

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

	Year Ended December 31,		
	2005	2004	2003
Cash flows from operating activities:			
Net income	\$ 29,781	\$ 35,637	\$ 26,357
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	4,865	3,962	3,958
Amortization of intangible assets and other assets	3,735	2,742	959
Provision for valuation allowance for long-term loans to related parties	-	-	209
Provision for allowance for doubtful accounts	1,282	764	42
Tax benefits from stock options	-	-	6,500
Gains on repurchase of zero coupon convertible senior notes	(1,247)	-	-
Others	357	85	417
Changes in current assets and liabilities:			
Accounts receivable	(261)	(7,631)	(11,956)
Accounts receivable from related parties	(159)	(199)	1,962
Prepaid and other current assets	(507)	(821)	(2,595)
Accounts payable	(708)	1,009	243
Payable to related parties	81	-	(1,455)
Accrued liabilities	(1,276)	10,711	17,255
Income taxes paid	(21)	(107)	-
Net cash provided by operating activities	<u>35,922</u>	<u>46,152</u>	<u>41,896</u>
Cash flows from investing activities:			
Investments in marketable debt securities	-	-	(18,726)
Proceeds from maturities of marketable debt securities	4,688	24,304	250
Investment in an associate	-	(995)	-
Purchase of fixed assets	(8,114)	(8,431)	(3,854)
Purchase of intangible assets and other assets	(2,413)	(1,290)	(1,472)
Increase of restricted cash	(991)	-	-
Acquisitions, net of cash acquired	(10,263)	(17,000)	(32,183)
Cash received from liquidation of a joint venture	-	-	2,331
Cash included in variable interest entities	-	-	2,763
Long-term loans to related parties	-	-	(121)
Net cash used in investing activities	<u>(17,093)</u>	<u>(3,412)</u>	<u>(51,012)</u>
Cash flows from financing activities:			
Repurchase of zero coupon convertible senior notes	(13,762)	-	-
Issuance of zero coupon convertible senior notes	-	-	87,750
Repurchase of common stock	(13,847)	(23,836)	-
Issuance of common stock	3,301	4,371	1,546
Net cash (used in) provided by financing activities	<u>(24,308)</u>	<u>(19,465)</u>	<u>89,296</u>
Effect of exchange rate change on cash and cash equivalents	2,186	-	-
Net (decrease) increase in cash and cash equivalents	<u>(3,293)</u>	<u>23,275</u>	<u>80,180</u>
Cash and cash equivalents at beginning of year	<u>122,384</u>	<u>99,109</u>	<u>18,929</u>
Cash and cash equivalents at end of year	<u>\$ 119,091</u>	<u>\$ 122,384</u>	<u>\$ 99,109</u>
Non-cash financing activity:			
Issuance of common stock for acquisition	<u>\$ -</u>	<u>\$ 898</u>	<u>\$ 2,302</u>