CNET NETWORKS INC
Form 10-K/A
January 29, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended December 31, 2005

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______

Commission file number 0-20939

CNET Networks, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-3696170**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

235 Second Street, San Francisco, CA 94105

(Address of principal executive offices including zip code)

Telephone Number (415) 344-2000

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of class	Name of each exchange on which registered
Common Stock, $0.0001 par value	**The Nasdaq Stock Market, Inc.**

Securities registered pursuant to Section 12(g) of the Act:

Title of each class

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ¨ NO x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934. YES ¨ NO x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act. YES ¨ NO x

As of June 30, 2005, the aggregate market value of voting stock held by non-affiliates of the registrant based upon the closing price for the registrant s common stock as reported in the Nasdaq Global Market System was $1,111,680,535. Shares of common stock held by each officer and director and by each person who owns ten percent or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate is not necessarily a conclusive determination for any other purpose.

The total number of shares outstanding of the issuer s common stock (its only class of equity securities), as of March 10, 2006 was 150,686,961.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant has incorporated by reference portions of its revised Proxy Statement for its 2006 Annual Meeting of Stockholders which was filed with the Securities and Exchange Commission on May 11, 2006, with the exception of information updated in connection with the restatement described in this Form 10-K/A (See Item 10 Directors and Executive Officers of the Registrant, Item 11 - Executive Compensation and Item 12 Security Ownership of Certain Beneficial Owners and Management).

TABLE OF CONTENTS

		Page
	Explanatory Note	1
PART I.		
Item 1	Business	3
Item 1A	Risk Factors	9
Item 1B	Unresolved Staff Comments	19
Item 2	Properties	19
Item 3	Legal Proceedings	19
Item 4	Submission of Matters to a Vote of Security Holders	21
PART II.		
Item 5	Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	21
Item 6	Selected Consolidated Financial Data	21
Item 7	Management s Discussion and Analysis of Financial Condition and Results of Operations	25
Item 7A	Quantitative and Qualitative Disclosures about Market Risk	50
Item 8	Financial Statements and Supplementary Data	52
Item 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	96
Item 9A	Controls and Procedures	96
Item 9B	Other Information	98
PART III.		
Item 10	Directors and Executive Officers of the Registrant	98
Item 11	Executive Compensation	99
Item 12	Security Ownership of Certain Beneficial Owners and Management	100
Item 13	Certain Relationships and Related Transactions	100
Item 14	Principal Accounting Fees and Services	100
PART IV		
Item 15	Exhibits and Consolidated Financial Statement Schedules	100

Signatures
Exhibit 31.1
Exhibit 31.2
Exhibit 32.1
Exhibit 32.2

EXPLANATORY N OTE

We are amending our Annual Report on Form 10-K for the year ended December 31, 2005 as filed on March 16, 2006 (the Original Filing), to restate our consolidated financial statements for the years ended December 31, 2005, 2004 and 2003 and the related disclosures. This amended Annual Report on Form 10-K/A (the Form 10-K/A) also includes the restatement of selected consolidated financial data as of and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001, and the unaudited quarterly financial data for each of the quarters in the years ended December 31, 2005 and 2004. As previously disclosed in our Current Report on Form 8-K filed on July 11, 2006, the consolidated financial statements and related financial information contained in our Annual Reports on Forms 10-K and Quarterly Reports on Form 10-Q for all annual periods and all interim periods ending on or before March 31, 2006, should no longer be relied upon and should be read only in conjunction with the information contained in this Form 10-K/A. See Note 2 of our consolidated financial statements included in this Form 10-K/A.

The decision to restate our financial results was based on the results of an independent review of our stock option accounting that was conducted under the direction of a special committee of the Board of Directors (the Special Committee) established in May 2006. The corrections to the accounting for non-cash stock compensation expense for stock options resulted in a reduction in previously reported income before income taxes of $6.3 million and $9.0 million for the years ended December 31, 2005 and 2004, respectively. The corrections to the accounting for non-cash stock compensation expense for stock options resulted in an increase in the loss before income taxes of $8.1 million, $22.6 million and $18.4 million for the years ended December 31, 2003, 2002 and 2001, respectively.

In connection with the restatement of stock compensation expense, we are also restating the pro forma disclosures for stock compensation expense required under Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, (FAS 123) included in Note 1 to the consolidated financial statements.

In connection with the restatement, we have made certain additional adjustments to our historical consolidated financial statements. These items were not previously recorded because in each case, and in the aggregate, the underlying errors were not considered material to our consolidated financial statements. These adjustments consisted of: reclassifications of certain foreign transactional taxes on our consolidated statements of operations and other tax reclassifications on our consolidated balance sheets; and other adjustments to operating expenses for previously known errors and corrections to our provision for income tax resulting from computational errors. These adjustments resulted in reductions to previously reported income before income taxes of $1.7 million and $0.6 million for the years ended December 31, 2005 and 2004, respectively, and in reductions to previously reported loss before income taxes of $0.2 million and $0.4 million for the years ended December 31, 2003 and 2002, respectively. The effect of these adjustments on previously reported loss before income taxes for the year ended December 31, 2001 was negligible.

For more information on these matters, please refer to, Management s Discussion and Analysis of Financial Condition and Results of Operations Restatement of Consolidated Financial Statements, Note 2 of the Notes to the Consolidated Financial Statements, and Item 9A, Controls and Procedures.

We have not amended and we do not intend to amend any of our other previously filed annual reports on Form 10-K other than this Annual Report on Form 10-K/A for the year ended December 31, 2005. As part of our review, we also determined that we need to amend our Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, originally filed on May 9, 2006, which we are filing concurrently with this Form 10-K/A. We have not amended and we do not intend to amend any of our other Quarterly Reports on Form 10-Q as a result of our review of our past accounting for stock options or for any of the additional adjustments.

All of the information in this Form 10-K/A is as of December 31, 2005, except as described below, and does not reflect events occurring after the date of the Original Filing, other than the restatement and related events and other reclassifications described above, or modify or update disclosures (including the exhibits to the Original Filing, except for the updated Exhibits 31.1, 31.2, 32.1, and 32.2 described below) affected by subsequent events other than the restatement and related events and other reclassifications described above. This Form 10-K/A also includes disclosures updated as of the date of filing in Part I, Item 1A, Risk Factors, and Part I, Item 3, Legal Proceedings. For the convenience of the reader, this Form 10-K/A sets forth the Original Filing in its entirety, as amended by and to reflect the restatement and related events, as well as the other adjustments described above. The following sections of this Form 10-K/A have been revised:

Part I	Item 1	Business as to Forward Looking Statements and Available Information
Part I	Item 1A	Risk Factors;
Part I	Item 3	Legal Proceedings;
Part II	Item 5	Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities;

1

Part II	Item 6	Selected Consolidated Financial Data;
Part II	Item 7	Management s Discussion and Analysis of Financial Condition and Results of Operations;
Part II	Item 8	Financial Statements and Supplementary Data;
Part II	Item 9A	Controls and Procedures;
Part III	Item 10	Directors and Executive Officers of the Registrant and;
Part IV	Item 15	Exhibits and Financial Statement Schedules

This Form 10-K/A should be read in conjunction with our filings made with the Securities and Exchange Commission, or the SEC, subsequent to the date of the Original Filing, including any amendments to those filings, such as the amended Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2006, as well as any Current Reports filed on Form 8-K subsequent to the date of the Original Filing. In addition, in accordance with applicable rules and regulations promulgated by the SEC, this Form 10-K/A includes updated certifications from our Chief Executive Officer and Chief Financial Officer as Exhibits 31.1, 31.2, 32.1 and 32.2.

The SEC may disagree with the manner in which we have accounted for and reported, or not reported, the financial impact of past option grant measurement date errors, and there is a risk that an inquiry by the SEC could lead to circumstances in which we may have to further restate our prior financial statements, amend prior filings with the SEC, or otherwise take other actions not currently contemplated. In addition, the SEC may issue additional guidance on disclosure requirements related to the financial impact of past option grant measurement date errors that may require us to amend this filing or prior filings with the SEC to provide additional disclosures pursuant to this guidance. Any such circumstance could also lead to future delays in filing of our subsequent SEC reports and the delisting of our common stock from the Nasdaq Global Select Market. Furthermore, if we are subject to adverse findings in any of these matters, we could be required to pay damages or penalties or have other remedies imposed upon us which could harm our business, financial condition, results of operations and cash flows.

PA RT I.

Item 1. Busin ess

Forward-Looking Statements

This Annual Report on Form 10-K/A contains forward- looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are any statements other than statements of historical fact. Examples of forward-looking statements include projections of earnings, revenues or other financial items, statements of the plans and objectives of management for future operations, and statements concerning proposed new products and services, and any statements of assumptions underlying any of the foregoing. In some cases, you can identify forward-looking statements by the use of words such as may, will, expects, should, believes, plans, anticipates, estimates, predicts, potential, or continue, and any other words of similar meaning. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to, delays in the development or release of new products, changes in customer demands, slower than anticipated adoption of new technology, slower than anticipated growth of new markets, our inability to compete in new markets, reduction in demand for or market acceptance of our products, competition, disruptions in our strategic relationships such as with our key suppliers, fluctuations in general economic conditions, international and political conditions, the loss of an important customer, our ability to safeguard our intellectual property, developments in, expenses related to and the outcome of litigation or regulatory actions relating to the stock option investigation or other matters,, determination by the Nasdaq Listing Qualifications Panel to delist our stock, and the matters set forth in this Annual Report on Form 10-K/A. These forward-looking statements speak only as of the date hereof. Except as required by law, we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Any or all of our forward-looking statements in this report and in any other public statements we make may turn out to be wrong and may cause our actual results to differ materially from forecasted or historical results. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties, including those outlined above. Consequently, no forward-looking statement can be guaranteed. You are advised, however, to consult any further disclosures we make on related subjects in our reports to the Securities and Exchange Commission. Also note that we provide cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our businesses. These are factors that we think could cause our actual results to differ materially from expected and historical results. Other factors besides those listed here could also adversely affect us. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

OVERVIEW

CNET Networks, Inc. is a worldwide media company and creator of authentic brand experiences in multiple content categories. CNET Networks takes pride in being a different kind of media company, creating richer, more authentic brand experiences by building on the collective passion of users, marketers and our own people. Headquartered in San Francisco, California, CNET Networks has a strong presence in the United States and internationally in 12 countries.

