

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT PURSUANT TO
SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): November 9, 2005

SOHU.COM INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

0-30961
(Commission File Number)

98-0204667
(I.R.S. Employer
Identification No.)

**Level 12, Vision International Center
No. 1 Unit Zhongguancun East Road, Haidian District
Beijing 100084
People's Republic of China
(011) 8610-6272-6666**

(Address, including zip code, of registrant's principal executive offices
and registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On November 9, 2005 (Beijing Time), the registrant announced its earnings results for the quarter ended September 30, 2005. A copy of the press release issued by the registrant regarding the foregoing is filed herewith as Exhibit 99.1 and is incorporated herein by reference.

In addition, on November 9, 2005 (Beijing Time), the registrant's management team hosted a conference call to discuss the earnings press release. A transcript of the call (excluding the question and answer portion of the call) is filed herewith as Exhibit 99.2 and is incorporated herein by reference.

Safe Harbor Statement

This current report on 8-K contains forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them.

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement.

Potential risks and uncertainties include, but are not limited to, our historical and possible future losses, limited operating history, uncertain regulatory landscape in the People's Republic of China, fluctuations in quarterly operating results, and the company's reliance on online advertising sales, wireless services (most wireless revenues are collected from a few mobile telecom operators), online games and e-commerce for its revenues. Further information regarding these and other risks is included in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, and in our other filings with the Securities and Exchange Commission.

Item 9.01. Financial Statements and Exhibits

(c) Exhibits.

99.1 Press Release dated November 9, 2005 (Beijing Time)

99.2 Transcript of earnings conference call (excluding question and answer portion)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DATED: November 14, 2005

SOHU.COM INC.

By: /s/ Carol Yu

Carol Yu
Chief Financial Officer

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 99.1 | Press Release dated November 9, 2005 (Beijing Time) |
| 99.2 | Transcript of earnings conference call (excluding question and answer portion) |

SOHU.COM REPORTS THIRD QUARTER 2005 UNAUDITED FINANCIAL RESULTS

*Third Quarter Revenues Reached US\$28.3 million and Net Income of US\$0.21 Per Fully Diluted Share;
Advertising Revenues Grew 11% Quarter-on-Quarter, Non-Advertising Revenues Up 6% Quarter-on-Quarter*

BEIJING, CHINA, November 9, 2005 – Sohu.com Inc. (NASDAQ: SOHU), China's leading online media, communications, search, mobile value-added services and e-commerce company, today reported unaudited financial results for the third quarter ended September 30, 2005.

Business Highlights For Third Quarter 2005

- Chosen as official Internet Content Sponsor for the Beijing 2008 Olympic Games
- Total revenues of US\$28.3 million, within high end of company guidance
- Advertising revenues of US\$18.8 million, a 21% year-on-year and 11% quarter-on-quarter improvement, exceeding company guidance
- Advertising revenues for the first nine months of 2005 increased 27% year-on-year
- Non-advertising revenues of US\$9.5 million, with wireless revenues showing steady improvement up 6% quarter-on-quarter
- Net profit of US\$8.0 million or US\$0.21 per fully diluted share, towards high end of company guidance
- Announced \$15 million stock repurchase program

"I would like to highlight one of the most significant events in our company's history. We are pleased to announce that Sohu has been chosen to be the Official Internet Content Sponsor for the Beijing 2008 Olympic Games. This will give Sohu exclusive cross-marketing and cross-selling opportunities with the other Fortune 1000 corporate partners and sponsors," commented Charles Zhang, Chairman and CEO of Sohu. "We are also delighted to report another strong quarter, with financial results coming in largely towards high end of company guidance and above. As we continue to see solid growth from our advertising revenues supplemented by the enormous opportunities from the sponsorship of the Beijing 2008 Olympic Games, we feel confident Sohu's future is on the right track."

