ 500,029</u>	<u>\$ 290,517</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	\$ 8,614	\$ 2,667
Accrued liabilities to suppliers and agents	35,431	23,741
Receipts in advance and deferred revenue	30,080	14,139
Tax payables	28,180	6,850
Other accrued liabilities	42,103	24,216
Total liabilities	<u>144,408</u>	<u>71,613</u>
Minority interests	4,078	7
Shareholders' equity	<u>351,543</u>	<u>218,897</u>
	<u>\$ 500,029</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 Sep. 30, 2008</u>			<u>Three Months Ended Jun. 30, 2008</u>			<u>Three Months Ended Sep. 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	\$ 51,135	\$ -	\$ 51,135	\$ 43,384	\$ -	\$ 43,384	\$ 31,526	\$ -	\$ 31,526
Less: Cost of advertising revenues	<u>20,793</u>	<u>(292)</u>	<u>20,501</u>	<u>15,512</u>	<u>(301)</u>	<u>15,211</u>	<u>11,583</u>	<u>(391)</u>	<u>11,192</u>
Advertising gross profit	<u>\$ 30,342</u>	<u>\$ 292</u>	<u>\$ 30,634</u>	<u>\$ 27,872</u>	<u>\$ 301</u>	<u>\$ 28,173</u>	<u>\$ 19,943</u>	<u>\$ 391</u>	<u>\$ 20,334</u>
Advertising gross margin	<u>59%</u>		<u>60%</u>	<u>64%</u>		<u>65%</u>	<u>63%</u>		<u>64%</u>
Non-advertising revenues	\$ 69,541	\$ -	\$ 69,541	\$ 58,596	\$ -	\$ 58,596	\$ 19,992	\$ -	\$ 19,992
Less: Cost of non-advertising revenues	<u>11,121</u>	<u>-</u>	<u>11,121</u>	<u>9,363</u>	<u>(7)</u>	<u>9,356</u>	<u>5,567</u>	<u>(5)</u>	<u>5,562</u>
Non-advertising gross profit	<u>\$ 58,420</u>	<u>\$ -</u>	<u>\$ 58,420</u>	<u>\$ 49,233</u>	<u>\$ 7</u>	<u>\$ 49,240</u>	<u>\$ 14,425</u>	<u>\$ 5</u>	<u>\$ 14,430</u>
Non-advertising gross margin	<u>84%</u>		<u>84%</u>	<u>84%</u>		<u>84%</u>	<u>72%</u>		<u>72%</u>
Total revenues	\$ 120,676	\$ -	\$ 120,676	\$ 101,980	\$ -	\$ 101,980	\$ 51,518	\$ -	\$ 51,518
Less: Total cost of revenues	<u>31,914</u>	<u>(292)</u>	<u>31,622</u>	<u>24,875</u>	<u>(308)</u>	<u>24,567</u>	<u>17,150</u>	<u>(396)</u>	<u>16,754</u>
Gross profit	<u>\$ 88,762</u>	<u>\$ 292</u>	<u>\$ 89,054</u>	<u>\$ 77,105</u>	<u>\$ 308</u>	<u>\$ 77,413</u>	<u>\$ 34,368</u>	<u>\$ 396</u>	<u>\$ 34,764</u>
Gross margin	<u>74%</u>		<u>74%</u>	<u>76%</u>		<u>76%</u>	<u>67%</u>		<u>67%</u>
Operating expenses	\$ 45,004	\$ (2,269)	\$ 42,735	\$ 37,232	\$ (1,850)	\$ 35,382	\$ 25,550	\$ (1,625)	\$ 23,925
Net income	<u>\$ 40,261</u>	<u>\$ 2,561</u>	<u>\$ 42,822</u>	<u>\$ 40,189</u>	<u>\$ 2,158</u>	<u>\$ 42,347</u>	<u>\$ 9,686</u>	<u>\$ 2,021</u>	<u>\$ 11,707</u>
Diluted net income per share	<u>\$ 1.02</u>		<u>\$ 1.08</u>	<u>\$ 1.02</u>		<u>\$ 1.07</u>	<u>\$ 0.25</u>		<u>\$ 0.30</u>
Shares used in computing diluted net income per share	<u>39,321</u>		<u>39,626</u>	<u>39,429</u>		<u>39,540</u>	<u>38,516</u>		<u>38,882</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, 2008</u>			<u>Nine Months Ended Sep. 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	\$ 129,288	\$ —	\$ 129,288	\$ 85,518	\$ —	\$ 85,518
Less: Cost of advertising revenues	49,077	(908)	48,169	31,975	(1,259)	30,716
Advertising gross profit	<u>\$ 80,211</u>	<u>\$ 908</u>	<u>\$ 81,119</u>	<u>\$ 53,543</u>	<u>\$ 1,259</u>	<u>\$ 54,802</u>
Advertising gross margin	<u>62%</u>		<u>63%</u>	<u>63%</u>		<u>64%</u>
Non-advertising revenues	\$ 178,191	\$ —	\$ 178,191	\$ 38,074	\$ —	\$ 38,074
Less: Cost of non-advertising revenues	28,004	(14)	27,990	13,853	(44)	13,809
Non-advertising gross profit	<u>\$ 150,187</u>	<u>\$ 14</u>	<u>\$ 150,201</u>	<u>\$ 24,221</u>	<u>\$ 44</u>	<u>\$ 24,265</u>
Non-advertising gross margin	<u>84%</u>		<u>84%</u>	<u>64%</u>		<u>64%</u>
Total revenues	\$ 307,479	\$ —	\$ 307,479	\$ 123,592	\$ —	\$ 123,592
Less: Total cost of revenues	77,081	(922)	76,159	45,828	(1,303)	44,525
Gross profit	<u>\$ 230,398</u>	<u>\$ 922</u>	<u>\$ 231,320</u>	<u>\$ 77,764</u>	<u>\$ 1,303</u>	<u>\$ 79,067</u>
Gross margin	<u>75%</u>		<u>75%</u>	<u>63%</u>		<u>64%</u>
Operating expenses	<u>\$ 116,236</u>	<u>\$ (7,307)</u>	<u>\$ 108,929</u>	<u>\$ 59,931</u>	<u>\$ (5,598)</u>	<u>\$ 54,333</u>
Net income	<u>\$ 102,012</u>	<u>\$ 8,229</u>	<u>\$ 110,241</u>	<u>\$ 19,859</u>	<u>\$ 6,901</u>	<u>\$ 26,760</u>
Diluted net income per share	<u>\$ 2.61</u>		<u>\$ 2.79</u>	<u>\$ 0.52</u>		<u>\$ 0.69</u>
Shares used in computing diluted net income per share	<u>39,126</u>		<u>39,462</u>	<u>38,879</u>		<u>39,381</u>

Note:

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