

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

	Three Months Ended			Twelve Months Ended	
	Dec. 31, 2008	Sep. 30, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007 (Audited)
Revenues:					
Advertising					
Brand advertising	\$ 45,024	\$ 49,398	\$ 32,166	\$ 169,268	\$ 112,106
Sponsored search	1,625	1,737	1,532	6,669	7,110
Subtotal of advertising revenues	46,649	51,135	33,698	175,937	119,216
Non-advertising					
Online games	58,390	54,604	23,961	201,845	42,096
Wireless	14,804	14,483	7,341	47,046	26,337
Others	1,729	454	342	4,223	1,285
Subtotal of non-advertising revenues	74,923	69,541	31,644	253,114	69,718
Total revenues	121,572	120,676	65,342	429,051	188,934
Cost of revenues:					
Advertising					
Brand advertising (includes share-based compensation expense under SFAS 123(R) of \$308, \$288, \$363, \$1,200 and \$1,572, respectively)	15,266	19,018	11,049	59,443	38,733
Sponsored search (includes share-based compensation expense under SFAS 123(R) of \$3, \$4, \$6, \$19 and \$56, respectively)	1,916	1,775	1,353	6,816	5,644
Subtotal of advertising cost of revenues	17,182	20,793	12,402	66,259	44,377
Non-advertising					
Online games (includes stock-based compensation expense under SFAS 123 (R) of \$4, \$0, \$4, \$14 and \$38, respectively)	4,374	3,480	2,765	14,567	7,113
Wireless	8,063	7,064	3,238	24,538	12,334
Others (includes share-based compensation expense under SFAS 123(R) of \$1, \$0, \$2, \$5 and \$12, respectively)	614	577	530	1,950	939
Subtotal of non-advertising cost of revenues	13,051	11,121	6,533	41,055	20,386
Total cost of revenues	30,233	31,914	18,935	107,314	64,763
Gross profit	91,339	88,762	46,407	321,737	124,171
Operating expenses:					
Product development (includes share-based compensation expense under SFAS 123(R) of \$1,580, \$1,678, \$612, \$6,749 and \$2,805, respectively)	14,424	13,012	8,395	49,713	25,443
Sales and marketing (includes share-based compensation expense under SFAS 123(R) of \$174, \$214, \$319, \$896 and \$1,541, respectively)	19,500	27,643	17,186	84,691	47,506
General and administrative (includes share-based compensation expense under SFAS 123(R) of \$321, \$377, \$579, \$1,737 and \$2,762, respectively)	7,535	4,148	5,746	22,695	17,418
Amortization of intangibles	200	201	202	796	1,093
Total operating expenses	41,659	45,004	31,529	157,895	91,460
Operating profit	49,680	43,758	14,878	163,842	32,711
Other (expense) income	(54)	51	552	(535)	887
Interest income and exchange difference	1,221	1,421	359	4,288	2,793
Income before income tax expense	50,847	45,230	15,789	167,595	36,391
Income tax expense	5,745	(4,992)	(720)	(9,009)	(1,487)
Income from continuing operations	56,592	40,238	15,069	158,586	34,904
Minority interests	33	22	5	51	47
Net income from continuing operations	56,625	40,260	15,074	158,637	34,951
(Loss) gain from discontinued E-commerce operations	(0)	1	(2)	(0)	(20)
Net income	\$ 56,625	\$ 40,261	\$ 15,072	\$ 158,637	\$ 34,931
Basic net income per share	\$ 1.48	\$ 1.05	\$ 0.40	\$ 4.16	\$ 0.94
Shares used in computing basic net income per share	38,311	38,496	37,589	38,168	37,133
Diluted net income per share	\$ 1.45	\$ 1.02	\$ 0.39	\$ 4.06	\$ 0.90
Shares used in computing diluted net income per share	39,090	39,321	39,034	39,117	38,919

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

	<u>As of Dec. 31, 2008</u>	<u>As of Dec. 31, 2007</u>
	(Unaudited)	(Audited)
ASSETS		
Cash and cash equivalents	\$ 314,425	\$ 122,706
Accounts receivable, net	36,869	27,058
Prepaid and other current assets	27,551	7,551
Fixed assets, net	76,237	65,027
Goodwill	55,555	55,542
Intangible assets, net	5,654	7,041
Restricted cash	2,671	4,324
Other assets, net	2,914	1,268
	<u>\$ 521,876</u>	<u>\$ 290,517</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	\$ 4,339	\$ 2,667
Accrued liabilities to suppliers and agents	33,054	23,741
Receipts in advance and deferred revenue	31,446	14,139
Tax payables	18,892	6,850
Other accrued liabilities	43,051	24,216
Total liabilities	<u>130,782</u>	<u>71,613</u>
Minority interests	5,148	7
Shareholders' equity	<u>385,946</u>	<u>218,897</u>
	<u>\$ 521,876</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

