

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

	Nine Months Ended September 30,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 102,012	\$ 19,859
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	9,864	7,100
Amortization of intangible assets and other assets	2,593	2,322
Allowance for doubtful accounts	490	1,225
Share-based compensation expense	8,229	6,901
Excess tax benefits from share-based payment arrangements	(3,424)	(155)
Minority interests	(18)	(42)
Others	925	380
Changes in assets and liabilities:		
Accounts receivable	(16,952)	(10,845)
Prepaid and other current assets	(16,040)	(2,285)
Accounts payable	5,947	989
Accrued liabilities to suppliers and agents	11,690	5,327
Receipts in advance and deferred revenue	15,941	4,376
Tax payables	21,330	(1,990)
Other accrued liabilities	15,055	9,789
Net cash provided by operating activities	<u>157,642</u>	<u>42,951</u>
Cash flows from investing activities:		
Purchase of fixed assets	(23,638)	(47,185)
Purchase of intangible and other assets	(2,374)	(1,986)
Proceeds from disposal of interest in an associate	-	1,731
Decrease in restricted cash	1,651	493
Acquisitions, net of cash acquired	-	(1,117)
Net cash used in investing activities	<u>(24,361)</u>	<u>(48,064)</u>
Cash flows from financing activities:		
Redemption of zero coupon convertible senior notes	-	(58,524)
Issuance of common stock	12,489	8,451
Excess tax benefits from share-based payment arrangements	3,424	155
Cash contributions received from a minority shareholder	427	-
Net cash provided by (used in) financing activities	<u>16,340</u>	<u>(49,918)</u>
Effect of exchange rate change on cash and cash equivalents	7,025	2,177
Net increase (decrease) in cash and cash equivalents	<u>156,646</u>	<u>(52,854)</u>
Cash and cash equivalents at beginning of period	122,706	124,756
Cash and cash equivalents at end of period	<u>\$ 279,352</u>	<u>\$ 71,902</u>