

SOHU.COM INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2006	2005	2004
Cash flows from operating activities:			
Net income	\$ 25,885	\$ 29,781	\$ 35,637
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	5,969	4,865	3,962
Amortization of intangible assets and other assets	4,085	3,735	2,742
Provision for allowance for doubtful accounts	1,067	1,282	764
Share-based compensation expense due to the implementation of SFAS 123 (R)	6,939	-	-
Gains on early redemption of zero coupon convertible senior notes	(793)	(1,247)	-
Minority interests	(7)	-	-
Excess tax benefits from share-based payment arrangements	(431)	-	-
Others	57	357	85
Changes in current assets and liabilities:			
Accounts receivable	(5,756)	(261)	(7,631)
Accounts receivable from a related party	72	(159)	(199)
Prepaid and other current assets	(2,497)	(507)	(821)
Accounts payable	(425)	(708)	1,009
Payable to a related party	(81)	81	-
Accrued liabilities	2,681	(1,297)	10,604
Net cash provided by operating activities	<u>36,765</u>	<u>35,922</u>	<u>46,152</u>
Cash flows from investing activities:			
Proceeds from maturities of marketable debt securities	9,000	4,688	24,304
Investment in an associate	-	-	(995)
Purchase of fixed assets	(11,303)	(8,114)	(8,431)
Purchase of intangible assets and other assets	(359)	(2,413)	(1,290)
Increase of restricted cash	(3,750)	(991)	-
Acquisitions, net of cash acquired	(3,833)	(10,263)	(17,000)
Net cash used in investing activities	<u>(10,245)</u>	<u>(17,093)</u>	<u>(3,412)</u>
Cash flows from financing activities:			
Early redemption of zero coupon convertible senior notes	(14,062)	(13,762)	-
Repurchase of common stock	(15,000)	(13,847)	(23,836)
Issuance of common stock	4,830	3,301	4,371
Excess tax benefits from share-based payment arrangements	431	-	-
Net cash used in financing activities	<u>(23,801)</u>	<u>(24,308)</u>	<u>(19,465)</u>
Effect of exchange rate change on cash and cash equivalents	2,946	2,186	-
Net increase (decrease) in cash and cash equivalents	<u>5,665</u>	<u>(3,293)</u>	<u>23,275</u>
Cash and cash equivalents at beginning of year	119,091	122,384	99,109
Cash and cash equivalents at end of year	<u>\$ 124,756</u>	<u>\$ 119,091</u>	<u>\$ 122,384</u>
Non-cash financing activity:			
Issuance of common stock for acquisition	\$ -	\$ -	\$ 898