

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

	Three Months Ended			Twelve Months Ended	
	Dec. 31, 2007	Sep. 30, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006 (Audited)
Revenues:					
Advertising					
Brand advertising	\$ 32,166	\$ 29,781	\$ 21,990	\$ 112,106	\$ 78,993
Sponsored search	1,532	1,745	2,937	7,110	12,765
Subtotal of advertising revenues	<u>33,698</u>	<u>31,526</u>	<u>24,927</u>	<u>119,216</u>	<u>91,758</u>
Non-advertising					
Online game	23,961	12,693	2,104	42,096	8,525
Wireless	7,341	6,832	6,750	26,337	32,592
Others	342	467	569	1,285	1,361
Subtotal of non-advertising revenues	<u>31,644</u>	<u>19,992</u>	<u>9,423</u>	<u>69,718</u>	<u>42,478</u>
Total revenues	<u>65,342</u>	<u>51,518</u>	<u>34,350</u>	<u>188,934</u>	<u>134,236</u>
Cost of revenues:					
Advertising					
Brand advertising (includes share-based compensation expense under SFAS 123(R) of \$363, \$382, \$388, \$1,572 and \$1,394, respectively)	11,049	10,253	7,089	38,733	23,211
Sponsored search (includes share-based compensation expense under SFAS 123(R) of \$6, \$9, \$20, \$56 and \$88, respectively)	1,353	1,330	1,686	5,644	5,246
Subtotal of advertising cost of revenues	<u>12,402</u>	<u>11,583</u>	<u>8,775</u>	<u>44,377</u>	<u>28,457</u>
Non-advertising					
Online game (includes stock-based compensation expense under SFAS 123 (R) of \$4, \$3, \$17, \$38 and \$73, respectively)	2,765	2,078	854	7,113	3,895
Wireless	3,238	3,311	3,061	12,334	15,441
Others (includes share-based compensation expense under SFAS 123(R) of \$2, \$2, \$4, \$12 and \$19, respectively)	530	178	145	939	570
Subtotal of non-advertising cost of revenues	<u>6,533</u>	<u>5,567</u>	<u>4,060</u>	<u>20,386</u>	<u>19,906</u>
Total cost of revenues	<u>18,935</u>	<u>17,150</u>	<u>12,835</u>	<u>64,763</u>	<u>48,363</u>
Gross profit	46,407	34,368	21,515	124,171	85,873
Operating expenses:					
Product development (includes share-based compensation expense under SFAS 123(R) of \$612, \$672, \$555, \$2,805, and \$1,856, respectively)	8,395	6,875	4,692	25,443	17,651
Sales and marketing (includes share-based compensation expense under SFAS 123(R) of \$319, \$337, \$442, \$1,541 and \$1,633, respectively)	17,186	13,573	7,889	47,506	28,532
General and administrative (includes share-based compensation expense under SFAS 123(R) of \$579, \$616, \$576, \$2,762 and \$1,876, respectively)	5,746	4,900	2,723	17,418	13,092
Amortization of intangibles	202	202	466	1,093	1,993
Total operating expenses	<u>31,529</u>	<u>25,550</u>	<u>15,770</u>	<u>91,460</u>	<u>61,268</u>
Operating profit	14,878	8,818	5,745	32,711	24,605
Other income (expense)	552	575	(88)	887	477
Interest income and exchange difference	359	608	949	2,793	3,216
Income before income tax expense	15,789	10,001	6,606	36,391	28,298
Income tax expense	(720)	(322)	(482)	(1,487)	(1,579)
Income from continuing operations	15,069	9,679	6,124	34,904	26,719
Minority interests	5	12	7	47	7
Net income from continuing operations	15,074	9,691	6,131	34,951	26,726
Loss from discontinued E-commerce operations	(2)	(5)	(57)	(20)	(841)
Net Income	<u>\$ 15,072</u>	<u>\$ 9,686</u>	<u>\$ 6,074</u>	<u>\$ 34,931</u>	<u>\$ 25,885</u>
Basic net income per share	<u>\$ 0.40</u>	<u>\$ 0.26</u>	<u>\$ 0.17</u>	<u>\$ 0.94</u>	<u>\$ 0.70</u>
Shares used in computing basic net income per share	<u>37,589</u>	<u>37,307</u>	<u>36,574</u>	<u>37,133</u>	<u>36,730</u>
Diluted net income per share	<u>\$ 0.39</u>	<u>\$ 0.25</u>	<u>\$ 0.16</u>	<u>\$ 0.90</u>	<u>\$ 0.68</u>
Shares used in computing diluted net income per share	<u>39,034</u>	<u>38,516</u>	<u>38,780</u>	<u>38,919</u>	<u>39,105</u>

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

	As of Dec. 31, 2007	As of Dec. 31, 2006
	(Unaudited)	(Audited)
ASSETS		
Cash, cash equivalents and investments in marketable debt securities	\$ 122,706	\$ 129,698
Accounts receivable, net	27,058	23,825
Prepaid and other current assets	7,551	5,961
Fixed assets, net	65,027	21,453
Goodwill	55,542	54,986
Intangible assets, net	7,041	8,360
Restricted cash	4,324	4,774
Other assets, net	1,268	4,534
	\$ 290,517	\$ 253,591
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$ 71,607	\$ 37,795
Zero coupon convertible senior notes	6	59,780
Total liabilities	71,613	97,575
Minority interests	7	53
Shareholders' equity	218,897	155,963
	\$ 290,517	\$ 253,591

