

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

	Three Months Ended			Six Months Ended	
	Jun. 30, 2006	Mar. 31, 2006	Jun. 30, 2005	Jun. 30, 2006	Jun. 30, 2005
Revenues:					
Advertising					
Brand advertising	\$ 19,304	\$ 16,675	\$ 13,859	\$ 35,979	\$ 25,983
Sponsored search	3,526	3,450	3,105	6,976	5,836
Subtotal of advertising revenues	<u>22,830</u>	<u>20,125</u>	<u>16,964</u>	<u>42,955</u>	<u>31,819</u>
Non-advertising					
Wireless	8,994	8,009	6,360	17,003	12,319
Others	2,250	2,280	1,714	4,530	3,360
Subtotal of non-advertising revenues	<u>11,244</u>	<u>10,289</u>	<u>8,074</u>	<u>21,533</u>	<u>15,679</u>
Total revenues	<u>34,074</u>	<u>30,414</u>	<u>25,038</u>	<u>64,488</u>	<u>47,498</u>
Cost of revenues:					
Advertising					
Brand advertising (includes share-based compensation expense under SFAS 123(R) of \$264, \$339, \$0, \$603 and \$0, respectively)	5,610	4,331	3,407	9,941	6,217
Sponsored search (includes share-based compensation expense under SFAS 123(R) of \$22, \$22, \$0, \$44 and \$0, respectively)	<u>1,247</u>	<u>1,092</u>	<u>699</u>	<u>2,339</u>	<u>1,180</u>
Subtotal of advertising cost of revenues	<u>6,857</u>	<u>5,423</u>	<u>4,106</u>	<u>12,280</u>	<u>7,397</u>
Non-advertising					
Wireless	4,464	3,812	2,871	8,276	5,193
Others (includes share-based compensation expense under SFAS 123(R) of \$5, \$5, \$0, \$10 and \$0, respectively)	<u>826</u>	<u>792</u>	<u>675</u>	<u>1,618</u>	<u>1,348</u>
Subtotal of non-advertising cost of revenues	<u>5,290</u>	<u>4,604</u>	<u>3,546</u>	<u>9,894</u>	<u>6,541</u>
Total cost of revenues	<u>12,147</u>	<u>10,027</u>	<u>7,652</u>	<u>22,174</u>	<u>13,938</u>
Gross profit	21,927	20,387	17,386	42,314	33,560
Operating expenses:					
Product development (includes share-based compensation expense under SFAS 123(R) of \$369, \$493, \$0, \$862 and \$0, respectively)	4,617	4,243	3,594	8,860	6,736
Sales and marketing (includes share-based compensation expense under SFAS 123(R) of \$298, \$448, \$0, \$746 and \$0, respectively)	7,033	6,374	4,012	13,407	8,439
General and administrative (includes share-based compensation expense under SFAS 123(R) of \$313, \$424, \$0, \$737 and \$0, respectively)	3,199	3,076	2,409	6,275	4,899
Amortization of intangibles	<u>509</u>	<u>509</u>	<u>474</u>	<u>1,018</u>	<u>930</u>
Total operating expenses	<u>15,358</u>	<u>14,202</u>	<u>10,489</u>	<u>29,560</u>	<u>21,004</u>
Operating profit	6,569	6,185	6,897	12,754	12,556
Other income/(expense)	711	(68)	(92)	643	(262)
Interest income	<u>787</u>	<u>529</u>	<u>555</u>	<u>1,316</u>	<u>1,128</u>
Income before income tax expense	8,067	6,646	7,360	14,713	13,422
Income tax expense	<u>(303)</u>	<u>(443)</u>	<u>(50)</u>	<u>(746)</u>	<u>(112)</u>
Income from continuing operations	<u>\$ 7,764</u>	<u>\$ 6,203</u>	<u>\$ 7,310</u>	<u>\$ 13,967</u>	<u>\$ 13,310</u>
Loss from discontinued E-commerce operations	<u>(592)</u>	<u>(165)</u>	<u>(210)</u>	<u>(757)</u>	<u>(496)</u>
Net Income	<u>7,172</u>	<u>6,038</u>	<u>7,100</u>	<u>13,210</u>	<u>12,814</u>
Basic net income per share	<u>\$ 0.19</u>	<u>\$ 0.16</u>	<u>\$ 0.20</u>	<u>\$ 0.36</u>	<u>\$ 0.36</u>