Business Results

Revenues for third quarter ended September 30, 2005 totaled US\$28.3 million, compared to revenues of US\$25.9 million for second quarter ended June 30, 2005, and US\$25.9 million for third quarter ended September 30, 2004. Gross margin of 65% in third quarter of 2005 was down slightly from 67% in previous quarter and 68% in same period of 2004. Net income for third quarter of 2005 was US\$8.0 million or US\$0.21 per fully diluted share. This compares to net income of US\$7.1 million or US\$0.18 per fully diluted share for previous quarter and US\$8.3 million or US\$0.21 per fully diluted share for third quarter of 2004.

Sohu's advertising revenues for third quarter of 2005 totaled US\$18.8 million, a 21% year-on-year improvement and 11% increase quarter-on-quarter. Advertising revenues, consisting of US\$15.6 million in brand advertising and US\$3.2 million in sponsored search, accounted for 66% of total revenues in third quarter of 2005. Advertising gross margin was 74%, compared to 76% in previous quarter and 79% in third quarter of 2004.

For third quarter of 2005, Sohu's non-advertising revenues, which are derived from wireless value-added services, online games and e-commerce, decreased by 9% year-on-year but improved 6% quarter-on-quarter to US\$9.5 million, representing 34% of total revenues. The year-on-year decline was a result of reduction in wireless revenues of 17%. However, wireless revenues posted its third consecutive quarter of sequential growth, increasing 6% over second quarter, reflecting a continued recovery in Sohu's wireless business. Non-advertising gross margin was 47% compared to 51% in previous quarter and 52% in third quarter of 2004, primarily due to additional charges from a mobile operator.

For third quarter of 2005, Sohu's operating expenses totaled US\$11.4 million, increasing a 6% from previous quarter and 18% year-on-year. Operating profit margin of 25% was slightly down from 26% in previous quarter and down from 31% in third quarter last year. Year-on-year increase in operating expenses represents Sohu's continued investment in long-term growth opportunities, mainly in research and development.

As of September 30, 2005, Sohu's cash, cash equivalents and investments in marketable debt securities balance was US\$132.5 million.

"We are extremely pleased to see Sohu once again meet its operational and strategic objectives and continue to look for new and innovative ways to leverage the strong Sohu brand. We are now well-positioned to benefit from the large and rapidly growing advertising market in China and believe our non-advertising revenues are also on an upward growth trend," stated Carol Yu, Sohu's Chief Financial Officer.

Olympic Sponsorship Role

Sohu was recently chosen as official Internet Content Sponsor for the Beijing 2008 Olympic Games which means Sohu will provide exclusive services to construct, operate and host the official website, www.beijing2008.com, for this historic event. We believe our association with the Beijing 2008 Olympic Games will create new advertising opportunities and drive traffic to Sohu's family of websites including the increasingly popular search engine, Sogou.

"We believe the magnitude of what it means for Sohu to have won the sponsorship of the Beijing 2008 Olympic Games is enormous for the future of our online advertising business. This was a heavily sought after project in China and the environment in which we won was highly competitive and one that we view as a testament to the strength of the Sohu brand. As we move closer to the Beijing 2008 Olympic Games, we believe we will see an accelerated amount of opportunities to leverage the exclusivity of the sponsorship program and drive more advertising revenue through customers looking to capitalize on the event," concluded Mr. Zhang.

Management Promotion from Within

Sohu.com is pleased to announce promotion of Mr. Luming Chen to Vice-President, Olympic Project Division. Mr. Chen has been with the Company for four years in various business development and management functions. Prior to joining Sohu, Mr. Chen worked with Lycos Asia. Mr. Chen obtained his Master Degree of Business Administration from National University of Singapore.

Stock Repurchase Program

Sohu today announced its Board of Directors has approved a stock repurchase program in which the Company plans to purchase up to US\$15 million of its outstanding shares in the open market.

During the Company's previous stock repurchase program, the Company purchased a total of \$37.7 million, or roughly 6% of the shares outstanding, from May 2004 to February 2005. As of October 31, 2005, Sohu had approximately 36.6 million shares of common stock outstanding.

Business Outlook

Sohu estimates total revenues for fourth quarter 2005 to be between US\$28.0 million and US\$30.0 million, with advertising revenues of US\$19.0 million to US\$20.0 million and non-advertising revenues of US\$9.0 million to US\$10.0 million. Fourth quarter earnings per fully diluted share are expected to be between US\$0.19 and US\$0.22.

