

SOHU.COM INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended December 31,		
	2012	2011	2010
Cash flows from operating activities:			
Net income	\$ 177,192	\$ 228,343	\$ 198,184
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	38,748	27,261	20,699
Share-based compensation expense	13,966	18,652	27,491
Amortization of intangible assets and purchased video content in prepaid expense	63,014	42,587	2,707
Goodwill impairment and impairment of intangibles via acquisition of businesses	2,906	27,511	0
Impairment of purchased video content	15,083	0	0
Impairment of other intangible assets	5,741	1,104	2,949
Provision for allowance for doubtful accounts	3,613	2,886	1,493
Excess tax benefits from share-based payment arrangements	(5,591)	(3,011)	(1,170)
Investment income from investments in debt securities	(5,479)	(3,586)	(741)
Others	(1,183)	(1,647)	2,536
Changes in assets and liabilities, net of acquisition:			
Accounts receivable	(14,761)	(11,847)	(11,018)
Prepaid and other current assets	2,807	(6,253)	(11,216)
Accounts payable	24,445	2,897	774
Taxes payable	5,804	(3,095)	8,800
Accrued liabilities	35,029	23,857	25,378
Receipts in advance and deferred revenue	14,051	22,500	10,371
Other short-term liabilities	27,202	2,294	7,187
Net cash provided by operating activities	<u>402,587</u>	<u>370,453</u>	<u>284,424</u>
Cash flows from investing activities:			
Purchase of fixed assets	(89,417)	(169,982)	(134,638)
Purchase of debt securities	0	0	(74,615)
Purchase of intangible and other assets	(65,130)	(63,101)	(6,370)
Cash paid relating to restricted time deposits	(244,849)	0	0
Purchase of /proceeds from short-term investments, net	(35,785)	637	0
Acquisitions, net of cash acquired	(683)	(71,129)	(9,332)
Loans granted	(4,170)	(2,360)	(4,859)
Loan repayments received	4,170	0	0
Other cash proceeds relating to investing activities	6,083	3,746	0
Other cash payments relating to investing activities	(2,814)	(3,592)	0
Net cash used in investing activities	<u>(432,595)</u>	<u>(305,781)</u>	<u>(229,814)</u>
Cash flows from financing activities:			
Issuance of common stock	790	1,559	2,128
Sohu's purchase of Sogou Series A Preferred Shares from Alibaba	(25,800)	0	0
Repurchase of common stock	(12,566)	(16,601)	0
Purchase of shares in subsidiary	0	(25,675)	0
Portion of Changyou dividend distribute to noncontrolling interest shareholders	(64,551)	0	0
Proceeds of bridge loans from offshore banks	239,353	0	0
Cash contribution received from the noncontrolling interest shareholders	0	947	48,719
Payment of contingent consideration	(13,806)	0	0
Excess tax benefits from share-based payment arrangements	5,591	3,011	1,170
Exercise of share-based awards in subsidiary	1,353	0	0
Other cash payments relating to financing activities	(1,647)	0	(3,000)
Net cash provided by / (used in) financing activities	<u>128,717</u>	<u>(36,759)</u>	<u>49,017</u>

Effect of exchange rate changes on cash and cash equivalents	2,219	26,305	10,980
Net increase in cash and cash equivalents	100,928	54,218	114,607
Cash and cash equivalents at beginning of year	<u>732,607</u>	<u>678,389</u>	<u>563,782</u>
Cash and cash equivalents at end of year	<u>\$ 833,535</u>	<u>\$ 732,607</u>	<u>\$ 678,389</u>

Supplemental cash flow disclosures:

Cash paid for income taxes	(67,444)	(44,746)	(34,450)
Barter transactions	846	886	0
Cash paid for interest expense	(1,992)	0	(39)
Supplemental schedule of non-cash investing activity:			
Consideration payable for business acquisitions	0	29,579	3,318
Government grant deposited in restricted cash account	2,378	0	0
Purchase of fixed assets with proceeds released from restricted cash	1,583	0	0
Supplemental schedule of non-cash financing activity:			
Accrued professional fees in relation to initial public offering of 7Road	1,037	0	0

The accompanying notes are an integral part of these consolidated financial statements.