

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

	Three Months Ended			Nine Months Ended	
	Sep. 30, 2007	Jun. 30, 2007	Sep. 30, 2006	Sep. 30, 2007	Sep. 30, 2006
Revenues:					
Advertising					
Brand advertising	\$ 29,781	\$ 26,632	\$ 21,024	\$ 79,940	\$ 57,003
Sponsored search	1,745	1,747	2,852	5,578	9,828
Subtotal of advertising revenues	<u>31,526</u>	<u>28,379</u>	<u>23,876</u>	<u>85,518</u>	<u>66,831</u>
Non-advertising					
Online game	12,693	3,825	2,214	18,135	6,421
Wireless	6,832	6,588	8,839	18,996	25,842
Others	467	196	469	943	792
Subtotal of non-advertising revenues	<u>19,992</u>	<u>10,609</u>	<u>11,522</u>	<u>38,074</u>	<u>33,055</u>
Total revenues	<u>51,518</u>	<u>38,988</u>	<u>35,398</u>	<u>123,592</u>	<u>99,886</u>
Cost of revenues:					
Advertising					
Brand advertising (includes share-based compensation expense under SFAS 123(R) of \$382, \$415, \$403, \$1,209 and \$1,006, respectively)	10,253	9,287	6,181	27,684	16,122
Sponsored search (includes share-based compensation expense under SFAS 123(R) of \$9, \$22, \$24, \$50 and \$68, respectively)	1,330	1,383	1,221	4,291	3,560
Subtotal of advertising cost of revenues	<u>11,583</u>	<u>10,670</u>	<u>7,402</u>	<u>31,975</u>	<u>19,682</u>
Non-advertising					
Online game (includes stock-based compensation expense under SFAS 123 (R) of \$3, \$15, \$19, \$34 and \$56, respectively)	2,078	1,401	1,006	4,348	3,041
Wireless	3,311	3,175	4,104	9,096	12,380
Others (includes share-based compensation expense under SFAS 123(R) of \$2, \$4, \$5, \$10 and \$15, respectively)	178	132	200	409	425
Subtotal of non-advertising cost of revenues	<u>5,567</u>	<u>4,708</u>	<u>5,310</u>	<u>13,853</u>	<u>15,846</u>
Total cost of revenues	<u>17,150</u>	<u>15,378</u>	<u>12,712</u>	<u>45,828</u>	<u>35,528</u>
Gross profit	34,368	23,610	22,686	77,764	64,358
Operating expenses:					
Product development (includes share-based compensation expense under SFAS 123(R) of \$672, \$741, \$476, \$2,193 and \$1,301, respectively)	6,875	5,494	4,741	17,048	12,959
Sales and marketing (includes share-based compensation expense under SFAS 123(R) of \$337, \$438, \$445, \$1,222 and \$1,191, respectively)	13,573	9,457	7,236	30,320	20,643
General and administrative (includes share-based compensation expense under SFAS 123(R) of \$616, \$761, \$563, \$2,183 and \$1,300, respectively)	4,900	3,414	4,094	11,672	10,369
Amortization of intangibles	202	310	509	891	1,527
Total operating expenses	<u>25,550</u>	<u>18,675</u>	<u>16,580</u>	<u>59,931</u>	<u>45,498</u>
Operating profit	8,818	4,935	6,106	17,833	18,860
Other income (expense)	575	(120)	(78)	335	565
Interest income	608	1,057	951	2,434	2,267
Income before income tax expense	10,001	5,872	6,979	20,602	21,692
Income tax expense	(322)	(163)	(351)	(767)	(1,097)
Income from continuing operations	<u>9,679</u>	<u>5,709</u>	<u>6,628</u>	<u>19,835</u>	<u>20,595</u>
Minority interests	12	18	-	42	-
Net income from continuing operations	<u>9,691</u>	<u>5,727</u>	<u>6,628</u>	<u>19,877</u>	<u>20,595</u>
Loss from discontinued E-commerce operations	(5)	(20)	(27)	(18)	(784)
Net Income	<u>\$ 9,686</u>	<u>\$ 5,707</u>	<u>\$ 6,601</u>	<u>\$ 19,859</u>	<u>\$ 19,811</u>
Basic net income per share	<u>\$ 0.26</u>	<u>\$ 0.15</u>	<u>\$ 0.18</u>	<u>\$ 0.54</u>	<u>\$ 0.54</u>
Shares used in computing basic net income per share	<u>37,307</u>	<u>36,903</u>	<u>36,640</u>	<u>36,979</u>	<u>36,783</u>
Diluted net income per share	<u>\$ 0.25</u>	<u>\$ 0.15</u>	<u>\$ 0.17</u>	<u>\$ 0.52</u>	<u>\$ 0.52</u>
Shares used in computing diluted net income per share	<u>38,516</u>	<u>39,130</u>	<u>38,787</u>	<u>38,879</u>	<u>39,214</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 Sep. 30, 2007			Three Months Ended Jun. 30, 2007			Three Months Ended Sep. 30, 2006		
	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP	GAAP	Non-GAAP Adjustments	Non-GAAP
Advertising revenues	\$ 31,526	\$ -	\$ 31,526	\$ 28,379	\$ -	\$ 28,379	\$ 23,876	\$ -	\$ 23,876
Less: Cost of advertising revenues	11,583	(391) (a)	11,192	10,670	(437) (a)	10,233	7,402	(427) (a)	6,975
Advertising gross profit	<u>\$ 19,943</u>	<u>\$ 391</u>	<u>\$ 20,334</u>	<u>\$ 17,709</u>	<u>\$ 437</u>	<u>\$ 18,146</u>	<u>\$ 16,474</u>	<u>\$ 427</u>	<u>\$ 16,901</u>
Advertising gross margin	<u>63%</u>		<u>64%</u>	<u>62%</u>		<u>64%</u>	<u>69%</u>		<u>71%</u>
Non-advertising revenues	\$ 19,992	\$ -	\$ 19,992	\$ 10,609	\$ -	\$ 10,609	\$ 11,522	\$ -	\$ 11,522
Less: Cost of non-advertising revenues	5,567	(5) (a)	5,562	4,708	(19) (a)	4,689	5,310	(24) (a)	5,286
Non-advertising gross profit	<u>\$ 14,425</u>	<u>\$ 5</u>	<u>\$ 14,430</u>	<u>\$ 5,901</u>	<u>\$ 19</u>	<u>\$ 5,920</u>	<u>\$ 6,212</u>	<u>\$ 24</u>	<u>\$ 6,236</u>
Non-advertising gross margin	<u>72%</u>		<u>72%</u>	<u>56%</u>		<u>56%</u>	<u>54%</u>		<u>54%</u>
Total revenues	\$ 51,518	\$ -	\$ 51,518	\$ 38,988	\$ -	\$ 38,988	\$ 35,398	\$ -	\$ 35,398
Less: Total cost of revenues	17,150	(396) (a)	16,754	15,378	(456) (a)	14,922	12,712	(451) (a)	12,261
Gross profit	<u>\$ 34,368</u>	<u>\$ 396</u>	<u>\$ 34,764</u>	<u>\$ 23,610</u>	<u>\$ 456</u>	<u>\$ 24,066</u>	<u>\$ 22,686</u>	<u>\$ 451</u>	<u>\$ 23,137</u>
Gross margin	<u>67%</u>		<u>67%</u>	<u>61%</u>		<u>62%</u>	<u>64%</u>		<u>65%</u>
Operating expenses	\$ 25,550	\$ (1,625) (a)	\$ 23,925	\$ 18,675	\$ (1,940) (a)	\$ 16,735	\$ 16,580	\$ (1,484) (a)	\$ 15,096
Net income	<u>\$ 9,686</u>	<u>\$ 2,021</u>	<u>\$ 11,707</u>	<u>\$ 5,707</u>	<u>\$ 2,396</u>	<u>\$ 8,103</u>	<u>\$ 6,601</u>	<u>\$ 1,935</u>	<u>\$ 8,536</u>
Diluted net income per share	<u>\$ 0.25</u>		<u>\$ 0.30</u>	<u>\$ 0.15</u>		<u>\$ 0.21</u>	<u>\$ 0.17</u>		<u>\$ 0.22</u>
Shares used in computing diluted net income per share	<u>38,516</u>		<u>38,882</u>	<u>39,130</u>		<u>39,675</u>	<u>38,787</u>		<u>39,370</u>

