

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

	<b>Year Ended December 31,</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
Cash flows from operating activities:			
Net income	\$ 34,931	\$ 25,885	\$ 29,781
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	9,801	5,969	4,865
Amortization of intangible assets and other assets	3,082	4,085	3,735
Provision for allowance for doubtful accounts	1,719	1,067	1,282
Share-based compensation expense	8,786	6,939	-
Excess tax benefits from share-based payment arrangements	(247)	(431)	-
Gains on early redemption of zero coupon convertible senior notes	-	(793)	(1,247)
Minority interests	(47)	(7)	-
Others	44	57	357
Changes in current assets and liabilities:			
Accounts receivable	(1,977)	(5,756)	(261)
Accounts receivable from a related party	-	72	(159)
Prepaid and other current assets	(81)	(2,497)	(507)
Accounts payable	1,490	(425)	(708)
Payable to a related party	-	(81)	81
Income tax paid	(1,292)	(4)	(21)
Accrued liabilities to suppliers and agents	11,440	1,700	3,465
Receipts in advance and deferred revenue	7,949	315	406
Other accrued liabilities	15,827	670	(5,147)
Net cash provided by operating activities	91,425	36,765	35,922
Cash flows from investing activities:			
Proceeds from maturities of marketable debt securities	5,000	9,000	4,688
Proceeds from disposal of interest in an associate	1,731	-	-
Purchase of fixed assets	(53,588)	(11,303)	(8,114)
Purchase of intangible assets and other assets	(2,218)	(359)	(2,413)
Decrease (increase) of restricted cash	450	(3,750)	(991)
Acquisitions, net of cash acquired	(1,117)	(3,833)	(10,263)
Net cash used in investing activities	(49,742)	(10,245)	(17,093)
Cash flows from financing activities:			
Redemption of zero coupon convertible senior notes	(58,524)	(14,062)	(13,762)
Repurchase of common stock	-	(15,000)	(13,847)
Issuance of common stock	10,785	4,830	3,301
Excess tax benefits from share-based payment arrangements	247	431	-
Net cash used in financing activities	(47,492)	(23,801)	(24,308)
Effect of exchange rate change on cash and cash equivalents	3,759	2,946	2,186
Net (decrease) increase in cash and cash equivalents	(2,050)	5,665	(3,293)
Cash and cash equivalents at beginning of year	124,756	119,091	122,384
Cash and cash equivalents at end of year	<u>\$ 122,706</u>	<u>\$ 124,756</u>	<u>\$ 119,091</u>
Non-cash financing activities:			
Issuance of common stock in connection with conversion of zero coupon convertible senior notes	\$ 1,250	-	-