

SOHU.COM INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(In thousands)

	Six Months Ended June 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 116,776	\$ 86,786
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	11,987	10,010
Share-based compensation expense	9,684	12,981
Amortization and impairment of intangible assets	14,872	1,139
Provision for allowance for doubtful accounts	300	301
Excess tax benefits from share-based payment arrangements	(1,107)	(1,155)
Fair value change in debt securities	(1,751)	0
Others	881	73
Changes in assets and liabilities, net of acquisition:		
Accounts receivable	(10,345)	(14,857)
Prepaid and other current assets	5,066	(6,886)
Accounts payable	4,491	2,795
Taxes payable	(6,527)	(2,175)
Accrued liabilities	2,693	8,130
Receipts in advance and deferred revenue	4,979	638
Other short-term liabilities	4,079	2,756
Net cash provided by operating activities	<u>156,078</u>	<u>100,536</u>
Cash flows from investing activities:		
Purchase of fixed assets	(39,058)	(47,843)
Purchase of intangible and other assets	(21,923)	(4,394)
Purchase of short-term investments	(8,484)	0
Proceeds from maturities of short-term investments	10,340	0
Acquisitions, net of cash acquired	(69,175)	(13,321)
Other cash payments relating to investing activities	(2,787)	0
Net cash used in investing activities	<u>(131,087)</u>	<u>(65,558)</u>
Cash flows from financing activities:		
Issuance of common stock	1,444	376
Cash contribution received from the noncontrolling interest shareholders	159	0
Excess tax benefits from share-based payment arrangements	1,107	1,155
Other cash payments relating to financing activities	0	(3,001)
Net cash provided by (used in) financing activities	<u>2,710</u>	<u>(1,470)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>11,965</u>	<u>1,815</u>
Net increase in cash and cash equivalents	39,666	35,323
Cash and cash equivalents at beginning of period	<u>678,389</u>	<u>563,782</u>
Cash and cash equivalents at end of period	<u>\$ 718,055</u>	<u>\$ 599,105</u>
Supplemental schedule of non-cash investing activity:		
Consideration payable for business acquisitions	28,983	0

The accompanying notes are an integral part of these condensed consolidated financial statements.