We operate industry leading websites, each with its own distinct brand, that deliver rich, authentic brand experiences for both users and marketers. Our network of sites is currently focused on four categories: technology, games and entertainment, business, and community. The technology category is anchored by our CNET-branded properties, including CNET, CNET News.com and CNET Download.com. The games and entertainment category primarily consists of the GameSpot, TV.com and MP3.com brands. Brands such as ZDNet, TechRepublic, BNET, and Release 1.0 are components of the business category. The community category is anchored by our Webshots brand. Many of our international sites operate under the same brands as our US sites, with additional brands represented such as ZOL, PCHome, and Silicon. We expect to continue to add new brands and new categories across the network over time. This effort will help develop CNET Networks further as a leader in the interactive content category and help with our efforts to broaden both our user and advertiser base.

During 2005, we focused on the continued expansion of our properties, products and services, helping to drive growth in the number of users visiting our websites, as well as increased audience usage of our sites. We added richer, more engaging features and services to our websites to further enhance the overall user experience. Video content has scaled on our properties, with the addition of more product reviews, special features, and promotional clips in video format. As the growth in broadband adoption continues to increase, the addition of more video features and related marketing opportunities has become even more relevant from both a user and advertiser perspective. We enhanced our audio features across the network, with the launch of content in podcast format at sites such as CNET, ZDNet, and GameSpot, and added more photographs and images, largely user-generated, to the editorial and content experience network-wide. We increased community and personalization tools across our properties, allowing users to develop rich profiles of themselves on our sites, using text, photos and other data, to customize the content that they see and to locate and interact with other users with similar interests. We also introduced new properties to the network, such as TV.com and PCHome through a growth strategy that combines new product development and acquisition. In addition, we broadened our content licensing partnerships during the year, further expanding our brand visibility and reach to new audiences, as well as validating our position as a leading provider of online content.

These efforts contributed to growth in our audience reach and their usage of our sites and further established our leadership position in the interactive content category. We had an average of 116 million unique users per month generating nearly 104 million Web page views per day during the fourth quarter 2005, a strong increase from the prior year.

By continuing to grow our user base, as well as site usage, we are creating large marketing platforms for advertisers to create brand awareness and market their products to an engaged, targeted audience, which we believe represents some of the most desirable attributes and demographics for brand marketers. During 2005, we expanded our focus beyond our traditional customer base, largely advertisers with contextual relevance to the specific property on which they advertise. An example of this would be a personal computer manufacturer advertising on a relevant section of CNET, or a game publisher advertising on our game information site, GameSpot. We are focused on expanding our advertiser base and adding more general consumer advertisers, such as financial services, automotive manufacturers, retailers, or consumer packaged goods companies. During 2005, we added general consumer advertisers such as General Motors, McDonalds, and Visa to our customer roster. General consumer advertisers are increasingly recognizing the value of our audiences based on their hard to reach demographic and psychographic characteristics and high level of engagement with our sites. Our authentic brands attract audiences with targeted characteristics that point to the level of passion for the content they consume on our sites. For example, the average CNET user is an affluent, male that has a passion for consumer electronics products and the average GameSpot user is a young male who plays games over 18 hours per week. The effort to extend our customer base into more general consumer categories was a small contributor to growth in 2005, but remains an opportunity for the coming years as these advertisers increasingly look to the Internet to place their marketing dollars.

As the media landscape rapidly evolves, the Internet continues to gain relevance as a marketing medium. Nonetheless, in 2005 online advertising was expected to make up approximately five percent of total advertising expenditures in the United States, according to eMarketer, evidence that the online advertising market is still early in its development. As consumer media consumption continues to change, trending towards more Internet usage and interactive environments, we believe that the Internet will become even more relevant as a branding medium and that interactive content environments, like CNET Networks, should benefit from these trends.

In addition to our interactive operations, in 2005 we also operated a publishing business in the United States, namely *Computer Shopper* magazine. We sold *Computer Shopper* magazine on February 2, 2006. As our only magazine in the United States, *Computer Shopper* became less strategic as we focused our efforts and resources on the interactive side of our business. We also publish technology and game oriented publications internationally, primarily in China. The sale of *Computer Shopper* magazine does not impact our international print operations.

We earn revenues from:

- Marketing Services: sales of advertisements on our Internet network through impression-based advertising (fees earned from the number of times an advertisement is viewed by users of our websites) and activity-based advertising (fees earned when our users click on an advertisement or text link to visit the websites of our merchant partners, or download a software application or a whitepaper);

- Licensing, Fees and Users: licensing our product database and online content, subscriptions to our online services, and other paid services; and

- Publishing: sales of advertisements in our print publications, subscriptions and newsstand sales of publications, and custom publishing services. With the sale of *Computer Shopper* magazine in 2006, advertising revenues from our remaining international print business will be reported as Marketing Services revenue and subscription revenues will be reported as Licensing, Fee and Users revenue.

CNET Networks, Inc. was incorporated in the state of Delaware in December 1992. Our principal executive offices are located at 235 Second Street, San Francisco, California 94105. Our phone number is (415) 344-2000.

AVAILABLE INFORMATION

Our periodic and current reports are available, free of charge, on our website, www.cnetnetworks.com, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Information contained on our website is not and should not be deemed a part of this annual report on Form 10-K/A or a part of any other report or filing with the SEC.

As discussed in the Explanatory Note, we concluded that we needed to amend our Annual Report on Form 10-K for the year ended December 31, 2005, originally filed on March 16, 2006, to restate our consolidated financial statements for the years ended December 31, 2005, 2004 and 2003 and the related disclosures. This Annual Report on Form 10-K/A also includes the restatement of selected consolidated financial data as of and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001, and the unaudited quarterly financial data for each of the quarters in the years ended December 31, 2005 and 2004. We also concluded that we needed to amend the Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, originally filed on May 9, 2006, to restate our condensed consolidated financial statements for the quarter ended March 31, 2006 and the related disclosures. We have not amended and we do not intend to amend any of our other previously filed annual reports on Form 10-K or quarterly reports on Form 10-Q for the periods affected by the restatement or adjustments other than (i) the amended Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2006 and (ii) this amended Annual Report on Form 10-K/A for the year ended December 31, 2005.

PRODUCTS AND SERVICES

CNET Networks primary areas of measurement and decision-making include two principal business segments, U.S. Media and International Media. U.S. Media consists of a media network focused on four content categories: technology, games and entertainment, business, and community. Our International Media business operates websites under many of the same brands and categories as our US sites, with additional brands represented in markets such as China and the UK. We also publish several print publications in non U.S. markets.

U.S. MEDIA

Interactive Business

Our U.S. Media interactive business includes all aspects of our U.S.-based online media brands. This business offers information, community and commerce services in the areas of technology, games and entertainment, business and community to millions of users each day. Most of our content is offered free of charge to users, however, we do provide some content on a subscription, fee or licensing basis. This content is delivered using sophisticated and scalable technology platforms that include several key components, such as content publishing and advertising delivery, comprehensive product and user data powering commerce services, and search functionality.

CONTENT CATEGORIES AND BRANDS

Technology	Games and Entertainment	Business	Community
CNET	GameSpot	ZDNet	Webshots
CNET Download.com	TV.com	BNET	
CNET News.com	MP3.com	TechRepublic	
		Release 1.0	

Search, Data and Commerce Platforms
Content Publishing and Ad Delivery Systems

Content Categories

Technology

Our technology category is anchored by our CNET-branded properties and includes sites such as CNET, CNET News.com, and CNET Download.com.

CNET (www.cnet.com) provides expert and unbiased advice on technology and consumer electronics products and services to inform users and expedite purchasing. The consumer electronics and computing categories are converging, and this new generation of technology products is increasingly becoming incorporated into everyday lives. CNET s editorial content includes special reports on the latest developments, product reviews and price comparisons, and help and how-to features enhanced with video content, showing consumers how to get the most out of their technology products. The site s growing, vibrant audience contributes valuable content in the form of forum posts, pictures, questions and answers. This combination of editorial and user content makes CNET a robust digital resource on the Internet.

CNET News.com (www.news.com) is a comprehensive resource for tracking the technology-related news that is most valuable to those that are passionate about technology, both professionally and personally. In 2005, it won several journalism awards, including a Maggie Award and awards from the Society of Professional Journalists and Society of American Business and Economic Writers. Over the years, CNET News.com has spearheaded several content innovations that underscore its desire to provide the whole story to its audience, beyond the opinions of its renowned news team, as well as developed innovative news delivery capabilities that enhance the user experience.

CNET Download.com (www.download.com) is a comprehensive resource for downloading software, music, games and video with its growing community and marketplace for digital content distribution. On a monthly basis, tens of millions of people turn to the site to discover free-to-try, legal downloads, from IS/IT professionals, developers, business users and technology enthusiasts, to music fans and games enthusiasts.

Games and Entertainment

Our interactive network includes game and entertainment content sites such as GameSpot, TV.com, MP3.com, and Metacritic.

GameSpot (www.gamespot.com) is a leading online source for gaming information. The GameSpot family includes GameFaqs and GameRankings. GameSpot s Web sites offer free access to its editors PC and video game reviews, as well as game downloads, video streams, guides, news, hints and previews of upcoming games. GameSpot also has an active online gaming community a free networking service that makes it easy for gamers to meet and interact with others who share their specific gaming interests.

Launched on June 2, 2005, TV.com (www.tv.com) is home to one of the largest databases of television shows, episode summaries, credits, trivia, and related media on the Web. The site provides users with a place to meet people with similar interests, discuss favorite shows, find new programs, view video clips, and access information on more than 16,000 TV series since the beginning of television. Since launch, the audience at TV.com has grown significantly, including over a half million registered users and more than 2.2 million individual ratings of shows, episodes, and celebrities at the end of 2005. The launch of TV.com demonstrates our ability to build and launch a site in an entirely new category, build a strong and growing user base, and bring in new advertisers to the network.