Notes to Financial Information

Financial information in this press release is extracted from Sohu's unaudited financial statements prepared in accordance with generally accepted accounting principles in the United States.

In previous periods, the Company had included all its website operating costs in cost of revenues of brand advertising. Beginning July 1, 2005, in order to improve the measurement of performance of each segment, the Company began allocating website operating cost to cost of revenues of each segment based on actual usage. Accordingly, the Company reclassified cost of revenues amongst each segment for previous periods presented to conform with current period classification.

Safe Harbor Statement

This announcement contains forward-looking statements. It is currently expected the Business Outlook will not be updated until release of Sohu's next quarterly earnings announcement; however, SOHU reserves right to update its Business Outlook at any time for any reason.

Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Potential risks and uncertainties include, but are not limited to, the uncertain regulatory landscape in the People's Republic of China, fluctuations in Sohu's quarterly operating results, Sohu's historical and possible future losses and limited operating history, and the company's reliance on online advertising sales, wireless services (most wireless revenues are collected from a few mobile telecom operators), online games and e-commerce for its revenues. Further information regarding these and other risks is included in Sohu's annual report on Form 10-K for the year ended December 31, 2004, Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, and other filings with the Securities and Exchange Commission.

Conference Call

Sohu's management team will host a conference call at 8:00 PM EST, November 8, 2005 (or 9:00 AM on November 9, 2005 in Beijing/Hong Kong time zone) following quarterly results announcement.

To listen to the conference call, please use dial in numbers below:

CHINA A Toll Free Number: +1 0800 744 0091

CHINA B Toll Free Number: +1 0800 440 0091

HONG KONG Toll Number: +852 3002 8537

USA Toll Number: +1 866 328 4270/ +1 480 629 9564

A replay of the call will be available for two weeks following the call and can be accessed by dialing the numbers below:

USA Toll Number: +1 800 406 7325

International: +1 303 590 3030

PASSCODE: 3397465

The conference call will be available on web cast live and replayed at: <http://corp.sohu.com/s2005/conferencecall.shtml>

About Sohu.com

Sohu.com Inc. (NASDAQ: SOHU) is China's premier online brand and indispensable to daily life of millions of Chinese who use portal network for their news, search, e-mail, wireless messaging, instant messaging, browsing, games and shopping. Sohu has built one of the most comprehensive matrices of Chinese language web properties and proprietary search engines, consisting of mass portal and leading online media destination www.sohu.com; interactive search engine www.sogou.com; #1 online alumni club www.chinaren.com; #1 games information portal www.17173.com; top real estate website www.focus.cn; wireless value-added services provider www.goodfeel.com.cn; and leading online mapping service provider www.go2map.com. This network of web properties offers vast Sohu user community very broad choices regarding information, entertainment, communication and commerce.

Sohu corporate services consist of online advertising on its matrix of websites as well as paid listing and bid listing on its in-house developed search directory and engines. Sohu also offers three types of consumer services. Sohu offers wireless value-added services such as news, information, ringtone and picture content sent over mobile phones. The Company also operates two massively multi-player online role-playing games as well as a casual game platform, and manages an e-commerce platform. Sohu.com, established by Dr. Charles Zhang, one of China's Internet pioneers, is in its ninth year of operation.

For further information:

Dahlia Wei
Sohu.com Investor Relations and Corporate Communications
Tel: +86 10 6272 6598
E-mail: ir@contact.sohu.com
<http://corp.sohu.com/>

