

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

	Six Months Ended June 30,	
	2006	2005
Cash flows from operating activities:		
Net income	\$ 13,210	\$ 12,814
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,664	2,395
Amortization of intangible assets and other assets	2,041	1,730
Provision for allowance for doubtful accounts	756	640
Share-based compensation expense due to the implementation of SFAS 123(R)	3,002	-
Gains on early redemption of zero coupon convertible senior notes	(793)	-
Others	208	51
Changes in assets and liabilities:		
Accounts receivable	(4,932)	(2,233)
Prepaid and other current assets	(58)	794
Accounts payable	(262)	(631)
Accrued liabilities	(181)	(4,033)
Net cash provided by operating activities	<u>15,655</u>	<u>11,527</u>
Cash flows from investing activities:		
Proceeds from maturities of marketable debt securities	-	3,149
Purchase of fixed assets	(3,711)	(5,501)
Purchase of other assets	(854)	(304)
Acquisitions, net of cash acquired	(306)	(10,182)
Net cash used in investing activities	<u>(4,871)</u>	<u>(12,838)</u>
Cash flows from financing activities:		
Repurchase of common stock	-	(13,847)
Early redemption of zero coupon convertible senior notes	(14,062)	-
Issuance of common stock	2,424	1,892
Net cash used in financing activities	<u>(11,638)</u>	<u>(11,955)</u>
Effect of exchange rate change on cash and cash equivalents	781	-
Net decrease in cash and cash equivalents	<u>(73)</u>	<u>(13,266)</u>
Cash and cash equivalents at beginning of period	<u>119,091</u>	<u>122,384</u>
Cash and cash equivalents at end of period	<u>\$ 119,018</u>	<u>\$ 109,118</u>