

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

	Three Months Ended			Six Months Ended	
	Jun. 30, 2007	Mar. 31, 2007	Jun. 30, 2006	Jun. 30, 2007	Jun. 30, 2006
Revenues:					
Advertising					
Brand advertising	\$ 26,632	\$ 23,527	\$ 19,304	\$ 50,159	\$ 35,979
Sponsored search	1,747	2,086	3,526	3,833	6,976
Subtotal of advertising revenues	<u>28,379</u>	<u>25,613</u>	<u>22,830</u>	<u>53,992</u>	<u>42,955</u>
Non-advertising					
Wireless	6,588	5,576	8,994	12,164	17,003
Online game	3,825	1,617	2,121	5,442	4,207
Others	196	280	129	476	323
Subtotal of non-advertising revenues	<u>10,609</u>	<u>7,473</u>	<u>11,244</u>	<u>18,082</u>	<u>21,533</u>
Total revenues	<u>38,988</u>	<u>33,086</u>	<u>34,074</u>	<u>72,074</u>	<u>64,488</u>
Cost of revenues:					
Advertising					
Brand advertising (includes share-based compensation expense under SFAS 123(R) of \$415, \$412, \$264, \$827 and \$603, respectively)	9,287	8,144	5,610	17,431	9,941
Sponsored search (includes share-based compensation expense under SFAS 123(R) of \$22, \$19, \$22, \$41 and \$44, respectively)	1,383	1,578	1,247	2,961	2,339
Subtotal of advertising cost of revenues	<u>10,670</u>	<u>9,722</u>	<u>6,857</u>	<u>20,392</u>	<u>12,280</u>
Non-advertising					
Wireless	3,175	2,610	4,464	5,785	8,276
Online game (includes stock-based compensation expense under SFAS 123 (R) of \$15, \$16, \$18, \$31 and \$37, respectively)	1,401	869	1,014	2,270	2,035
Others (includes share-based compensation expense under SFAS 123(R) of \$4, \$4, \$5, \$8 and \$10, respectively)	132	99	131	231	225
Subtotal of non-advertising cost of revenues	<u>4,708</u>	<u>3,578</u>	<u>5,609</u>	<u>8,286</u>	<u>10,536</u>
Total cost of revenues	<u>15,378</u>	<u>13,300</u>	<u>12,466</u>	<u>28,678</u>	<u>22,816</u>
Gross profit	23,610	19,786	21,608	43,396	41,672
Operating expenses:					
Product development (includes share-based compensation expense under SFAS 123(R) of \$741, \$780, \$351, \$1,521 and \$825, respectively)	5,494	4,679	4,298	10,173	8,218
Sales and marketing (includes share-based compensation expense under SFAS 123(R) of \$438, \$447, \$298, \$885 and \$746, respectively)	9,457	7,290	7,033	16,747	13,407
General and administrative (includes share-based compensation expense under SFAS 123(R) of \$761, \$806, \$313, \$1,567 and \$737, respectively)	3,414	3,358	3,199	6,772	6,275
Amortization of intangibles	310	379	509	689	1,018
Total operating expenses	<u>18,675</u>	<u>15,706</u>	<u>15,039</u>	<u>34,381</u>	<u>28,918</u>
Operating profit	4,935	4,080	6,569	9,015	12,754
Other (expense) income	(120)	(120)	711	(240)	643
Interest income	1,057	769	787	1,826	1,316
Income before income tax expense	5,872	4,729	8,067	10,601	14,713
Income tax expense	(163)	(282)	(303)	(445)	(746)
Income from continuing operations	5,709	4,447	7,764	10,156	13,967
Minority Interests	18	12	-	30	-
Net income from continuing operations	5,727	4,459	7,764	10,186	13,967
(Loss) gain from discontinued E-commerce operations	(20)	7	(592)	(13)	(757)
Net Income	<u>\$ 5,707</u>	<u>\$ 4,466</u>	<u>\$ 7,172</u>	<u>\$ 10,173</u>	<u>\$ 13,210</u>
Basic net income per share	<u>\$ 0.15</u>	<u>\$ 0.12</u>	<u>\$ 0.19</u>	<u>\$ 0.28</u>	<u>\$ 0.36</u>
Shares used in computing basic net income per share	<u>36,903</u>	<u>36,722</u>	<u>36,943</u>	<u>36,813</u>	<u>36,856</u>
Diluted net income per share	<u>\$ 0.15</u>	<u>\$ 0.12</u>	<u>\$ 0.19</u>	<u>\$ 0.27</u>	<u>\$ 0.34</u>
Shares used in computing diluted net income per share	<u>39,130</u>	<u>38,986</u>	<u>39,474</u>	<u>39,059</u>	<u>39,430</u>