SOHU.COM INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED, IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

| | Three Months Ended | | | Nine Months Ended | |
|---|--------------------|------------------|------------------|-------------------|------------------|
| | Sep. 30, 2005 | Jun. 30, 2005 | Sep. 30, 2004 | Sep. 30, 2005 | Sep. 30, 2004 |
| Revenues: | | | | | |
| Advertising | | | | | |
| Brand advertising | \$15,618 | \$13,859 | \$12,932 | \$41,601 | \$32,875 |
| Sponsored search | 3,172 | 3,105 | 2,541 | 9,008 | 6,994 |
| Subtotal of advertising revenues | 18,790 | 16,964 | 15,473 | 50,609 | 39,869 |
| Non-advertising: | | | | | |
| Wireless | 6,762 | 6,360 | 8,145 | 19,081 | 31,706 |
| E-commerce | 879 | 841 | 1,486 | 2,985 | 4,175 |
| Others | 1,847 | 1,714 | 836 | 5,207 | 3,392 |
| Subtotal of non-advertising revenues | 9,488 | 8,915 | 10,467 | 27,273 | 39,273 |
| Total revenues | 28,278 | 25,879 | 25,940 | 77,882 | 79,142 |
| Cost of revenues: | | | | | |
| Advertising | | | | | |
| Brand advertising | \$ 4,122 | \$ 3,407 | \$ 2,987 | \$10,339 | \$ 8,160 |
| Sponsored search | 813 | 699 | 339 | 1,993 | 884 |
| Subtotal of advertising cost of revenues | 4,935 | 4,106 | 3,326 | 12,332 | 9,044 |
| Non-advertising: | | | | | |
| Wireless | 3,353 | 2,871 | 3,147 | 8,546 | 11,702 |
| E-commerce | 1,014 | 794 | 1,468 | 3,052 | 4,138 |
| Others | 626 | 675 | 446 | 1,974 | 1,362 |
| Subtotal of non-advertising cost of revenues | 4,993 | 4,340 | 5,061 | 13,572 | 17,202 |
| Total cost of revenues | 9,928 | 8,446 | 8,387 | 25,904 | 26,246 |
| Gross profit | 18,350 | 17,433 | 17,553 | 51,978 | 52,896 |
| Operating expenses: | | | | | |
| Product development | 3,439 | 3,594 | 2,462 | 10,175 | 6,433 |
| Sales and marketing | 4,615 | 4,269 | 4,600 | 13,618 | 11,982 |
| General and administrative | 2,813 | 2,409 | 2,210 | 7,712 | 5,534 |
| Amortization of intangibles | 509 | 474 | 368 | 1,439 | 905 |
| Total operating expenses | 11,376 | 10,746 | 9,640 | 32,944 | 24,854 |
| Operating profit | 6,974 | 6,687 | 7,913 | 19,034 | 28,042 |
| Other income/(expense) | 358 | (92) | (190) | 96 | (594) |
| Interest income | 617 | 555 | 641 | 1,745 | 1,849 |
| Income before tax expense | 7,949 | 7,150 | 8,364 | 20,875 | 29,297 |
| Income tax expense | 81 | (50) | (38) | (31) | (162) |
| Net income | 8,030 | 7,100 | 8,326 | 20,844 | 29,135 |
| Basic net income per share | \$ 0.22 | \$ 0.20 | \$ 0.23 | \$ 0.58 | \$ 0.80 |
| Shares used in computing basic net income per share | 36,417 | 36,015 | 36,392 | 36,202 | 36,332 |
| Diluted net income per share | \$ 0.21 | \$ 0.18 | \$ 0.21 | \$ 0.54 | \$ 0.73 |
| Shares used in computing diluted net income per share | 39,750 | 39,596 | 40,644 | 39,760 | 40,772 |

SOHU.COM INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED, IN THOUSANDS)

| | As of Sep. 30, 2005 | As of Dec. 31, 2004 |
|--|------------------------|------------------------|
| ASSETS | | |
| Cash, cash equivalents and investments in marketable debt securities | \$ 132,547 | \$ 141,322 |
| Accounts receivable, net | 23,281 | 19,901 |
| Prepaid and other current assets | 4,206 | 4,894 |
| Fixed assets, net | 15,752 | 12,175 |
| Goodwill | 50,918 | 44,502 |
| Intangible assets, net | 6,992 | 7,503 |
| Other assets, net | 7,341 | 4,470 |
| | <u>\$ 241,037</u> | <u>\$ 234,767</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Accounts payable and accrued liabilities | \$ 30,743 | \$ 36,268 |
| Zero coupon convertible senior notes | 90,000 | 90,000 |
| | <u>120,743</u> | <u>126,268</u> |
| Total liabilities | 120,743 | 126,268 |
| Shareholders' equity | 120,294 | 108,499 |
| | <u>\$ 241,037</u> | <u>\$ 234,767</u> |

SOHU.COM
THIRD QUARTER 2005 EARNINGS REPORT CONFERENCE CALL

Conference Call Script

SOHU's management team will host a conference call on the same day at 8:00 PM EST, November 8, 2005 (or 9:00 AM, November 9, 2005 Beijing/Hong Kong time) following the quarterly results announcement.