MP3.com (www.mp3.com) is a comprehensive digital music discovery and content resource that caters to the way people learn about and listen to music today. MP3.com offers users the ability to access information and reviews on artists, songs, digital music services, and technologies, as well as other tools and features such as community and video content.

Business

CNET Networks business sites, including TechRepublic, BNET, ZDNet, and Release 1.0, have built a unique collection of content that attracts business leaders throughout the enterprise.

TechRepublic (www.techrepublic.com) serves the needs of IT professionals, providing information and community tools for IT decision support and professional advice by job function. TechRepublic s members, representing all segments of the IT industry, turn to the site, and its community of users, for IT decision support and professional advice organized by job function or topic. During 2005, the site added new personalization features and tools such as content registration, personalized alerts, and public bookmarking.

BNET (www.bnet.com) offers an extensive collection of classic and current business white papers, case studies, Webcasts, audiocasts, and other interactive content, created and categorized for decision makers in a variety of business functions. Additionally, the site offers targeted email alerts and newsletters, syndicated content available through rich site summary (RSS) feeds, and business blogs for professionals throughout the enterprise.

ZDNet (www.zdnet.com) is a leading Web site for business professionals who need to make important IT decisions. Its daily news, white papers, editorial analysis, peer feedback and survey and traffic-based research provide comprehensive insight into IT planning, vendor consideration and product selection.

Release 1.0 (www.release1-0.com) is a community of IT-industry thought leaders and commentators, entrepreneurs and innovators, venture capitalists and analysts that includes reports and analysis of IT and business trends, important new ideas, and profiles of innovative people and companies. In addition, Release 1.0 produces PC Forum, a business-oriented event for IT-industry executives, investors, entrepreneurs, thinkers, and policy makers whom share a passion for the technology industry.

Community

Webshots (www.webshots.com) is a leading online photo sharing and community property. Millions of people use Webshots each month to publish and share their stories with fellow users. They also connect with other people in the community who share their passions and interests across a wide range of categories, such as college, travel, sports, hobbies and recreation, and pets. Webshots user base includes a vibrant community of photo enthusiasts who enjoy the site s categorized and searchable library of more than 325 million photographs. We believe the addition of Webshots to the network has added significant reach and revenue capacity and positions us to further expand our customer base into more general consumer advertiser segments.

Scalable Platforms

CNET Networks has standardized technology platforms which enable the delivery of content and advertising, search results, enable commerce and create universal data collection and registration systems. Our scalable and leverageable infrastructure has allowed for greater ease of publication of our content and more effective delivery of network-wide advertising. In addition, this standardized platform brings leverage when building or acquiring new online properties. We continuously enhance and improve the functionality of these platforms to support business, customer and audience growth.

As part of our technology platform, we provide commerce, search, data and business intelligence services across our content categories.

Our commerce platforms are designed to link buyers and sellers of products and services. We help individuals and businesses decide what products to buy by providing news, reviews, recommendations, detailed product specifications, real-time prices from competing vendors, merchant ratings, product availability and shipping costs. We believe our shopping services are valuable to users because they provide unbiased information and choice of merchants. These shopping services are valuable to merchants and advertisers because they provide a platform for creating brand awareness and generating sales leads.

In addition, with the integration of search functionality across our content categories, our users are provided with additional access to relevant contextual content in the form of sponsored search links on our properties, while providing CNET Networks with additional revenue opportunities from a broader set of merchants. Sponsored search results are provided by our primary search partner, Google, Inc.

An important component of our technology platforms is the product data that powers these commerce services. Our product database contains over 2.0 million products and related product images, descriptions and specifications. Because consistent, comprehensive and accurate product data is important not only to our commerce services but also to every business engaged in online commerce, we have been able to leverage this data by licensing it to third parties through our Channel Services business.

Our systems and overall network capabilities allow us to provide our advertising customers with data and business intelligence regarding user activity and the effectiveness of their marketing campaigns to enhance their business or marketing decision process.

Publishing

In addition to our interactive operations, we also operated a publishing business in the United States, *Computer Shopper* magazine. We sold *Computer Shopper* magazine on February 2, 2006; we felt that this particular magazine became less strategic as we focused our efforts and resources on the interactive side of our business.

INTERNATIONAL MEDIA

CNET Networks provides relevant online and offline content in local languages to the various markets we serve worldwide. We maintain an Internet presence in 12 countries, including China, the United Kingdom, France, Australia, Japan, Germany, Singapore, Korea, and Taiwan. Our international websites operated under many of the same brands and categories as our U.S. sites, including CNET, ZDNet and GameSpot, with other local brands represented in markets such as China and the UK.

During 2005, we expanded our content coverage beyond our traditional IT focus into broader, more consumer-focused categories in key international markets. For example, during the year, we launched CNET in the United Kingdom, Australia and France, along with ZDNet in Japan and further expanded our online presence in the growing advertising market in China. As part of that effort, in 2005 we acquired PCHome (www.pchome.net), a leading technology property based in Shanghai. PCHome, combined with the two sites that we acquired in 2004, ZOL and Fengniao, expanded our technology platform in China. With a strong position in Shanghai through PCHome and in Beijing through ZOL and Fengniao, we are now well positioned in two critical markets in China. The PCHome acquisition expands CNET Networks online presence in China, securing a strong position in the technology category ahead of the expected growth in Internet usage and online advertising.

We also operate a direct marketing division called CNET Direct, which focuses on one-to-one marketing solutions serving direct marketing campaigns into more than 18 countries.

CNET Networks has published magazines in China for over ten years, primarily in the technology and games and entertainment categories. Through our print operations in China, we are able to build important customer relationships, relevant audiences, and content that can be leveraged as our online presence grows over time.

7

MARKETING

We design our marketing activities to promote our multiple brands and to attract users, viewers and readers to our online network and print publications. Our marketing programs include interactive and print advertising campaigns, and participation in trade shows, conferences and speaking engagements. In 2005, we spent approximately $17.4 million (which includes approximately $12.3 million in barter advertising expenses) to market our brands and services. We expect to continue to market our brands, products and services in the future.

CUSTOMERS

For the year ended December 31, 2004, revenues from one customer, Google, Inc., approximated 10% of total revenues. In the fourth quarter of 2003, CNET Networks selected Google as its primary partner for paid search results, thereby consolidating paid search opportunities that were previously spread among several providers. Our top one hundred advertisers contributed approximately 67%, 72% and 77% of our U.S. revenues in 2005, 2004 and 2003, respectively, reflecting the expansion of our customer base.

GEOGRAPHIC REGIONS

For information regarding the geographic areas in which we do business, please see Note 12, Segments and Geographic Information of Item 8 Financial Statements in our Annual Report on Form 10-K/A.

EMPLOYEES

At December 31, 2005, 2004 and 2003, we had approximately 2,340, 2,080, and 1,730 employees on a worldwide basis.

INTELLECTUAL PROPERTY

Trademarks, trade names, service marks and other proprietary rights, as well as our ability to use U.S. and foreign laws to protect our intellectual property are important to our success and competitive position.

We have obtained federal trademark registrations for a number of our marks in the United States, including CNET, ZDNet, TechRepublic, GameSpot, Webshots and Computer Shopper. U.S. trademark registrations may be renewed indefinitely based on our continued use. While we have applied for and obtained registration of many of our marks in countries outside of the U.S. where we do business, we have not been able to obtain registration of all of our key marks in such jurisdictions, in some cases due to opposition by people employing similar marks. We also claim common law protection on certain names and marks that we have used in connection with our business activities.

We rely on copyright law to protect our original content. We rely on trade secrets, copyright laws, patent laws, confidentiality agreements with our employees and third parties, and protective contractual provisions to protect the proprietary technologies that we have developed. We have over 25 U.S. patent applications pending with respect to certain of our software systems, methods and related technologies and seven issued U.S. patents. U.S. patents have duration of 20 years.

We also rely on certain technology licensed from third parties. We may be required to license additional technology in the future for use in managing our Internet sites and providing related services to users and advertising customers.

For risks associated with intellectual property, see the Risk Factor entitled, We have limited protection of our intellectual property and could be subject to infringement claims that may result in costly litigation, the payment of damages or the need to revise the way we conduct our business .

COMPETITION

The media industry is intensely competitive and rapidly evolving. We compete for advertisers, users and business partners with numerous companies throughout the world that offer information and content in our primary areas of focus.

Traditional offline media. We have always competed for consumers and advertisers in our areas of focus with the traditional offline media, such as television, radio, cable and print. For instance, mainstream business publications, such as The New York Times, The Wall Street Journal, Fortune, Forbes, and Business Week and other publications devoted to certain content areas such as games or technology, offer content that competes with ours. Increasingly, these traditional offline media companies are developing broader reach by creating alternative channels of distribution for their content by building more robust Internet sites, acquiring online companies, and partnering with other media outlets. As the traditional offline media continues to introduce more multi-media offerings into the market, we will continue to compete with them for consumers and advertisers in the areas where we focus.

Internet sites. Large general purpose portals, such as AOL, MSN and Yahoo! are also competitors, especially as these properties expand their content offerings in our areas of expertise. We also compete with niche sites focused on the same vertical markets on which we focus. For example, our gaming properties compete with other gaming sites such as IGN Entertainment, and our business properties compete with smaller, niche sites such as TechTarget. In addition, many traditional media companies are increasing their online offerings.

Search engines. Search engines such as Google and Yahoo!, which attract users looking for goods, services and content similar to those offered on our website also attract marketing expenditures by companies trying to reach those users.

Online comparison shopping services. Specialized online comparison shopping services such as Shopping.com and PriceGrabber.com and the online shopping services operated by large general purpose portals have sought to expand the reviews and information offerings on their sites. They compete with us for users and the companies trying to reach those users.

Online retail and auction companies. These companies, such as Amazon.com and eBay, offer goods and services similar to those that can be obtained through our websites. They compete with us for users and the companies trying to reach those users.

We believe that the Internet offers a competitive advantage over offline media for creating a rich and interactive environment for both users and marketers. Within the Internet, we believe that our significant experience, editorial expertise and strong brands provide us with many advantages over our competitors.

