

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

	<u>Year Ended December 31,</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Cash flows from operating activities:			
Net income /(loss)	\$ 166,949	\$ (171,219)	\$ 108,855
Adjustments to reconcile net income /(loss) to net cash provided by operating activities:			
Amortization of intangible assets and purchased video content in prepaid expense	75,741	130,044	159,945
Depreciation	54,948	78,417	77,421
Goodwill impairment and impairment of intangible assets acquired as part of business acquisitions	0	52,282	40,324
Share-based compensation expense	10,429	57,264	53,443
Impairment loss of other assets	3,624	1,687	17,837
Investment (income) /loss from investments in debt securities and equity investments	(5,564)	(1,370)	7,509
Provision /(Reversal) for allowance for doubtful accounts	(120)	(4)	2,175
Contribution from noncontrolling shareholders	4,218	0	0
Change in fair value of China Web put option	(2,160)	(2,304)	0
Gain from sale of the 7Road business and certain Changyou subsidiaries	0	0	(55,139)
Gain from sale of equity investments	0	0	(11,942)
Change in fair value of short-term investments	(2,452)	(1,611)	(1,331)
Others	1,164	(38)	968
Changes in assets and liabilities, net of acquisition:			
Accounts receivable	(49,432)	(74,428)	(61,917)
Prepaid and other assets	(51,172)	30,577	101
Accounts payable	38,333	(11,144)	2,208
Receipts in advance and deferred revenue	12,562	14,353	11,782
Taxes payable	17,171	(16,256)	29,573
Deferred tax	3,796	(20,629)	6,020
Accrued liabilities and other short-term liabilities	125,898	86,662	118,221
Net cash provided by operating activities	403,933	152,283	506,053
Cash flows from investing activities:			
Purchase of fixed assets	(113,842)	(90,896)	(101,076)
Purchase of intangible and other assets	(98,006)	(119,290)	(142,212)
Purchase of long-term investments	0	(26,135)	(39,547)
Funds to a third party	0	0	(20,033)
Matching loan to a related party	0	0	(13,086)
Proceeds received from sale of subsidiaries, net of cash disposed	0	0	184,354
Cash received /(paid) related to restricted time	(177,701)	5,763	40,372

deposits, net			
Proceeds received from sale of equity investment	0	0	15,938
Proceeds from /(purchase of) short-term investments, net	54,398	(186,508)	5,511
Acquisitions, net of cash acquired	(33,685)	(106,369)	0
Purchase of noncontrolling interest in 7Road	(76,010)	0	0
Proceeds received from debt securities at maturity	0	82,009	0
Other cash proceeds related to investing activities	3,217	2,952	12
Net cash used in investing activities	(441,629)	(438,474)	(69,767)
Cash flows from financing activities:			
Matching loan from a related party	0	0	12,900
Issuance of common stock	1,915	611	2,124
Exercise of share-based awards in subsidiary	1,794	425	7
Repayments of loans from offshore banks	0	(410,194)	(25,500)
Repurchase of Sogou Series A Preferred Shares from noncontrolling shareholders	0	(47,285)	(21,015)
Repurchase of Changyou American depositary shares (“ADSs”)	(17,240)	(3,577)	(14,506)
Issuance of Sogou Series B Preferred Shares and Class B Ordinary Shares	476,948	0	0
Repurchase of Sogou Class A Ordinary Shares from noncontrolling shareholders	0	(24,679)	0
Portion of Sogou special dividend distributed to holders of Series A Preferred Shares other than Sohu	(139,700)	0	0
Proceeds of loans from offshore banks	167,000	370,000	0
Payment of contingent consideration	(19,736)	(2,813)	0
Proceeds received from early exercise of share-based awards in subsidiary	5,278	0	0
Payment of transaction expenses for issuance of Sogou Series B Preferred Shares and Class B Ordinary Shares	(5,918)	0	0
Other cash proceeds /(payments) related to financing activities	0	(5,298)	2,874
Net cash provided by /(used in) financing activities	470,341	(122,810)	(43,116)
Effect of exchange rate changes on cash and cash equivalents	21,108	(1,947)	(24,305)
Net increase /(decrease) in cash and cash equivalents	453,753	(410,948)	368,865
Cash and cash equivalents at beginning of year	833,535	1,287,288	876,340
Cash and cash equivalents at end of year	<u>\$ 1,287,288</u>	<u>\$ 876,340</u>	<u>\$ 1,245,205</u>
Supplemental cash flow disclosures:			
Cash paid for income taxes	(50,188)	(5,262)	(43,988)
Cash paid for interest expense	(8,812)	(6,283)	(7,235)
Barter transactions	380	1,651	1,808
Supplemental schedule of non-cash investing activity:			
Consideration payable for acquisitions and equity	29,555	5,000	5,722

investment

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