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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, 2007</u>			<u>Nine Months Ended Sep. 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	\$ 85,518	\$ -	\$ 85,518	\$ 66,831	\$ -	\$ 66,831
Less: Cost of advertising revenues	31,975	(1,259) (a)	30,716	19,682	(1,074) (a)	18,608
Advertising gross profit	<u>\$ 53,543</u>	<u>\$ 1,259</u>	<u>\$ 54,802</u>	<u>\$ 47,149</u>	<u>\$ 1,074</u>	<u>\$ 48,223</u>
Advertising gross margin	<u>63%</u>		<u>64%</u>	<u>71%</u>		<u>72%</u>
Non-advertising revenues	\$ 38,074	\$ -	\$ 38,074	\$ 33,055	\$ -	\$ 33,055
Less: Cost of non-advertising revenues	13,853	(44) (a)	13,809	15,846	(71) (a)	15,775
Non-advertising gross profit	<u>\$ 24,221</u>	<u>\$ 44</u>	<u>\$ 24,265</u>	<u>\$ 17,209</u>	<u>\$ 71</u>	<u>\$ 17,280</u>
Non-advertising gross margin	<u>64%</u>		<u>64%</u>	<u>52%</u>		<u>52%</u>
Total revenues	\$ 123,592	\$ -	\$ 123,592	\$ 99,886	\$ -	\$ 99,886
Less: Total cost of revenues	45,828	(1,303) (a)	44,525	35,528	(1,145) (a)	34,383
Gross profit	<u>\$ 77,764</u>	<u>\$ 1,303</u>	<u>\$ 79,067</u>	<u>\$ 64,358</u>	<u>\$ 1,145</u>	<u>\$ 65,503</u>
Gross margin	<u>63%</u>		<u>64%</u>	<u>64%</u>		<u>66%</u>
Operating expenses	\$ 59,931	\$ (5,598) (a)	\$ 54,333	\$ 45,498	\$ (3,792) (a)	\$ 41,706
Net income	<u>\$ 19,859</u>	<u>\$ 6,901</u>	<u>\$ 26,760</u>	<u>\$ 19,811</u>	<u>\$ 4,937</u>	<u>\$ 24,748</u>
Diluted net income per share	<u>\$ 0.52</u>		<u>\$ 0.69</u>	<u>\$ 0.52</u>		<u>\$ 0.64</u>
Shares used in computing diluted net income per share	<u>38,879</u>		<u>39,381</u>	<u>39,214</u>		<u>39,511</u>

Note:

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