SEASONALITY AND CYCLICALITY

We believe that advertising spending on the Internet, as in traditional media, fluctuates significantly with economic conditions. Because a majority of our revenues are derived from advertising, fluctuations in advertising spending generally, or with respect to Internet-based spending specifically, could adversely impact our revenue. In addition, marketing spending follows seasonal consumer behavior throughout the calendar year to reflect trends during the calendar year, with spending. Historically spending is weighted toward the end of the year, with 30% of our revenues being earned in the fourth quarter.

Item 1A. Risk Fa ctors

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND RISK FACTORS

This Annual Report on Form 10-K/A contains forward- looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are any statements other than statements of historical fact. Examples of forward-looking statements include projections of earnings, revenues or other financial items, statements of the plans and objectives of management for future operations, and statements concerning proposed new products and services, and any statements of assumptions underlying any of the foregoing. In some cases, you can identify forward-looking statements by the use of words such as may, will, expects, should, believes, plans, anticipates, estimates, predicts, potential, or continue, and any other wo meaning.

Any or all of our forward-looking statements in this report and in any other public statements we make may turn out to be wrong and may cause our actual results to differ materially from forecasted or historical results. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties, including those outlined below. Consequently, no forward-looking statement can be guaranteed. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our reports to the Securities and Exchange Commission. Also note that we provide cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our businesses. These are factors that we think could cause our actual results to differ materially from expected and historical results. Other factors besides those listed here could also adversely affect us. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

You should carefully consider the risks described below before making an investment decision regarding CNET Networks securities. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of our common stock could decline due to any of these risks. The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

The matters relating to the Special Committee s and Management s review of our past stock option granting practices and the restatement of our consolidated financial statements have resulted in expanded litigation and regulatory proceedings and may result in future litigation which could harm our financial results.

On May 22, 2006, we announced that our Board of Directors had appointed a Special Committee comprised of independent directors to conduct, with the assistance of legal counsel and outside accounting experts, an internal investigation relating to past option grants, the timing of such grants and related accounting matters. As described in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations and Note 2 to our Consolidated Financial Statements, the Special Committee reached a preliminary conclusion in July 2006 concluding that the actual measurement dates for certain stock options granted between 1998 and 2001 differed from the recorded measurement dates. Charges related to the change in these stock option measurement dates were determined to be material and, as a result, we announced that we expected to restate our financial statements for 2005, 2004 and 2003 and possibly the first quarter of 2006. We announced the findings of the Special Committee s review of our option granting practices on October 11, 2006, and management concluded its review in January 2007. As a result of these reviews, we have recorded substantial additional non-cash stock compensation expense, and related tax effects, related to stock option grants.

Our review of our past stock option granting practices has required us to incur substantial expenses for legal, accounting, tax and other professional services, has diverted our management s attention from our business, and could in the future harm our business, financial condition, results of operations and cash flows.

Our past stock option granting practices and the restatement of our prior financial statements have exposed us to greater risks associated with litigation and regulatory proceedings. In June 2006, we received a grand jury document subpoena from the United States Attorney for the Northern District of California requesting records pertaining to the granting of stock options. In addition, in May 2006 we received notice that the Securities and Exchange Commission (SEC) was conducting an informal inquiry into our stock option grants. We are cooperating, and will continue to cooperate fully with the United States Attorney for the Northern District of California and the SEC. We cannot predict the outcome of these investigations. In addition, as described in Part II, Item 3, Legal Proceedings , several derivative complaints have been filed against our directors and certain of our executive officers pertaining to allegations relating to stock option grants. We cannot predict the outcome of any litigation or regulatory proceeding against CNET Networks or our directors or officers.

As a result of our delayed filing of our Quarterly Report on Form 10-Q for the quarters ended June 30, 2006 and September 30, 2006, we will be ineligible to register our securities on Form S-3 for sale by us or resale by others until we have timely filed all periodic reports under the Securities and Exchange Act of 1934 for a period of twelve months and any portion of a month from the due date of the last untimely report. We may use Form S-1 to raise capital or complete acquisitions, but doing so could increase transaction costs and adversely impact our ability to raise capital or complete acquisitions of other companies in a timely manner.

On August 14, 2006 and November 13, 2006, we received Nasdaq Staff Determination notices stating that we were not in compliance with Nasdaq Marketplace Rule 4310(c)(14). The notices were issued in accordance with Nasdaq procedures because we did not timely file our Quarterly Reports on Form 10-Q for the periods ended June 30, 2006 and September 30, 2006. We requested and were granted a hearing on September 26, 2006 with the Nasdaq Listing Qualifications Panel. On December 5, 2006, we received notice that the Nasdaq Listing Qualifications Panel granted our request for continued listing of our common stock on the Nasdaq Global Select Market. The continued listing of our common stock is subject to the condition that on or before February 2, 2007, we must file with the SEC our Quarterly Reports on Form 10-Q for the periods ended June 30, 2006 and September 30, 2006 and any necessary restatements of our prior financial statements. Although we believe the filing of this Form 10-K/A and our concurrent filings of the delinquent Form 10-Qs and the Form 10-Q/A for the quarter ended March 31, 2006 satisfy the Nasdaq Listing Qualifications Panel s requirements, we cannot assure you that the Panel will be satisfied with these filings.

While we believe that we have made appropriate judgments in determining the correct measurement dates for option grants, the SEC may disagree with the manner in which we have accounted for and reported, or not reported, the financial impact of past option grant measurement date errors, and there is a risk that any SEC inquiry could lead to circumstances in which we may have to further restate our prior financial statements, amend prior filings with the SEC, or otherwise take other actions not currently contemplated. In addition, the SEC may issue additional guidance on disclosure requirements related to the financial impact of past option grant measurement date errors that may require us to amend this filing or prior filings with the SEC to provide additional disclosures pursuant to this guidance. Any such circumstance could also lead to future delays in filing our subsequent SEC reports and delisting

of our common stock from the Nasdaq Global Select Market. Furthermore, if we are subject to adverse findings in any of these matters, we could be required to pay damages or penalties or have other remedies imposed upon us which could harm our business, financial condition, results of operations and cash flows. See Note 2, Restatement of Consolidated Financial Statements of the Notes to Consolidated Financial Statements for further information.

Our revenues might not grow, and they might decrease.

Several factors, many of which are outside of our control, contribute to our revenue growth. Some scenarios that might impede our revenue growth in the future are listed below.

- our failure to maintain existing marketing customers and to attract new marketing customers due to competition from other media outlets, dissatisfaction with our services, reduced advertising budgets;

- our loss of advertising and other marketing opportunities to competitors, especially as other media companies increase their online presence in areas where we focus;

- our inability to attract advertisers for our newer websites;

- our inability to respond to ad-blocking technology might decrease the effectiveness of online advertising;

- a loss of revenues from our publishing operations, as more advertising dollars shift from publishing to the Internet;

- weakness in corporate and consumer spending may lead to a decline in advertising, which is the primary source of our revenues;

- a decline in general economic conditions, which could occur as a result of currency fluctuations, rising interest rates, or other factors;

- disruption of our operations due to technical difficulties, system downtime, Internet brownouts or denial of service or other similar attacks; and

- disruption to our operations, employees, partners, customers and facilities caused by natural disasters, international or domestic terrorist attacks or armed conflict.

We may not be able to achieve our targeted incremental profit margins and accordingly we may fail to make expected improvements in our overall profit margins.

We have identified incremental profit margins as a useful performance measure. Incremental profit margin is the percent of each dollar of new revenue that we earn in current periods as compared to prior periods that flows to operating income before depreciation, amortization, asset impairment and stock compensation expense. We may fail to achieve our incremental profit margin targets. Some of the factors that could cause us not to achieve these targets include:

- greater than expected expenses due to a decision to invest in new products, services or websites;

- acquisitions of businesses that cannot immediately achieve these profit margins;
- greater than expected compensation expenses due to competition for qualified employees;
- a failure to achieve projected revenue growth, as described in the first risk factor above; or
- a failure to manage the costs associated with innovation and growth.

We have generated significant losses in the past and cannot assure you that we will report positive net income in the future. If our revenues do not increase, we may not be able to adjust spending in a timely manner to maintain positive net income.

We have generated an operating loss in eight of the past ten years and have generated a net loss in seven of the past ten years. Although we generated positive net income in 2005, our ability to generate positive net income in 2006 or subsequent periods may be negatively impacted by:

- the implementation of Financial Accounting Standards Board Statement No. 123R, Revised Share-Based Payments (SFAS 123R), which requires us to recognize expenses for stock options for periods beginning after January 1, 2006;
- an inability to decrease expenses in a timely manner to offset any revenue shortfalls or expenses associated with cost-reduction measures, such as severance, lease termination payments, contract termination costs or impairment charges;
- payments associated with contingent liabilities, such as litigation or our guarantee of the New York lease of Ziff-Davis, Inc., as described in more detail in a subsequent risk factor; or
- any unusual transactions such as impairments or losses on investments.

Competition is intense and we might not compete successfully.

The media industry is intensely competitive and rapidly evolving. We compete for advertisers, users and business partners with numerous companies throughout the world that offer information and content in our primary areas of focus.

- Traditional offline media. We have always competed for consumers and advertisers in our areas of focus with the traditional offline media, such as television, radio, cable and print. For instance, mainstream business publications, such as The New York Times, The Wall Street Journal, Fortune, Forbes, and Business Week and other publications devoted to certain content areas such as games or technology, offer content that competes with ours. Increasingly, these traditional offline media companies are developing broader reach by creating alternative channels of distribution for their content by building more robust Internet sites, acquiring online companies, and partnering with other media outlets. As the traditional offline media continues to introduce more multi-media offerings into the market, we will continue to compete with them for consumers and advertisers in the areas where we focus.

Internet sites. Large general purpose portals, such as AOL, MSN and Yahoo! are also competitors, especially as these properties expand their content offerings in our areas of expertise. We also compete with niche sites focused on the same vertical markets on which we focus. For example, our gaming properties compete with other gaming sites such as IGN Entertainment, and our business technology properties compete with smaller, niche sites such as TechTarget. In addition, many traditional media companies are increasing their online offerings.