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

	<u>As of Jun. 30, 2007</u>	<u>As of Dec. 31, 2006</u>
	(Unaudited)	(Audited)
ASSETS		
Cash, cash equivalents and investments in		
marketable debt securities	\$ 113,139	\$ 129,698
Accounts receivable, net	29,041	23,825
Prepaid and other current assets	7,296	5,961
Fixed assets, net	61,119	21,453
Goodwill	55,055	54,986
Intangible assets, net	7,435	8,360
Restricted cash	3,800	4,774
Other assets, net	3,935	4,534
	<u>\$ 280,820</u>	<u>\$ 253,591</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$ 43,340	\$ 37,795
Zero coupon convertible senior notes	<u>59,780</u>	<u>59,780</u>
Total liabilities	103,120	97,575
Minority interests	23	53
Shareholders' equity	<u>177,677</u>	<u>155,963</u>
	<u>\$ 280,820</u>	<u>\$ 253,591</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, 2007</u>			<u>Three Months Ended Mar. 31, 2007</u>			<u>Three Months Ended Jun. 30, 2006</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>
Advertising revenues	\$ 28,379	\$ -	\$ 28,379	\$ 25,613	\$ -	\$ 25,613	\$ 22,830	\$ -	\$ 22,830
Less: Cost of advertising revenues	10,670	(437) (a)	10,233	9,722	(431) (a)	9,291	6,857	(286) (a)	6,571
Advertising gross profit	<u>\$ 17,709</u>	<u>\$ 437</u>	<u>\$ 18,146</u>	<u>\$ 15,891</u>	<u>\$ 431</u>	<u>\$ 16,322</u>	<u>\$ 15,973</u>	<u>\$ 286</u>	<u>\$ 16,259</u>
Advertising gross margin	<u>62%</u>		<u>64%</u>	<u>62%</u>		<u>64%</u>	<u>70%</u>		<u>71%</u>
Non-advertising revenues	\$ 10,609	\$ -	\$ 10,609	\$ 7,473	\$ -	\$ 7,473	\$ 11,244	\$ -	\$ 11,244
Less: Cost of non-advertising revenues	4,708	(19) (a)	4,689	3,578	(20) (a)	3,558	5,609	(23) (a)	5,586
Non-advertising gross profit	<u>\$ 5,901</u>	<u>\$ 19</u>	<u>\$ 5,920</u>	<u>\$ 3,895</u>	<u>\$ 20</u>	<u>\$ 3,915</u>	<u>\$ 5,635</u>	<u>\$ 23</u>	<u>\$ 5,658</u>
Non-advertising gross margin	<u>56%</u>		<u>56%</u>	<u>52%</u>		<u>52%</u>	<u>50%</u>		<u>50%</u>
Total revenues	\$ 38,988	\$ -	\$ 38,988	\$ 33,086	\$ -	\$ 33,086	\$ 34,074	\$ -	\$ 34,074
Less: Total cost of revenues	15,378	(456) (a)	14,922	13,300	(451) (a)	12,849	12,466	(309) (a)	12,157
Gross profit	<u>\$ 23,610</u>	<u>\$ 456</u>	<u>\$ 24,066</u>	<u>\$ 19,786</u>	<u>\$ 451</u>	<u>\$ 20,237</u>	<u>\$ 21,608</u>	<u>\$ 309</u>	<u>\$ 21,917</u>
Gross margin	<u>61%</u>		<u>62%</u>	<u>60%</u>		<u>61%</u>	<u>63%</u>		<u>64%</u>
