

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

	Three Months Ended		
	Mar. 31, 2008	Dec. 31, 2007	Mar. 31, 2007
Revenues:			
Advertising			
Brand advertising	\$ 33,155	\$ 32,166	\$ 23,527
Sponsored search	1,614	1,532	2,086
Subtotal of advertising revenues	<u>34,769</u>	<u>33,698</u>	<u>25,613</u>
Non-advertising			
Online game	40,955	23,961	1,617
Wireless	8,593	7,341	5,576
Others	506	342	280
Subtotal of non-advertising revenues	<u>50,054</u>	<u>31,644</u>	<u>7,473</u>
Total revenues	<u>84,823</u>	<u>65,342</u>	<u>33,086</u>
Cost of revenues:			
Advertising			
Brand advertising (includes share-based compensation expense under SFAS 123(R) of \$309, \$363 and \$412, respectively)	11,252	11,049	8,144
Sponsored search (includes share-based compensation expense under SFAS 123(R) of \$6, \$6 and \$19, respectively)	1,520	1,353	1,578
Subtotal of advertising cost of revenues	<u>12,772</u>	<u>12,402</u>	<u>9,722</u>
Non-advertising			
Online game (includes stock-based compensation expense under SFAS 123 (R) of \$5, \$4 and \$16, respectively)	3,208	2,765	869
Wireless	3,931	3,238	2,610
Others (includes share-based compensation expense under SFAS 123(R) of \$2, \$2 and \$4, respectively)	381	530	99
Subtotal of non-advertising cost of revenues	<u>7,520</u>	<u>6,533</u>	<u>3,578</u>
Total cost of revenues	<u>20,292</u>	<u>18,935</u>	<u>13,300</u>
Gross profit	64,531	46,407	19,786
Operating expenses:			
Product development (includes share-based compensation expense under SFAS 123(R) of \$2,263, \$612 and \$780, respectively)	11,479	8,395	4,679
Sales and marketing (includes share-based compensation expense under SFAS 123(R) of \$280, \$319 and \$447, respectively)	16,140	17,186	7,290
General and administrative (includes share-based compensation expense under SFAS 123(R) of \$645, \$579 and \$806, respectively)	6,185	5,746	3,358
Amortization of intangibles	196	202	379
Total operating expenses	<u>34,000</u>	<u>31,529</u>	<u>15,706</u>
Operating profit	30,531	14,878	4,080
Other income (expense)	43	552	(120)
Interest income and exchange difference	166	359	769
Income before income tax expense	30,740	15,789	4,729
Income tax expense	(9,185)	(720)	(282)
Income from continuing operations	<u>21,555</u>	<u>15,069</u>	<u>4,447</u>
Minority Interests	8	5	12
Net income from continuing operations	<u>21,563</u>	<u>15,074</u>	<u>4,459</u>
(Loss) gain from discontinued E-commerce operations	(1)	(2)	7
Net income	<u>\$ 21,562</u>	<u>\$ 15,072</u>	<u>\$ 4,466</u>
Basic net income per share	<u>\$ 0.57</u>	<u>\$ 0.40</u>	<u>\$ 0.12</u>
Shares used in computing basic net income per share	<u>37,759</u>	<u>37,589</u>	<u>36,722</u>
Diluted net income per share	<u>\$ 0.55</u>	<u>\$ 0.39</u>	<u>\$ 0.12</u>
Shares used in computing diluted net income per share	<u>39,037</u>	<u>39,034</u>	<u>38,986</u>

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

	<u>As of Mar. 31, 2008</u>	<u>As of Dec. 31, 2007</u>
		(Audited)
ASSETS		
Cash and cash equivalents	\$ 160,391	\$ 122,706
Accounts receivable, net	36,193	27,058
Prepaid and other current assets	10,012	7,551
Fixed assets, net	68,356	65,027
Goodwill	55,550	55,542
Intangible assets, net	6,575	7,041
Restricted cash	3,260	4,324
Other assets, net	2,986	1,268
	<u>\$ 343,323</u>	<u>\$ 290,517</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$ 92,610	\$ 71,607
Zero coupon convertible senior notes	<u>6</u>	<u>6</u>
Total liabilities	92,616	71,613
 Minority interests	 2,207	 7
 Shareholders' equity	 <u>248,500</u>	 <u>218,897</u>
	<u>\$ 343,323</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 Mar. 31, 2008</u>			<u>Three Months Ended Dec. 31, 2007</u>			<u>Three Months Ended Mar. 31, 2007</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	\$ 34,769	\$ -	\$ 34,769	\$ 33,698	\$ -	\$ 33,698	\$ 25,613	\$ -	\$ 25,613
Less: Cost of advertising revenues	12,772	(315) (a)	12,457	12,402	(369) (a)	12,033	9,722	(431) (a)	9,291
Advertising gross profit	\$ 21,997	\$ 315	\$ 22,312	\$ 21,296	\$ 369	\$ 21,665	\$ 15,891	\$ 431	\$ 16,322
Advertising gross margin	<u>63%</u>		<u>64%</u>	<u>63%</u>		<u>64%</u>	<u>62%</u>		<u>64%</u>
Non-advertising revenues	\$ 50,054	\$ -	\$ 50,054	\$ 31,644	\$ -	\$ 31,644	\$ 7,473	\$ -	\$ 7,473
Less: Cost of non-advertising revenues	7,520	(7) (a)	7,513	6,533	(6) (a)	6,527	3,578	(20) (a)	3,558
Non-advertising gross profit	\$ 42,534	\$ 7	\$ 42,541	\$ 25,111	\$ 6	\$ 25,117	\$ 3,895	\$ 20	\$ 3,915
Non-advertising gross margin	<u>85%</u>		<u>85%</u>	<u>79%</u>		<u>79%</u>	<u>52%</u>		<u>52%</u>
Total revenues	\$ 84,823	\$ -	\$ 84,823	\$ 65,342	\$ -	\$ 65,342	\$ 33,086	\$ -	\$ 33,086
Less: Total cost of revenues	20,292	(322) (a)	19,970	18,935	(375) (a)	18,560	13,300	(451) (a)	12,849
Gross profit	\$ 64,531	\$ 322	\$ 64,853	\$ 46,407	\$ 375	\$ 46,782	\$ 19,786	\$ 451	\$ 20,237
Gross margin	<u>76%</u>		<u>76%</u>	<u>71%</u>		<u>72%</u>	<u>60%</u>		<u>61%</u>
Operating expenses	\$ 34,000	\$ (3,188) (a)	\$ 30,812	\$ 31,529	\$ (1,510) (a)	\$ 30,019	\$ 15,706	\$ (2,033) (a)	\$ 13,673
Net income	\$ 21,562	\$ 3,510	\$ 25,072	\$ 15,072	\$ 1,885	\$ 16,957	\$ 4,466	\$ 2,484	\$ 6,950
Diluted net income per share	\$ 0.55		\$ 0.64	\$ 0.39		\$ 0.43	\$ 0.12		\$ 0.18
Shares used in computing diluted net income per share	<u>39,037</u>		<u>39,220</u>	<u>39,034</u>		<u>39,237</u>	<u>38,986</u>		<u>39,582</u>

Note:

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