To listen to the conference call, please use the dial in numbers below:

CHINA A Toll Free Number: +1 0800 744 0091

CHINA B Toll Free Number: +1 0800 440 0091

HONG KONG Toll Number: +852 3002 8537

USA Toll Number: +1 866 328 4270/ +1 480 629 9564

No passcode needed.

Operator: Turns over call to Ingrid

Ingrid

Thank you for joining Sohu.com to discuss our Third Quarter 2005 Results. On the call today are:

Charles Zhang, Chairman of the Board and CEO, and

Carol Yu, Chief Financial Officer.

Before the management presentations I would like to read you the Safe Harbor Statement in connection with today's conference call.

Except for the historical information contained herein, the matters discussed in this conference call are forward looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement.

Potential risks and uncertainties include, but are not limited to, Sohu's historical and possible future losses, limited operating history, uncertain regulatory landscape in the People's Republic of China, fluctuations in quarterly operating results, and the company's reliance on online advertising sales, mobile phone related wireless revenue, online games and e-commerce for its revenues. Further information regarding these and other risks is included in Sohu's Annual Report on Form 10-K and other filings with the Securities and Exchange Commission.

Thank you for your patience. Now, let me turn the call to Charles Zhang, Chairman and CEO.

Charles?

Charles:

Thank you all for joining our conference call today.

First, I would like to highlight one of the most significant events in our company's history. We, at Sohu, are all very excited to be the first Official Internet Content Sponsor for the 2008 Olympics. This will provide Sohu exclusive access to the 2008 Olympics official website content and also give the Company exclusive cross-marketing and cross-selling opportunities with the other Fortune 1000 corporate partners and sponsors such as Coca Cola, GE, McDonalds, Adidas, Lenovo, China Mobile, and Air China.

The magnitude of what this means for Sohu is enormous for the future of our online advertising business. This was a heavily sought after project in China and the environment in which we won was highly competitive and one that we view as a testament to the strength of Sohu's brand. Our reasons for this investment are simple. As we move closer to the 2008 Olympics, we believe we will see accelerated growth opportunities in leveraging the sponsorship program and drive more advertising revenue through customers looking to capitalize on the 2008 Olympic event. We believe it will serve as a platform to showcase our superior technology and brand presence.

There are two core messages that I want to emphasize on our call today.

First, we firmly believe that having been chosen as the official internet content sponsor for the Olympic website puts us at the head of the pack amongst our peers. This endorsement is one of the most exclusive events that can happen in the Chinese internet market. With the full support of the BOCOG and the Chinese government, we are now well positioned to lead our company down the path of strong success through seamless execution of the Olympic website launch.

Second, we will continue to drive our business through continued development and rollout of our own innovative products and services to drive increased traffic and usage on our sites. We believe the combination of these two events will not only shape the way Sohu sells to its customers but that it will have a large impact on the Chinese internet market as a whole.

Now I would like to discuss the other highlights for the quarter.

First, we reported revenues of \$28.3 million dollars, growing 9% sequentially and coming in again at the high end of company guidance.

Now, let me discuss the progress of each of our business lines

Our advertising revenues were \$18.8 million dollars and exceeded our prior company guidance. Brand advertising revenues were \$15.6 million dollars and sponsored search accounted for \$3.2 million dollars, an increase of 13% and 2% respectively.