Search engines. Search engines such as Google and Yahoo! complete with us by attracting users looking for goods, services and content similar to those offered on our websites. They also complete with us by attracting marketing dollars from companies trying to reach those users.

Online comparison shopping services. Specialized online comparison shopping services such as Shopping.com and PriceGrabber.com and the online shopping services operated by large general purpose portals have sought to expand the reviews and information offerings on their sites. They compete with us for users and the companies trying to reach those users.

Online retail and auction companies. These companies, such as Amazon.com and eBay, offer goods and services similar to those that can be obtained through our websites. They compete with us for users and the companies trying to reach those users.

We may have difficulties with our acquisitions, investments and new product developments.

We intend to pursue new business opportunities and ventures, including acquisitions, in a broad range of areas. Any decision by us to pursue a significant business expansion or a new business opportunity would be accompanied by risks, including, among others:

- investment of a substantial amount of capital, which could have a material adverse effect on our financial condition and our ability to implement our existing business strategy;
- issuance of additional equity interests, which would be dilutive to current stockholders;
- additional burdens on our management personnel and financial and operational systems;
- difficulty assimilating the operations, technology and personnel of the new businesses;
- potential disruption of our ongoing business;
- possible inability to retain key technical and managerial personnel;
- additional expenses associated with amortization of purchased intangible assets;
- additional operating losses and expenses associated with the activities and expansion of acquired businesses;

- possible impairment of relationships with existing employees and advertising customers;
- the impact of our stock option investigation and related lawsuits on our ability to attract business partners;
- potential undisclosed liabilities associated with new or acquired businesses; and
- for foreign acquisitions and investments, additional risks related to the integration of operations across different cultures and languages, currency risks, and the particular economic, political, and regulatory risks associated with specific countries.

In addition, our one-year credit facility prohibits further borrowings which could impact our ability to fund acquisitions or to pay for capital purchases.

Acceptance of our brands, content and services may not continue.

Our future success depends upon the strength of our brands and our ability to deliver original and compelling content and services that attract and retain users. We will endeavor to continue building existing brands such as CNET.com and GameSpot, and introducing new brands, that resonate with their audiences, but we may not be successful. The specialized nature of certain of our sites may limit those sites potential user base. Our content and services might not be attractive to a sufficient number of users to generate revenues consistent with our estimates. In addition, we might not develop new content or services in a timely or cost-effective manner. If we are not successful in growing our user base, then our ability to attract the advertisers who seek to market to the demographic represented by our user base may be affected which would in turn impact our revenue. Our ability to successfully develop and produce content and services is subject to numerous uncertainties, including the ability to:

- anticipate and successfully respond to rapidly changing consumer tastes and preferences;
- fund new program development;
- attract and retain qualified editors, producers, writers, and technical personnel; and
- successfully expand our content offerings into new platform and delivery mechanisms.

Some of our sites may have limited user bases which will affect our ability to attract advertisers.

We believe that our success depends on our ability to continue to grow our user base and increase user interaction with our sites.

We may not innovate at a successful pace.

Our industry is rapidly adopting new technologies and standards to create and satisfy consumer demand. It is critical that we continue to innovate, anticipate and adapt to these changes to ensure that our content delivery platforms, services and products remain interesting to our users, advertisers and partners. In addition, we may discover that we must make significant expenditures to achieve this goal. If we fail to accomplish these goals, we may lose users and the advertisers that seek to reach those users.

We depend in part on third parties for traffic who may sever their relationships with us or fail to perform.

We depend in part on third parties for Internet traffic to our websites and changes to their operations or our failure to develop and maintain relationships with them could result in decreased traffic. Any reduction in users of our websites could negatively impact our ability to earn revenue. A significant portion of our users visit our websites by conducting a search on a search engine, such as Google, MSN or Yahoo! and following a link displayed in the search results. Changes in the methodologies used by these search engines to display results could result in our websites receiving less favorable placements, which could reduce the number or users who link to our sites from these search engines.

In addition, we rely on the cooperation of owners and operators of other Internet sites with whom we have syndication and other arrangements to generate traffic for our Internet sites. Our ability to maintain these relationships will continue to be critical to the success of our Internet operations. If we are unable to develop and maintain satisfactory relationships with such third parties on acceptable commercial terms, or if our competitors are better able to capitalize on these relationships, we could see a reduction in the numbers of users of our websites.

Most of our revenue is derived from short-term contracts which may not be renewed.

Our revenues are derived in large part from the sale of advertising and we expect that this will continue to be the case for the foreseeable future. Most of our advertising contracts are short-term and are subject to termination by the customer at any time on thirty-day prior written notice. Advertisers who have longer-term contracts may fail to honor their existing contracts or fail to renew their contracts. If a significant number of advertisers or a few large advertisers decided not to continue advertising on our websites, we could experience a rapid decline in our revenues over a relatively short period of time.

We depend on, and receive, a significant percentage of our revenue from a relatively small number of advertisers.

A relatively small number of advertisers contribute a significant percentage of our revenue. Our top one hundred customers contributed approximately 67% of our U.S. revenue in 2005. These customers may not continue to use our services to the same extent, or at all, in the future. A significant reduction in advertising by one or more of our largest customers could have a material adverse effect on our financial condition and results of operation.

A significant percentage of our revenues are derived from activity-based fees generated from our commerce Internet sites and we might not be able to attract qualified users for which merchants are willing to pay us activity-based fees.

We earn fees when users visit the sites of our merchant partners to view products that are listed on our commerce sites. There are currently many other businesses that offer similar services, often at lower prices than the ones we charge. It is very easy for new businesses to begin operations in this space. In addition, users may prefer to contact merchants directly rather than return to our commerce sites to make future purchases. If we are unable to continue to attract users to our shopping services or to maintain the fees we charge merchants for sending users to their sites, then our business, operating results and financial condition may be adversely affected. Most of our agreements with merchants under which activity-based fees are earned are terminable by either party on ten to thirty days notice. In addition, the amount of activity based fees that we earn is highly dependent upon consumer purchasing activity and trends. A decrease in consumer purchasing activity could result in a decrease in our activity-based fees.

Our advertising and other operating revenues may be subject to fluctuations, which could have a material adverse effect on our business, operating results and financial condition.

We believe that advertising spending on the Internet, as in traditional media, fluctuates significantly with economic conditions. Because a majority of our revenues are derived from advertising, fluctuations in advertising spending generally, or with respect to Internet-based spending specifically, could adversely impact our revenue. In addition, marketing spending follows seasonal consumer behavior throughout the calendar year to reflect trends during the calendar year, with spending historically weighted towards the fourth quarter. Consistent with industry trends, our revenues in 2005 were weighted toward the end of the year, with 30% of our revenues being earned in the fourth quarter.

Our business may be affected by events that draw users away from our content.

Our business may be impacted by any event that decreases the amount of the time that users spend on CNET properties. During these times, our traffic and revenues may decrease. Some of these factors include geopolitical events and natural disasters.

An inability to attract and retain key personnel could adversely affect our operations.

Our success depends to a large extent on the continued services of our senior management team and qualified skilled employees. Our success also depends on our ability to identify, attract, develop, retain and motivate other highly skilled officers, key employees and personnel in a competitive job environment. We currently have several key executive positions open, and we cannot assure you that we will find qualified candidates in a timely manner. Our inability to do so may adversely affect our ability to operate our business. We do not have employment agreements with any of our executive officers and do not maintain key person life insurance policies on any of our officers or other employees. As the overall industry for interactive content and Internet advertising grows, our employees are increasingly sought after by competitors. In order to remain competitive in the employment market, we may need to increase compensation to retain or attract qualified employees, which could have an adverse effect our financial condition or operating results. Our inability to attain shareholder approval of equity compensation plans may affect our ability to attract and retain key employees.

We have limited protection of our intellectual property and could be subject to infringement claims that may result in costly litigation, the payment of damages or the need to revise the way we conduct our business.

Our success and ability to compete are dependent in part on the strength of our proprietary rights, on the goodwill associated with our trademarks, trade names, service marks, and on our ability to use U.S. and foreign laws to protect them. Our intellectual property includes our original content, our editorial features, logos, brands, domain names, the technology that we use to deliver our products and services, the various databases of information that we maintain and make available through our Internet sites or by license, and the appearance of our Internet sites. We claim common law protection on certain names and marks that we have used in connection with our business activities. While we have applied for and obtained registration of many of our marks in countries outside of the U.S. where we do business, we have not been able to obtain registration of all of our key marks in such jurisdictions, in some cases due to opposition by people employing similar marks. In addition to U.S. and foreign laws, we rely on confidentiality agreements with our employees and third parties, and protective contractual provisions to protect our intellectual property.

Policing our intellectual property rights worldwide is a difficult task and we might not be able to identify infringing users. We cannot be certain that third party licensees of our content will always take actions to protect the value of our proprietary rights and reputation. Intellectual property laws, our agreements and our patents may not be sufficient to prevent others from copying or otherwise obtaining and using our content or technologies. Others may develop technologies that are similar or superior to ours. In seeking to protect our trademarks, copyrights and other proprietary rights, or defending ourselves against claims of infringement brought by others, with or without merit, we could face costly litigation and the diversion of our management s attention and resources.

Notwithstanding the efforts that we have taken to ensure that we have sufficient rights to the intellectual property that we use, we could still be subject to claims of infringement. For instance, there has been a recent increase in the granting and attempted enforcement of business process patents that cover practices that may be widely employed in the Internet industry. We have, on occasion, been approached by holders of patents alleging that our services infringe on their patents. Many companies that offer services similar to ours have been approached and, in some cases, sued by other patent holders alleging patent infringement. We could be required to enter into costly royalty arrangements with the holders of these patents or to revise our services to ensure non-infringement or to avoid litigation. If we are unsuccessful in avoiding litigation, we would incur significant expenses and could be subject to damage awards, including damages for past infringement and royalties for future use of the patented method or technology. If we are found to violate any such patent, and we are unable to enter into a license agreement on reasonable terms, our ability to offer services could be materially and adversely affected. We do not have insurance for patent infringement.