Operating expenses	\$ 18,675	\$ (1,940) (a)	\$ 16,735	\$ 15,706	\$ (2,033) (a)	\$ 13,673	\$ 15,039	\$ (962) (a)	\$ 14,077
Net income	<u>\$ 5,707</u>	<u>\$ 2,396</u>	<u>\$ 8,103</u>	<u>\$ 4,466</u>	<u>\$ 2,484</u>	<u>\$ 6,950</u>	<u>\$ 7,172</u>	<u>\$ 1,271</u>	<u>\$ 8,443</u>
Diluted net income per share	<u>\$ 0.15</u>		<u>\$ 0.21</u>	<u>\$ 0.12</u>		<u>\$ 0.18</u>	<u>\$ 0.19</u>		<u>\$ 0.22</u>
Shares used in computing diluted net income per share	<u>39,130</u>		<u>39,675</u>	<u>38,986</u>		<u>39,582</u>	<u>39,474</u>		<u>39,780</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>Six Months Ended Jun. 30, 2007</u>			<u>Six Months Ended Jun. 30, 2006</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>
Advertising revenues	\$ 53,992	\$ -	\$ 53,992	\$ 42,955	\$ -	\$ 42,955
Less: Cost of advertising revenues	<u>20,392</u>	<u>(868) (a)</u>	<u>19,524</u>	<u>12,280</u>	<u>(647) (a)</u>	<u>11,633</u>
Advertising gross profit	<u>\$ 33,600</u>	<u>\$ 868</u>	<u>\$ 34,468</u>	<u>\$ 30,675</u>	<u>\$ 647</u>	<u>\$ 31,322</u>
Advertising gross margin	<u>62%</u>		<u>64%</u>	<u>71%</u>		<u>73%</u>
Non-advertising revenues	\$ 18,082	\$ -	\$ 18,082	\$ 21,533	\$ -	\$ 21,533
Less: Cost of non-advertising revenues	<u>8,286</u>	<u>(39) (a)</u>	<u>8,247</u>	<u>10,536</u>	<u>(47) (a)</u>	<u>10,489</u>
Non-advertising gross profit	<u>\$ 9,796</u>	<u>\$ 39</u>	<u>\$ 9,835</u>	<u>\$ 10,997</u>	<u>\$ 47</u>	<u>\$ 11,044</u>
Non-advertising gross margin	<u>54%</u>		<u>54%</u>	<u>51%</u>		<u>51%</u>
Total revenues	\$ 72,074	\$ -	\$ 72,074	\$ 64,488	\$ -	\$ 64,488
Less: Total cost of revenues	<u>28,678</u>	<u>(907) (a)</u>	<u>27,771</u>	<u>22,816</u>	<u>(694) (a)</u>	<u>22,122</u>
Gross profit	<u>\$ 43,396</u>	<u>\$ 907</u>	<u>\$ 44,303</u>	<u>\$ 41,672</u>	<u>\$ 694</u>	<u>\$ 42,366</u>
Gross margin	<u>60%</u>		<u>61%</u>	<u>65%</u>		<u>66%</u>
Operating expenses	<u>\$ 34,381</u>	<u>\$ (3,973) (a)</u>	<u>\$ 30,408</u>	<u>\$ 28,918</u>	<u>\$ (2,308) (a)</u>	<u>\$ 26,610</u>
Net income	<u>\$ 10,173</u>	<u>\$ 4,880</u>	<u>\$ 15,053</u>	<u>\$ 13,210</u>	<u>\$ 3,002</u>	<u>\$ 16,212</u>
Diluted net income per share	<u>\$ 0.27</u>		<u>\$ 0.39</u>	<u>\$ 0.34</u>		<u>\$ 0.42</u>
Shares used in computing diluted net income per share	<u>39,059</u>		<u>39,629</u>	<u>39,430</u>		<u>39,583</u>

Note:

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