Overall, we have seen a strong quarter in the advertising business. For the first nine months of 2005, we have grown 27% year over year similar to our closest competitor. In brand advertising, the 13% sequential revenue growth was mainly driven by heavy spending sectors such as real estate, information technology, and automobiles. Number of advertisers during the quarter grew from 420 to 450. Our fastest growing sectors

were online games, financial services, and FMCG (fast moving consumer goods). Online games came back stronger than expected mainly due to World of Warcraft having a lesser than expected impact on launch of other games and hence our business.

On the product side, we will continue to launch new products that will drive new users to our sites. For example, we have successfully built the largest community of users in the Chinese internet space such as Sohu BBS, the number one message board in China and Chinaren Alumni and Chinaren BBS. We also launched several new products including our picture bar which allows users to download picture through various content on our website and Sohu's blog. All of these are contributing to increased traffic. The goal is to continue to provide more targeted marketing through this platform and to sell our products and services into that user base.

Overall, we remain confident that there will be strong growth for our advertising business over the next few years. The branding effect from the Olympic sponsorship will have a significant impact on our ability to drive our advertising business. Our reach will be much broader especially in areas such as sports, news and many of our other channels. We also strongly believe our leadership position allows us to continue to provide clients with a unique brand advertising opportunity reaching both the mass population and targeting communities via our numerous sector specific online channels.

Turning now to the outlook for advertising for the remainder of the year, year-to-date, our advertising revenues are up 27% growth over the same nine months of 2004.

We see continued healthy growth in brand advertising and as you can see from our guidance we expect to meet our overall advertising revenue growth target for the full year 2005 of 25%.

In sponsored search, we saw modest sequential growth which was largely due to several reasons:

- 1) an increasingly competitive search environment, and
- 2) an adjustment to our distributor structure as we strive to position Sogou more competitively by using multi-distributors rather than relying on one sole distributor.

To our satisfaction, our own internal data shows that Sogou's traffic has grown 50% from Q2 to Q3.

Developing a successful search business is based on building the right technology and products to increase penetration. Our efforts towards strengthening our search business are heavily focused on these key areas. A good example is our recent upgrade from Sogou 2.0 to Sogou 2.5 which is targeted to be launched later this month. This will enhance the overall search quality which will lead to increased traffic over time. We are confident that our investments in developing the right technology and building the necessary products to make Sogou a leading search engine for Chinese language are focused in the right direction.

Turning to our wireless business, while our focus remains on our core advertising business, we have been happy to see a continuing cautious recovery in our wireless business, with 6% sequential growth to \$6.8 million dollars. We are particularly pleased that in exchange for our 6% growth, we did not have to spend heavily on advertisements or other marketing efforts to achieve that growth. We are pleased that

our wireless business, although small, has become very stable. Additionally, our Olympic sponsorship could also have a positive impact on our wireless business. China Mobile is also a member of the Olympic sponsorship program and we view this as a potential catalyst for enhanced cooperation in the future, particularly around the coverage and related program services of the 2008 Beijing Olympics.

I would like to now give the floor to our CFO, Carol Yu, for a financial review.

Carol:

Thank you Charles. I would like to take this opportunity to discuss some key financials to enhance your understanding of our business operations.

I. Revenues

We are pleased to report strong revenues of \$28.3 million for the third quarter which came in at the high end of our guidance.

1. Advertising

With advertising revenues of \$18.8 million we experienced a healthy 11% sequential and 21% year-on-year improvement. Year-to-Date we are on track to meet our target advertising revenue growth of 25% for the full year 2005.

2. Wireless:

We are very pleased to note that our wireless business is continuing to show healthy signs of recovery. Let me give you a breakdown of the third quarter wireless revenue:

Our SMS services grew 23% quarter-on quarter to US\$ 4.2 million.

Our WAP services declined a marginal 2% to US\$ 2.1 million.

Our MMS, IVR and RingBackTone services contribute only very small amounts at this stage.

Going forward, we believe we will continue to see modest recovery for this business line.

3. Other revenues:

Our online game revenues grew 8% sequentially to 1.4 million with Blade Online revenues growing 11% sequentially.

II. Turning to our gross margins:

Overall gross margin for the third quarter was 65%, down from 67% in the previous quarter and 68% in the third quarter of 2004. Advertising gross margin was 74% in the third quarter, down from 76% in the second quarter and 79% in the same period last year, but still higher than that of our closest competitor. Gross advertising profit increased to \$13.9 million from \$12.9 million in the previous quarter.