In seeking to protect our trademarks, copyrights and other proprietary rights, or defending ourselves against claims of infringement brought by others, with or without merit, we could face costly litigation and the diversion of our management s attention and resources. These claims could result in the need to develop alternative trademarks, content or technology or to enter into costly royalty or licensing agreements, which could have a material adverse effect on our business, results of operations and financial condition.

Our business involves risks of liability claims for Internet and print content, which could result in significant costs.

As a publisher and a distributor of content through the Internet and print publications, we may face potential liability for:

defamation/libel;

negligence;

copyright, patent or trademark infringement; or

other claims based on the nature and content of the materials published or distributed.

These types of claims have been brought, sometimes successfully, against online services and publishers of print publications. In addition, we could be exposed to liability in connection with material posted to our Internet sites by third parties. For example, many of our sites offer users an opportunity to post profiles, software, videos, photos, reviews and opinions. Some of this user-generated content, and the content that appears in our indexes and directories, may infringe on third party intellectual property rights or privacy rights or may otherwise be subject to challenge under copyright laws. Although we do not believe that our listing of any such material should expose us to liability, it is possible that such a claim may be successfully brought.

Our insurance may not cover potential claims of defamation, libel, negligence and similar claims, and it may or may not apply to a particular claim or be adequate to reimburse us for all liability that may be imposed. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could have a material adverse effect on our financial condition.

There are a number of risks associated with international operations that could adversely affect our business.

We maintain an international presence through a variety of international structures and business operations. We have wholly-owned operations in Australia, France, Germany, Japan, Russia, Singapore, Switzerland and the United Kingdom and majority-owned joint ventures in Korea. We also have license arrangements in various other countries throughout the world. We operate our operations in China through a variety of entities some of which are owned by local employees in order to comply with local ownership and regulatory licensing requirements. We believe our current ownership structure complies with all existing Chinese laws. It is possible; however, that the Chinese government may change the applicable laws or take a different interpretation of existing laws. If we were found to be in violation of any existing or future Chinese laws or regulations, we could be subject to fines and other financial penalties, have our licenses revoked, or be forced to discontinue our business entirely.

There are additional risks inherent in doing business in international markets, such as the following:

- weak economic conditions in foreign markets, especially in the business sector;
- uncertainty of product acceptance in different countries,
- longer collection cycles in some countries;
- current, and unforeseen changes in, legal and regulatory requirements;
- difficulties in staffing and managing multi-national operations;
- currency exchange rate fluctuations, which could reduce our revenues as determined under U.S. GAAP, increase our expenses, and dilute our operating margins;
- difficulties in finding appropriate foreign licensees or joint venture partners;
- potential adverse tax requirements;
- distance, language and cultural differences in doing business with foreign entities; and
- foreign political and economic uncertainty.

Changes in regulations could adversely affect the way that we operate.

It is possible that new laws and regulations in the U.S. and elsewhere will be adopted covering issues affecting our business, including:

- privacy and use of personally identifiable information;
- copyrights, trademarks and domain names;
- obscene or indecent communications;
- pricing, characteristics and quality of Internet products and services;
- marketing practices, such as direct marketing or adware;
- the ability of children to access our services; and
- taxation of Internet usage and transactions.

Increased government regulation, or the application of existing laws to online activities, could:

- decrease the growth rate of the Internet;
- reduce our revenues;
- increase our operating expenses; and
- expose us to significant liabilities.

We cannot be sure what effect any future material noncompliance by us with these laws and regulations or any material changes in these laws and regulations could have on our business, operating results and financial condition.

We may be subject to system disruptions, which could adversely affect our revenues.

Our ability to attract and maintain relationships with users, advertisers, and strategic partners will depend on the satisfactory performance, reliability and availability of our Internet infrastructure. Our Internet advertising revenues relate directly to the number of advertisements and other marketing opportunities delivered to our users. System interruptions or delays that result in the unavailability of Internet sites or slower response times for users would reduce the number of impressions and leads delivered. This could reduce revenue as the attractiveness of our sites to users, strategic partners and advertisers decreases. Our insurance policies provide only limited coverage for service interruptions and may not adequately compensate us for any losses that may occur due to any failures or interruptions in our systems. Further, we do not have multiple site capacity for all of our services in the event of any such occurrence. We may experience service disruptions for the following reasons:

occasional scheduled maintenance;

equipment failure;

when traffic volumes to our sites increase beyond our infrastructure s capacity;

due to natural disasters, telecommunications failures, power failures, other system failures, maintenance, viruses, hacking or other events.

Our networks may be vulnerable to unauthorized persons accessing our systems, which could disrupt our Internet operations and result in the theft of our proprietary information.

A party who is able to circumvent our security measures could misappropriate either our proprietary information or the personal information of our users and customers or cause interruptions or malfunctions in our Internet operations. We may be required to expend significant capital and resources to protect against the threat of security breaches or to alleviate problems caused by breaches in security. For example, so-called spiders have and can be used in efforts to copy our databases, including our database of technology products and prices.

Our activities and the activities of third party contractors involve the storage and transmission of proprietary and personal information, such as computer software or credit card numbers. Accordingly, security breaches could expose us to a risk of loss or litigation and possible liability. We cannot assure you that contractual provisions attempting to limit our liability in these areas will be successful or enforceable, or that other parties will accept such contractual provisions as part of our agreements.

Our business, operating results and financial condition may be impacted by certain contingencies related to our guarantee of certain lease obligations.

In conjunction with the ZDNet acquisition in 2000, we assumed a guarantee of the obligations of Ziff Davis Media Inc., an unaffiliated company and primary lessee, under a New York City office lease for a total of 399,773 square feet. This lease expires in 2019. The annual average cost per square foot is approximately thirty dollars over the remaining term of the lease. Ziff Davis Media Inc. currently occupies 144,682 square feet of this space. Ziff Davis Media Inc. subleases 205,951 square feet to The Bank of New York, FOJP Risk Management and Softbank, collectively. In addition, we currently sublease and occupy 49,140 square feet of the office space from Ziff Davis Media Inc. These leases and subleases fully cover the current monthly lease payments.

As of September 30, 2006, the total lease payments remaining until the end of the lease term were $150.8 million, excluding the amounts attributable to our sublease with respect to the floor we occupy. If the financial condition of any of the sublessees or the primary lessee were to deteriorate and thereby result in their inability to make lease payments, we would be required to make their lease payments under the guarantee. In addition, any expiration of any sublease, the potential resulting vacancy and the inability of Ziff Davis Media Inc. to make the primary lease payments could result in us being required to make lease payments on these vacancies.

In connection with that guarantee, we have a letter of credit for $15.0 million outstanding as a security deposit. As there is no present obligation to make any payments in connection with this guarantee, we have not recorded any liability for this guarantee in our financial statements.

Our business could be adversely impacted if we have deficiencies in our disclosure controls and procedures or internal control over financial reporting.

The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. As part of management s review of our accounting policies and internal control over financial reporting for the year ended December 31, 2004 pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, management concluded that there was a material weakness in our internal control over financial reporting related to the lack of adequate staffing in the area of financial reporting resulting in management s inability to consistently follow some of its internal control over financial reporting related to (a) the timely preparation of comprehensive documentation supporting management s analysis of the appropriate accounting treatment for non-routine and complex items and (b) the conducting of a critical secondary review of this supporting documentation by internal staff or outside advisors to determine its completeness and the accuracy of the conclusions. We concluded that we have remediated this material weakness as of December 31, 2005. As discussed in Item 9A, Controls and Procedures, and in connection with the restatement of our financial statements, our Chief Executive Officer and Chief Financial Officer reevaluated our disclosure controls and procedures and internal control over financial reporting as of December 31, 2005 and concluded that our disclosure controls and procedures and internal control over financial reporting were effective. While management will continue to review the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we cannot assure you that our disclosure controls and procedures or internal control over financial reporting will be effective in accomplishing all control objectives all of the time. Other deficiencies, particularly a material weakness in internal control over financial reporting, which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in our stock price, or otherwise materially adversely affect our business, reputation, results of operation, financial condition or liquidity.

Accounting rules regarding goodwill could make our reported results more volatile.

Goodwill is tested for impairment annually or when an event occurs indicating the potential for impairment. The evaluation is prepared based on our current and projected performance for the identified reporting units. The fair value of our reporting units is determined using a combination of the cash flow and market comparable approaches. If we conclude at any time that the carrying value of our goodwill and other intangible assets for any of our reporting units exceeds its implied fair value, we will be required to recognize an impairment, which could materially reduce operating income and net income in the period in which such impairment is recognized.

In the application of these methodologies, we were required to make estimates of future operating trends and judgments on discount rates and other variables. Actual future results and other assumed variables could differ from these estimates, including changes in the economy, the business environment in which we operate, and/or our own relative performance. Any differences in actual results compared to our estimates could result in further future impairments. Accordingly, our future earnings may be subject to significant volatility, particularly on a period-to-period basis.

We will record substantial stock compensation expenses, which may have a material negative impact on our operating results for the foreseeable future.

Effective January 1, 2006, we adopted the SFAS 123R for stock-based employee compensation. Our stock compensation expenses are expected to be significant in future periods, which will have an adverse impact on our operating income and net income. Our option-pricing model requires the input of highly subjective assumptions, including the option s expected life and the price volatility of the underlying stock. Changes in the subjective input assumptions can materially affect the amount of our stock compensation expense. Our estimated stock compensation expenses may also be greater than expected if the fair value of our stock increases. In addition, an increase in the competitiveness of the market for qualified employees could cause us to issue more stock compensation than expected, which would increase our expenses.

Our debt obligations expose us to risks that could adversely affect our financial condition.

We have a substantial level of debt and interest expense. At December 31, 2006 we had approximately $78.0 million of outstanding indebtedness. The level of our indebtedness, among other things, could:

- make it difficult for us to make payments on our debt as described below;
- make it difficult for us to obtain any necessary financing in the future for working capital, capital expenditures, debt service, acquisitions or general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our business;
- reduce funds available for use in our operations;
- place us at a possible competitive disadvantage relative to less leveraged competitors and competitors that have better access to capital resources;

impair our ability to incur additional debt because of financial and other restrictive covenants; and

make us more vulnerable in the event of a downturn in our business or an increase in interest rates.