Shares used in computing basic net income per share	<u>36,943</u>	<u>36,768</u>	<u>36,015</u>	<u>36,856</u>	<u>36,093</u>
Diluted net income per share	<u>\$ 0.19</u>	<u>\$ 0.16</u>	<u>\$ 0.18</u>	<u>\$ 0.34</u>	<u>\$ 0.33</u>
Shares used in computing diluted net income per share	<u>39,474</u>	<u>39,384</u>	<u>39,596</u>	<u>39,430</u>	<u>39,764</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, 2006</u>			<u>Three Months Ended Mar. 31, 2006</u>			<u>Three Months Ended Jun. 30, 2005</u>		
	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted</u>
Revenues:									
Advertising									
Brand advertising	\$ 19,304	\$ -	\$ 19,304	\$ 16,675	\$ -	\$ 16,675	\$ 13,859	\$ -	\$ 13,859
Sponsored search	3,526	-	3,526	3,450	-	3,450	3,105	-	3,105
Subtotal of advertising revenues	22,830	-	22,830	20,125	-	20,125	16,964	-	16,964
Non-advertising									
Wireless	8,994	-	8,994	8,009	-	8,009	6,360	-	6,360
Other	2,250	-	2,250	2,280	-	2,280	1,714	-	1,714
Subtotal of non-advertising revenues	11,244	-	11,244	10,289	-	10,289	8,074	-	8,074
Total revenues	34,074	-	34,074	30,414	-	30,414	25,038	-	25,038
Cost of revenues:									
Advertising									
Brand advertising	5,610	(264) (a)	5,346	4,331	(339) (a)	3,992	3,407	-	3,407
Sponsored search	1,247	(22) (a)	1,225	1,092	(22) (a)	1,070	699	-	699
Subtotal of advertising cost of revenues	6,857	(286)	6,571	5,423	(361)	5,062	4,106	-	4,106
Non-advertising									
Wireless	4,464	-	4,464	3,812	-	3,812	2,871	-	2,871
Others	826	(5) (a)	821	792	(5) (a)	787	675	-	675
Subtotal of non-advertising cost of revenues	5,290	(5)	5,285	4,604	(5)	4,599	3,546	-	3,546
Total cost of revenues	12,147	(291)	11,856	10,027	(366)	9,661	7,652	-	7,652
Gross profit	21,927	291	22,218	20,387	366	20,753	17,386	-	17,386
Operating expenses:									
Product development	4,617	(369) (a)	4,248	4,243	(493) (a)	3,750	3,594	-	3,594
Sales and marketing	7,033	(298) (a)	6,735	6,374	(448) (a)	5,926	4,012	-	4,012
General and administrative	3,199	(313) (a)	2,886	3,076	(424) (a)	2,652	2,409	-	2,409
Amortization of intangibles	509	-	509	509	-	509	474	-	474
Total operating expenses	15,358	(980)	14,378	14,202	(1,365)	12,837	10,489	-	10,489
Operating profit	6,569	1,271	7,840	6,185	1,731	7,916	6,897	-	6,897
Other income/ (expense)	711	-	711	(68)	-	(68)	(92)	-	(92)
Interest income	787	-	787	529	-	529	555	-	555
Income before income tax expense	8,067	1,271	9,338	6,646	1,731	8,377	7,360	-	7,360
Income tax expense	(303)	-	(303)	(443)	-	(443)	(50)	-	(50)
Income from continuing operations	7,764	1,271	9,035	6,203	1,731	7,934	7,310	-	7,310
Loss from discontinued E-commerce operations	(592)	-	(592)	(165)	-	(165)	(210)	-	(210)
Net income	\$ 7,172	\$ 1,271	\$ 8,443	\$ 6,038	\$ 1,731	\$ 7,769	\$ 7,100	\$ -	\$ 7,100
Basic net income per share	\$ 0.19		\$ 0.23	\$ 0.16		\$ 0.21	\$ 0.20		\$ 0.20
Shares used in computing basic net income per share	36,943		36,943	36,768		36,768	36,015		36,015
Diluted net income per share	\$ 0.19		\$ 0.22	\$ 0.16		\$ 0.20	\$ 0.18		\$ 0.18
Shares used in computing diluted net income per share	39,474		39,780	39,384		39,384	39,596		39,596