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, 2007			Three Months Ended Sep. 30, 2007			Three Months Ended Dec. 31, 2006		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Advertising revenues	\$ 33,698	\$	\$ 33,698	\$ 31,526	\$ -	\$ 31,526	\$ 24,927	\$	\$ 24,927
Less: Cost of advertising revenues	12,402	(369) (a)	12,033	11,583	(391) (a)	11,192	8,775	(408) (a)	8,367
Advertising gross profit	\$ 21,296	\$ 369	\$ 21,665	\$ 19,943	\$ 391	\$ 20,334	\$ 16,152	\$ 408	\$ 16,560
Advertising gross margin	63%		64%	63%		64%	65%		66%
Non-advertising revenues	\$ 31,644	\$	\$ 31,644	\$ 19,992	\$ -	\$ 19,992	\$ 9,423	\$	\$ 9,423
Less: Cost of non-advertising revenues	6,533	(6) (a)	6,527	5,567	(5) (a)	5,562	4,060	(21) (a)	4,039
Non-advertising gross profit	\$ 25,111	\$ 6	\$ 25,117	\$ 14,425	\$ 5	\$ 14,430	\$ 5,363	\$ 21	\$ 5,384
Non-advertising gross margin	79%		79%	72%		72%	57%		57%
Total revenues	\$ 65,342	\$	\$ 65,342	\$ 51,518	\$ -	\$ 51,518	\$ 34,350	\$	\$ 34,350
Less: Total cost of revenues	18,935	(375) (a)	18,560	17,150	(396) (a)	16,754	12,835	(429) (a)	12,406
Gross profit	\$ 46,407	\$ 375	\$ 46,782	\$ 34,368	\$ 396	\$ 34,764	\$ 21,515	\$ 429	\$ 21,944
Gross margin	71%		72%	67%		67%	63%		64%
Operating expenses	\$ 31,529	(1,510) (a)	\$ 30,019	\$ 25,550	(1,625) (a)	\$ 23,925	\$ 15,770	(1,573) (a)	\$ 14,197
Net income	\$ 15,072	\$ 1,885	\$ 16,957	\$ 9,686	\$ 2,021	\$ 11,707	\$ 6,074	\$ 2,002	\$ 8,076
Diluted net income per share	\$ 0.39		\$ 0.43	\$ 0.25		\$ 0.30	\$ 0.16		\$ 0.21
Shares used in computing diluted net income per share	39,034		39,237	38,516		38,882	38,780		39,339

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>Twelve Months Ended Dec. 31, 2007</u>			<u>Twelve Months Ended Dec. 31, 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	\$ 119,216	\$ -	\$ 119,216	\$ 91,758	\$ -	\$ 91,758
Less: Cost of advertising revenues	44,377	(1,628) (a)	42,749	28,457	(1,482) (a)	26,975
Advertising gross profit	<u>\$ 74,839</u>	<u>\$ 1,628</u>	<u>\$ 76,467</u>	<u>\$ 63,301</u>	<u>\$ 1,482</u>	<u>\$ 64,783</u>
Advertising gross margin	<u>63%</u>		<u>64%</u>	<u>69%</u>		<u>71%</u>
Non-advertising revenues	\$ 69,718	\$ -	\$ 69,718	\$ 42,478	\$ -	\$ 42,478
Less: Cost of non-advertising revenues	20,386	(50) (a)	20,336	19,906	(92) (a)	19,814
Non-advertising gross profit	<u>\$ 49,332</u>	<u>\$ 50</u>	<u>\$ 49,382</u>	<u>\$ 22,572</u>	<u>\$ 92</u>	<u>\$ 22,664</u>
Non-advertising gross margin	<u>71%</u>		<u>71%</u>	<u>53%</u>		<u>53%</u>
Total revenues	\$ 188,934	\$ -	\$ 188,934	\$ 134,236	\$ -	\$ 134,236
Less: Total cost of revenues	64,763	(1,678) (a)	63,085	48,363	(1,574) (a)	46,789
Gross profit	<u>\$ 124,171</u>	<u>\$ 1,678</u>	<u>\$ 125,849</u>	<u>\$ 85,873</u>	<u>\$ 1,574</u>	<u>\$ 87,447</u>
Gross margin	<u>66%</u>		<u>67%</u>	<u>64%</u>		<u>65%</u>
Operating expenses	<u>\$ 91,460</u>	<u>\$ (7,108) (a)</u>	<u>\$ 84,352</u>	<u>\$ 61,268</u>	<u>\$ (5,365) (a)</u>	<u>\$ 55,903</u>
Net income	<u>\$ 34,931</u>	<u>\$ 8,786</u>	<u>\$ 43,717</u>	<u>\$ 25,885</u>	<u>\$ 6,939</u>	<u>\$ 32,824</u>
Diluted net income per share	<u>\$ 0.90</u>		<u>\$ 1.12</u>	<u>\$ 0.68</u>		<u>\$ 0.85</u>
Shares used in computing diluted net income per share	<u>38,919</u>		<u>39,347</u>	<u>39,105</u>		<u>39,467</u>

Note:

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