Non-advertising gross margin was 47% for the third quarter, compared to 51% in the prior quarter and 52% in the third quarter of last year. This was mainly due to a an

alleged penalty of \$241,000 charged by Unicom as a result of Unicom's investigation carried out in the previous quarter and recorded as a cost of revenue in the third quarter. Although we do not believe Sohu had mistakenly charged users that did not subscribe to our services, the possibility of this penalty being reversed is remote and we would prefer to move forward with our business relationship with Unicom and put this behind us.

III. Operating expenses

For the third quarter of 2005, SOHU's operating expenses totaled US\$11.1 million, increasing a modest 3% quarter-on-quarter and 15% year-on-year. The year-on-year increase in operating expenses was mostly due to investment in long-term growth opportunities, primarily in the area of research and development.

IV. Operating Profit Margin

Operating profit margin in the third quarter was 26%, largely unchanged from the previous quarter, but down from 31% in the same period last year.

V. Balance Sheet.

Let me now make a few comments on the Balance Sheet.

Our DSO for Q3 is 82 days compared to 81 days in Q2 (79 days in Q1). Advertising DSO for Q3 is 105 days, up from 89 days in Q2 (93 days in Q1). The increase was due to our bi-annual payment settlement as agreed with advertising agencies coming in at the end of June which made the June quarter DSO shorter than the September quarter. Our September 30th net accounts receivable balance was \$ 23.3 million compared to \$21.5 million in Q2, (\$19.1 million in Q1), including \$17.5 million related to our advertising business and \$4.5 million to our wireless business.

As of September 30, 2005, our bad debt provision amounted to \$1.7 million, as compared to the \$1.6 million provision as of June 30, 2005. While we consider this level of bad debt provision to be still relatively low as compared to our level of advertising sales, we continue to pay close attention in remaining prudent in our credit extension policy. We also continue to strengthen our credit extension and revenue recognition policy.

Sohu today announced its Board of Directors has approved a stock repurchase program in which the Company plans to purchase up to US\$15 million of its outstanding shares in the open market.

VI. Stock Buyback Program

During previous stock repurchase program, from May 2004 to February 2005, the Company purchased a total of \$37.7 million or roughly 6% of the shares outstanding.

Further, since May of 2004, Charles has purchased 550,000 shares in the open market totaling approximately \$9.8 million and exercised 566,000 options totaling \$1.1 million. Also, in February this year, I purchased 15,000 shares too. We are firm believers in our company's future and work hard to drive value to our shareholders.

VII. And finally, our Business Outlook

You will find detailed guidance for the fourth quarter in our earnings release, but I would like to highlight:

- 1) We are on track to meet our full year advertising revenue growth target of 25%;
- 2) For the fourth quarter, we expect advertising revenues to be in the 19.0 million to 20.0 million dollar range and non-advertising revenues to be in the 9.0 million to 10.0 million dollar range; and
- 3) We will start amortizing sponsorship fee paid for the 2008 Olympic Games and recording expenses relating to constructing, operating and hosting of the official BOCOG website starting in the fourth quarter of 2005. We also expect to incur one-time marketing and promotional expenses in relation to the announcement and launch of this event. Our fourth quarter EPS guidance of 19 to 22 cents has already taken the above into consideration.

In summary, we are pleased with our overall results and believe we are well positioned for growth in 2006. Our multi-dimensional strategy of increasing advertising revenue while growing a strong and steady search business is one we believe will have a lasting impact on our development as a company. We view the Olympic sponsorship as a strong growth catalyst that will accelerate our current business model. We are very confident that our positioning and forward strategy is the right mix of what is needed to do to drive results and increase shareholder value.

That concludes my presentation. Thank you for your attention . I would like to now open the floor for questions. Operator?

(Q&A Session)

Ingrid- Closing Remarks

We would like to thank everyone for participating in today's call. The management team will be on the road in the U.S. to meet with investors in early December. Please contact us with any additional questions that you may have. Thank you.