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**(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)**

**NON-GAAP NET INCOME EXCLUDING SHARE-BASED COMPENSATION EXPENSE**

	<u>Six Months Ended Jun. 30, 2006</u>			<u>Six Months Ended Jun. 30, 2005</u>		
	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted</u>
<b>Revenues:</b>						
Advertising						
Brand advertising	\$ 35,979	\$ -	\$ 35,979	\$ 25,983	\$ -	\$ 25,983
Sponsored search	<u>6,976</u>	<u>-</u>	<u>6,976</u>	<u>5,836</u>	<u>-</u>	<u>5,836</u>
Subtotal of advertising revenues	<u>42,955</u>	<u>-</u>	<u>42,955</u>	<u>31,819</u>	<u>-</u>	<u>31,819</u>
Non-advertising						
Wireless	17,003	-	17,003	12,319	-	12,319
Other	<u>4,530</u>	<u>-</u>	<u>4,530</u>	<u>3,360</u>	<u>-</u>	<u>3,360</u>
Subtotal of non-advertising revenues	<u>21,533</u>	<u>-</u>	<u>21,533</u>	<u>15,679</u>	<u>-</u>	<u>15,679</u>
Total revenues	64,488	-	64,488	47,498	-	47,498
<b>Cost of revenues:</b>						
Advertising						
Brand advertising	9,941	(603) (a)	9,338	6,217	-	6,217
Sponsored search	<u>2,339</u>	<u>(44) (a)</u>	<u>2,295</u>	<u>1,180</u>	<u>-</u>	<u>1,180</u>
Subtotal of advertising cost of revenues	<u>12,280</u>	<u>(647)</u>	<u>11,633</u>	<u>7,397</u>	<u>-</u>	<u>7,397</u>
Non-advertising						
Wireless	8,276	-	8,276	5,193	-	5,193
Others	<u>1,618</u>	<u>(10) (a)</u>	<u>1,608</u>	<u>1,348</u>	<u>-</u>	<u>1,348</u>
Subtotal of non-advertising cost of revenues	<u>9,894</u>	<u>(10)</u>	<u>9,884</u>	<u>6,541</u>	<u>-</u>	<u>6,541</u>
Total cost of revenues	22,174	(657)	21,517	13,938	-	13,938
Gross profit	42,314	657	42,971	33,560	-	33,560
<b>Operating expenses:</b>						
Product development	8,860	(862) (a)	7,998	6,736	-	6,736
Sales and marketing	13,407	(746) (a)	12,661	8,439	-	8,439
General and administrative	6,275	(737) (a)	5,538	4,899	(2) (b)	4,897
Amortization of intangibles	<u>1,018</u>	<u>-</u>	<u>1,018</u>	<u>930</u>	<u>-</u>	<u>930</u>
Total operating expenses	<u>29,560</u>	<u>(2,345)</u>	<u>27,215</u>	<u>21,004</u>	<u>(2)</u>	<u>21,002</u>
Operating profit	12,754	3,002	15,756	12,556	2	12,558
Other income/ (expense)	643	-	643	(262)	-	(262)
Interest income	<u>1,316</u>	<u>-</u>	<u>1,316</u>	<u>1,128</u>	<u>-</u>	<u>1,128</u>
Income before income tax expense	14,713	3,002	17,715	13,422	2	13,424
Income tax expense	<u>(746)</u>	<u>-</u>	<u>(746)</u>	<u>(112)</u>	<u>-</u>	<u>(112)</u>
Income from continuing operations	13,967	3,002	16,969	13,310	2	13,312
Loss from discontinued E-commerce operations	<u>(757)</u>	<u>-</u>	<u>(757)</u>	<u>(496)</u>	<u>-</u>	<u>(496)</u>
Net income	<u>\$ 13,210</u>	<u>\$ 3,002</u>	<u>\$ 16,212</u>	<u>\$ 12,814</u>	<u>\$ 2</u>	<u>\$ 12,816</u>
Basic net income per share	<u>\$ 0.36</u>		<u>\$ 0.44</u>	<u>\$ 0.36</u>		<u>\$ 0.36</u>
Shares used in computing basic net income per share	<u>36,856</u>		<u>36,856</u>	<u>36,093</u>		<u>36,093</u>
Diluted net income per share	<u>\$ 0.34</u>		<u>\$ 0.42</u>	<u>\$ 0.33</u>		<u>\$ 0.33</u>
Shares used in computing diluted net income per share	<u>39,430</u>		<u>39,583</u>	<u>39,764</u>		<u>39,764</u>

**Note:**

- (a) To eliminate share-based compensation expense as measured using the fair value method under SFAS 123(R).  
(b) To eliminate share-based compensation expense as measured using the intrinsic value method under APB 25.