In October 2006, we received a notice of acceleration declaring the principal amount of our $125.0 million, 0.75% Senior Convertible Notes Due 2024 and any accrued and unpaid interest immediately due and payable. We retired the entire $125.0 million balance with existing cash and by fully drawing on a $60.0 million, one-year credit facility.

If we experience a decline in revenues due to any of the factors described in this Risk Factors section or otherwise, we could have difficulty paying interest and principal amounts due on our indebtedness. If we are unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments, or if we fail to comply with the various covenants of our $60.0 million, one-year credit facility, we would be in default, which would permit our lender to accelerate the maturity of the indebtedness and could cause defaults under our other indebtedness. Any default under our indebtedness could have a material adverse effect on our financial condition. If we do not achieve and sustain positive net income, we could have difficulty repaying or refinancing our outstanding debt, including the $60.0 million due under our one-year credit facility which matures in October 2007.

Changes in our tax rate could affect our future results.

Our future effective tax rates could be unfavorably affected by changes in the valuation of our deferred tax assets and liabilities, changes in the mix of earnings in countries with differing statutory tax rates, or by changes in tax laws or their interpretations. In addition, we are subject to the continuous examination of our tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcome resulting from these examinations to determine the adequacy of our provision for income taxes. The outcomes from examinations may have an adverse effect on our business, operating results and financial condition.

The trading value of our common stock may be volatile and decline substantially.

The trading price of our common stock is subject to wide fluctuations, which are a result of a number of events and factors, including:

- quarterly variations in operating results;
- announcements of innovations requiring significant expenditures;
- new products, strategic developments or business combinations by us or our competitors;
- changes in our financial estimates or that of securities analysts;
- restatements of previously issued financial results;
- our sale of common stock or other securities in the future;
- changes in recommendations of securities analysts;
- developments in litigations or other governmental proceedings against us, or new litigations or governmental proceedings;
- the operating and securities price performance of other companies that investors may deem comparable to us; and
- news reports, including those relating to trends in the Internet.

In addition, the stock market in general, and the market prices for Internet-related companies in particular, have experienced extreme volatility that often has been unrelated to the operating performance of these companies. These broad market and industry fluctuations may adversely affect the trading price of our common stock. These fluctuations may make it more difficult to use stock as currency to make acquisitions that might otherwise be advantageous, or to use stock options as a means to attract and retain employees.

Any shortfall in revenue or earnings compared to our or analysts or investors expectations could cause, and has in the past caused an immediate and significant decline in the trading price of our common stock. In addition, we may not learn of such shortfalls or delays until late in the fiscal quarter, which could result in an even more immediate and greater decline in the trading price of our common stock.

Provisions of our certificate of incorporation, bylaws and Delaware law could deter takeover attempts.

Some provisions in our certificate of incorporation and bylaws could delay, prevent or make more difficult a merger, tender offer, proxy contest or change of control. Our stockholders might view any transaction of this type as being in their best interest since the transaction could result in a higher stock price than the current market price for our common stock. Among other things, our certificate of incorporation and bylaws:

- authorize our Board of Directors to issue preferred stock with the terms of each series to be fixed by our Board of Directors;
- divide our Board of Directors into three classes so that only approximately one-third of the total number of directors is elected each year;
- permit directors to be removed only for cause; and
- specify advance notice requirements for stockholder proposals and director nominations

In addition, with some exceptions, the Delaware General Corporation Law restricts or delays mergers and other business combinations between us and any stockholder that acquires 15% or more of our voting stock.

A substantial number of shares of common stock may be sold, which could affect the trading price of our common stock.

We have a substantial number of shares of common stock subject to stock options. As of September 30, 2006, we had 9,492,527 shares of common stock available for future grant under our employee stock option plans and 18,978,378 issuable upon the future conversion of outstanding stock options. In addition, as of September 30, 2006, we have approximately 250 million shares of authorized but unissued shares of our common stock that are available for future sale. We cannot predict the effect, if any, that future sales of shares of our common stock, or the availability of shares of our common stock for future sale, will have on the market price of our common stock. Sales of substantial amounts of our common stock, including shares issued in connection with acquisitions or upon the exercise of stock options or warrants or the conversion of debt securities, or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock.

Item 1B. Unresolve d Staff Comments

None.

Item 2. Pro perties

We are headquartered in San Francisco, California, where we occupy approximately 283,000 square feet of leased office space. In addition to our San Francisco office, we have several leased offices throughout the U.S., including Cambridge, Massachusetts, Louisville, Kentucky and New York City. We also have leased offices in Europe, Asia and Australia.

Item 3. Legal Proceed ings

Two shareholder class action lawsuits were filed in the United States District Court for the Southern District of New York on August 16, 2001 and September 26, 2001, against Ziff-Davis, Eric Hippeau and Timothy O Brien, and investment banks that were the underwriters of the public offering of ZDNet series of Ziff-Davis stock (the ZDNet Offering). One of the complaints also names CNET Networks as a defendant, as successor in liability to Ziff-Davis. The complaints are similar and allege violations of the Securities Act of 1933, and one of the complaints also alleges violations of the Securities Exchange Act of 1934. The complaints allege the receipt of excessive and undisclosed commissions by the underwriters in connection with the allocation of shares of common stock to certain investors in the ZDNet Offering and agreements by those investors to make additional purchases of stock in the aftermarket at pre-determined prices. Plaintiffs allege that the prospectus for the ZDNet Offering was false and misleading and in violation of the securities laws because it did not disclose the arrangements. A Consolidated Amended Complaint, which is now the operative complaint, was filed in the Southern District of New York on April 19, 2002. The action seeks damages in an unspecified amount. The action is being coordinated with over 300 nearly identical actions filed against other companies and their underwriters. On February 19, 2003, the Court granted our motion to dismiss the Section 10(b) claim with leave to replead, and denied the motion to dismiss the Section 11 claim. Plaintiffs did not replead the Section 10(b) claim, and the time to replead that claim has expired.

On October 13, 2004, the Court certified a class in six of the approximately 300 other nearly identical actions (the focus cases) and noted that the decision is intended to provide strong guidance to all parties regarding class certification in the remaining cases. The Underwriter Defendants appealed the decision and the Second Circuit vacated the district court s decision granting class certification in those six cases on December 5, 2006. Plaintiffs have not yet moved to certify a class in the CNET Networks case.

The majority of the issuers, including CNET Networks, and their insurers have approved a settlement agreement and related agreements. The agreements set forth the terms of a settlement between CNET Networks, the plaintiff class and the vast majority of the other approximately 300 issuer defendants. It is unclear what impact the Second Circuit s decision vacating class certification in the six focus cases will have on the settlement, which has not been finally approved by the Court. Plaintiffs are expected to file a petition for rehearing and rehearing *en banc*. On November 14, 2006, Judge Scheindlin held a hearing and stayed all proceedings, including a decision on final approval of the settlement and any amendments of the complaints, pending the Second Circuit s decision on Plaintiffs expected petition for rehearing.

Pursuant to the settlement and related agreements, if the settlement receives final approval by the Court, our insurers would participate in an undertaking to guarantee a minimum recovery by the plaintiffs as described below. Among other provisions, the settlement provides for a release of CNET and the individual defendants for the conduct alleged in the action to be wrongful. We would agree to undertake certain responsibilities, including agreeing to assign away, not assert, or release certain potential claims we may have against its underwriters. The settlement agreement also provides a guaranteed recovery of $1 billion to plaintiffs for the cases relating to all of the approximately 300 issuers. To the extent that the underwriter defendants settle all of the cases for at least $1 billion, no payment will be required under the issuers settlement agreement. To the extent that the underwriter defendants settle for less than $1 billion, the issuers are required to make up the difference. On April 20, 2006, JPMorgan Chase and the plaintiffs reached a preliminary agreement for a settlement for $425 million. The JPMorgan Chase settlement has not yet been approved by the Court. In an amendment to the issuers settlement agreement, the issuers insurers agreed that the JP Morgan settlement will only offset the insurers obligation to cover the remainder of plaintiffs guaranteed $1 billion recovery by 50% of the value of the JP Morgan settlement, or $212.5 million. Therefore, if the JP Morgan settlement is finally approved, then the maximum amount that the issuers insurers will be potentially liable for is $787.5 million. However, future settlements with other underwriters would further reduce that liability. It is unclear what impact the Second Circuit s decision vacating class certification in the focus cases will have on the JP Morgan Chase preliminary agreement.

It is anticipated that any potential financial obligation of ours to plaintiffs pursuant to the terms of the settlement agreement and related agreements will be covered by existing insurance. Therefore, we do not expect that the settlement will involve any payment by us. Based on the amount of our insurance and the agreement of the insurers to cover legal expenses after June 1, 2003, we do not anticipate additional expenses or liability if the settlement is approved. We are currently not aware of any material limitations on the expected recovery of any potential financial obligation to plaintiffs from our insurance carriers. We believe our carriers are solvent, and we are not aware of any uncertainties as to the legal sufficiency of an insurance claim with respect to any recovery by plaintiffs.

19

Therefore, we do not expect that the settlement will involve any payment by us. If material limitations on the expected recovery of any potential financial obligation to the plaintiffs from our insurance carriers should arise, our maximum financial obligation to plaintiffs pursuant to the settlement agreement would be less than $3.4 million. However, if the JPMorgan Chase settlement is finally approved, our maximum financial obligation to the plaintiffs pursuant to the settlement agreement would be less than $2.7 million.

There is no assurance that the court will grant final approval to the settlement. If the settlement is not approved and we are found liable, it is anticipated that any potential financial obligation of CNET Networks to plaintiffs will be covered by existing insurance.

Regardless of whether the settlement is approved, and even if material limitations arise with respect to our expected recovery of any potential obligations to plaintiffs from our insurance carriers, we do not expect that any payments required to be made by us will be material.