	Three Months Ended Dec. 31, 2008			Three Months Ended Sep. 30, 2008			Three Months Ended Dec. 31, 2007		
	GAAP	Non-GAAP Adjustments (a)	Non-GAAP	GAAP	Non-GAAP Adjustments (a)	Non-GAAP	GAAP	Non-GAAP Adjustments (a)	Non-GAAP
Advertising revenues	\$ 46,649	\$ –	\$ 46,649	\$ 51,135	\$ –	\$ 51,135	\$ 33,698	\$ –	\$ 33,698
Less: Cost of advertising revenues	17,182	(311)	16,871	20,793	(292)	20,501	12,402	(369)	12,033
Advertising gross profit	\$ 29,467	\$ 311	\$ 29,778	\$ 30,342	\$ 292	\$ 30,634	\$ 21,296	\$ 369	\$ 21,665
Advertising gross margin	63%		64%	59%		60%	63%		64%
Non-advertising revenues	\$ 74,923	\$ –	\$ 74,923	\$ 69,541	\$ –	\$ 69,541	\$ 31,644	\$ –	\$ 31,644
Less: Cost of non-advertising revenues	13,051	(5)	13,046	11,121	–	11,121	6,533	(6)	6,527
Non-advertising gross profit	\$ 61,872	\$ 5	\$ 61,877	\$ 58,420	\$ –	\$ 58,420	\$ 25,111	\$ 6	\$ 25,117
Non-advertising gross margin	83%		83%	84%		84%	79%		79%
Total revenues	\$ 121,572	\$ –	\$ 121,572	\$ 120,676	\$ –	\$ 120,676	\$ 65,342	\$ –	\$ 65,342
Less: Total cost of revenues	30,233	(316)	29,917	31,914	(292)	31,622	18,935	(375)	18,560
Gross profit	\$ 91,339	\$ 316	\$ 91,655	\$ 88,762	\$ 292	\$ 89,054	\$ 46,407	\$ 375	\$ 46,782
Gross margin	75%		75%	74%		74%	71%		72%
Operating expenses	\$ 41,659	\$ (2,075)	\$ 39,584	\$ 45,004	\$ (2,269)	\$ 42,735	\$ 31,529	\$ (1,510)	\$ 30,019
Operating profit	49,680	2,391	52,071	43,758	2,561	46,319	14,878	1,885	16,763
Operating margin	41%		43%	36%		38%	23%		26%
Net income	\$ 56,625	\$ 2,391	\$ 59,016	\$ 40,261	\$ 2,561	\$ 42,822	\$ 15,072	\$ 1,885	\$ 16,957
Diluted net income per share	\$ 1.45		\$ 1.50	\$ 1.02		\$ 1.08	\$ 0.39		\$ 0.43
Shares used in computing diluted net income per share	39,090		39,281	39,321		39,626	39,034		39,237

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

	Twelve Months Ended Dec. 31, 2008			Twelve Months Ended Dec. 31, 2007		
	GAAP	Non-GAAP Adjustments (a)	Non-GAAP	GAAP	Non-GAAP Adjustments (a)	Non-GAAP
Advertising revenues	\$ 175,937	\$ -	\$ 175,937	\$ 119,216	\$ -	\$ 119,216
Less: Cost of advertising revenues	66,259	(1,219)	65,040	44,377	(1,628)	42,749
Advertising gross profit	<u>\$ 109,678</u>	<u>\$ 1,219</u>	<u>\$ 110,897</u>	<u>\$ 74,839</u>	<u>\$ 1,628</u>	<u>\$ 76,467</u>
Advertising gross margin	<u>62%</u>		<u>63%</u>	<u>63%</u>		<u>64%</u>
Non-advertising revenues	\$ 253,114	\$ -	\$ 253,114	\$ 69,718	\$ -	\$ 69,718
Less: Cost of non-advertising revenues	41,055	(19)	41,036	20,386	(50)	20,336
Non-advertising gross profit	<u>\$ 212,059</u>	<u>\$ 19</u>	<u>\$ 212,078</u>	<u>\$ 49,332</u>	<u>\$ 50</u>	<u>\$ 49,382</u>
Non-advertising gross margin	<u>84%</u>		<u>84%</u>	<u>71%</u>		<u>71%</u>
Total revenues	\$ 429,051	\$ -	\$ 429,051	\$ 188,934	\$ -	\$ 188,934
Less: Total cost of revenues	107,314	(1,238)	106,076	64,763	(1,678)	63,085
Gross profit	<u>\$ 321,737</u>	<u>\$ 1,238</u>	<u>\$ 322,975</u>	<u>\$ 124,171</u>	<u>\$ 1,678</u>	<u>\$ 125,849</u>
Gross margin	<u>75%</u>		<u>75%</u>	<u>66%</u>		<u>67%</u>
Operating expenses	<u>\$ 157,895</u>	<u>\$ (9,382)</u>	<u>\$ 148,513</u>	<u>\$ 91,460</u>	<u>\$ (7,108)</u>	<u>\$ 84,352</u>
Operating profit	<u>163,842</u>	<u>10,620</u>	<u>174,462</u>	<u>32,711</u>	<u>8,786</u>	<u>41,497</u>
Operating margin	<u>38%</u>		<u>41%</u>	<u>17%</u>		<u>22%</u>
Net income	<u>\$ 158,637</u>	<u>\$ 10,620</u>	<u>\$ 169,257</u>	<u>\$ 34,931</u>	<u>\$ 8,786</u>	<u>\$ 43,717</u>
Diluted net income per share	<u>\$ 4.06</u>		<u>\$ 4.29</u>	<u>\$ 0.90</u>		<u>\$ 1.12</u>
Shares used in computing diluted net income per share	<u>39,117</u>		<u>39,417</u>	<u>38,919</u>		<u>39,347</u>

Note:

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