On August 3, 2004, two private citizens filed an action, *Cisneros, et al. v. Yahoo! Inc., et al.,* San Francisco Superior Court, Case No. CGC 04433518, against CNET Networks, and a number of other defendants claiming that the defendants posted website advertisements for Internet gambling sites in violation of California Business and Professions Code Section 17200. The plaintiffs sought a variety of remedies including disgorgement, restitution, and an injunction. In preliminary hearings, the court has ruled that disgorgement or restitution claims are limited. On December 1, 2005, plaintiffs filed a motion seeking a preliminary injunction. The case is at the preliminary stage and little discovery has been conducted. Accordingly, it is not possible to predict the impact of this litigation on our financial results.

United States Attorney and SEC Inquiries

On June 26, 2006, we received a grand jury document subpoena from the United States Attorney for the Northern District of California requesting records pertaining to the granting of stock options. In addition, in May 2006 we received notice that the Securities and Exchange Commission (SEC) was conducting an informal inquiry into our stock option grants. We are cooperating, and will continue to cooperate fully with the United States Attorney for the Northern District of California and the SEC. We cannot predict the outcome of these investigations.

Listing on the Nasdaq Stock Market

On December 5, 2006, we received notice that the Nasdaq Listing Qualifications Panel granted CNET Networks request for continued listing of our common stock on The Nasdaq Global Select Market. The continued listing of our common stock is subject to the condition that on or before February 2, 2007, we file with the SEC our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2006 and September 30, 2006 and any necessary restatements of our prior financial statements. Although we believe the filing of this Form 10-K/A, and our concurrent filings of the delinquent Form 10-Qs and the Form 10-Q/A for the quarter ended March 31, 2006 satisfy the Nasdaq Listing Qualifications Panel s requirements, we cannot assure you that the Panel will be satisfied with these filings.

Shareholder Derivative Suits

On May 31, 2006, a purported shareholder derivative complaint was filed in the Superior Court of California, County of San Francisco, by a party identifying itself as a shareholder of CNET Networks purporting to act on behalf of CNET Networks against the directors of CNET Networks and certain present and former officers of CNET Networks. CNET Networks is also named as a nominal defendant. The suit, captioned *Paskar v. Bonnie, et al.*, alleges breaches of fiduciary duty and unjust enrichment arising from stock options granted between 1996 and 2004. The complaint seeks monetary damages, disgorgement, rescission of stock options and other relief against the defendants on behalf of CNET Networks. The complaint does not seek monetary damages from, or the imposition of equitable remedies on, CNET Networks. Subsequently, on June 2, 2006, June 19, 2006 and September 22, 2006, three additional purported shareholder derivative actions were filed in the Superior Court of California, County of San Francisco. These three complaints, captioned *Hutton v. Bonnie, et al.*, *Raniolo v. Bonnie et al.* and *Berger v. Bonnie, et al.*, contain substantially similar allegations as the aforementioned shareholder derivative complaint. These four shareholder derivative cases were consolidated on October 23, 2006 and the plaintiffs filed a consolidated complaint on November 16, 2006. We filed a motion to stay these purported shareholder derivative actions pending before the California Superior Court. At a hearing on January 3, 2007, the Superior Court denied our motion to stay but ordered that no discovery or substantive motion practice shall proceed until further order of the Court.

On June 19, 2006, a purported shareholder derivative complaint was filed in the United States District Court for the Northern District of California by a party identifying itself as a shareholder of CNET Networks purporting to act on behalf of CNET Networks against the directors of CNET Networks and certain present and former officers of CNET Networks. CNET Networks is also named as a nominal defendant. The suit, captioned *Melzer v. Bonnie, et al.*, alleged violations of federal securities law, California securities law, as well as breach of fiduciary duty, unjust enrichment, and insider trading arising from stock options granted between 1997 and 2003. On July 13, 2006, another purported shareholder derivative complaint, captioned *Finn v. Bonnie et al.*, was filed in the same

court containing identical allegations. These purported shareholder derivative actions pending before the United States District Court for the Northern District of California were consolidated on August 31, 2006 and the plaintiffs in those cases have subsequently filed a consolidated complaint on September 28, 2006. That consolidated complaint was amended on November 9, 2006. The complaint seeks monetary damages, disgorgement, rescission of stock options and other relief against the defendants on behalf of CNET Networks. The complaint does not seek monetary damages from, or the imposition of equitable remedies on, CNET Networks.

There are no other legal proceedings to which we are a party that are reasonably expected to be material to our business or financial condition.

Item 4. Submis sion of Matters to a Vote of Security Holders

None.

PAR T II.

Item 5. Market for Registrant s Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the Global Select Market System of the Nasdaq Stock Market (Nasdaq) under the symbol CNET .

On August 14, 2006 and November 13, 2006, we received Nasdaq Staff Determination notices stating that we were not in compliance with Nasdaq Marketplace Rule 43.10(c)(14). The notices were issued in accordance with Nasdaq procedures because we did not timely file our Quarterly Reports on Form 10-Q for the periods ended June 30, 2006 and September 30, 2006. We requested and were granted a hearing on September 26, 2006 with the Nasdaq Listing Qualifications Panel.

On December 5, 2006, we received notice that the Nasdaq Listing Qualifications Panel granted our request for continued listing of our common stock on the Nasdaq Global Select Market. The continued listing of our common stock is subject to the condition that on or before February 2, 2007 we file with the Securities and Exchange Commission our Quarterly Reports on Form 10-Q for the periods ended June 30, 2006 and September 30, 2006 and any necessary restatements of our prior financial statements. Although we believe the filing of this Form 10-K/A and our concurrent filings of the delinquent Form 10-Qs and the Form 10-Q/A for the quarter ended March 31, 2006 satisfy the Nasdaq Listing Qualifications Panel s requirements, we cannot assure you that the Panel will be satisfied with these filings.

The following table sets forth the ranges of high and low trading prices of the common stock for the quarterly periods indicated, as reported by Nasdaq.

	2005		2004	
	High	**Low**	**High**	**Low**
First quarter	$ 11.65	$ 8.80	$ 11.30	$ 6.86
Second quarter	$ 12.00	$ 9.24	$ 13.45	$ 7.93
Third quarter	$ 14.24	$ 11.30	$ 11.01	$ 7.16
Fourth quarter	$ 15.98	$ 12.44	$ 11.58	$ 8.04

We have never declared or paid a cash dividend on our common stock. We intend to retain any earnings to cover operations and working capital fluctuations and to fund capital expenditures and expansion. We do not anticipate paying cash dividends on our common stock in the foreseeable future.

At March 10, 2006, the closing price for our common stock as reported by Nasdaq was $13.12, and the approximate number of holders of record of our common stock was 901.

The information required by this item and included under the caption Securities Authorized for Issuance Under Equity Compensation Plans is incorporated by reference from Item 12 of this Annual Report on Form 10-K/A.

Item 6. Se lected Consolidated Financial Data

The following table sets forth selected consolidated financial data and other operating information, as restated. The restated financial data and operating information do not purport to indicate results of operations as of any future date or for any future period. The restated financial data and operating information should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein. The consolidated financial statement of operations data for the years ended December 31, 2005, 2004 and 2003 and the consolidated balance sheet data as of December 31, 2005 and 2004 are derived from restated consolidated financial statements that are included elsewhere herein. The consolidated financial statement of operations data for the years ended December 31, 2002 and 2001 and the consolidated balance sheet data as of December 31, 2003, 2002, and 2001 are derived from unaudited consolidated financial statements which are not included herein and have been restated to adjust for additional non-cash charges for stock compensation expense and the other adjustments and reclassifications as noted below.

As described in Management s Discussion and Analysis of Financial Condition and Results of Operations Restatement of Consolidated Financial Statements , and Note 2 of the Notes to Consolidated Financial Statements, our consolidated financial statements are being restated to correct accounting errors in the recognition of stock compensation expense relating to stock options that were granted during the period after our initial public offering in 1996 through 2005. The corrections to non-cash stock compensation expense resulted in adjustments for the years ended December 31, 2005, 2004, 2003, 2002 and 2001, as set forth in the table below.

In connection with the restatement, we have also made certain additional adjustments to our historical consolidated financial statements. These items were not previously recorded because in each case, and in the aggregate, the underlying errors were not considered material to our consolidated financial statements. These adjustments consisted of: reclassifications of certain foreign transactional taxes on our consolidated statement of operations and other tax reclassifications on our consolidated balance sheets; and other adjustments to operating expenses for previously known errors and corrections to our provision for income tax resulting from computational errors. (See Restatement Adjustments ten-year table directly below the selected consolidated financial data and other operating information and related notes.) We have reflected adjustments related to these errors in our restated financial statements.

(in thousands, except per share data)	Fiscal Year Ended				
	2005 (as restated)(b)	2004(a) (as restated)(b)	2003 (as restated)(b)	2002 (as restated)(b)	2001(a) (as restated)(b)
Consolidated Statement of Operations Data:					
Total revenues	$ 354,209	$ 291,967	$ 246,868	$ 237,638	$ 286,266
Total operating expenses (c)(d)(e)	333,458	300,397	276,187	641,697	2,172,030
Operating income (loss)	20,751	(8,430)	(29,319)	(404,059)	(1,885,764)
Total non-operating income (expense)(f)	(1,248)	10,186	(4,358)	967	(191,115)
Net income (loss)	19,583	1,839	(33,836)	(382,560)	(2,007,071)
Basic net income (loss) per share (h)	$ 0.13	$ 0.01	$ (0.24)	$ (2.78)	$ (14.76)
Diluted net income (loss) per share (h)	$ 0.13	$ 0.01	$ (0.24)	$ (2.78)	$ (14.76)
Shares used in basic per share calculation	146,030	142,162	139,127	137,748	135,999
Shares used in diluted per share calculation	152,614	148,017	139,127	137,748	(135,999)
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 55,895	$ 29,560	$ 65,913	$ 47,199	$ 93,439
Total marketable debt securities	54,023	44,392	51,267	79,841	123,537
Working capital	134,013	55,924	80,205	64,666	138,541
Total assets	455,566	408,479	353,229	378,859	815,542
Total debt (g)	141,766	139,621	118,128	117,958	176,534
Stockholders equity	$ 252,536	$ 194,917	$ 171,891	$ 187,621	$ 544,172

a) We have made several acquisitions over the past five years. The most significant of which are described below.
On August 2, 2004, we acquired Twofold Photos, Inc. (Webshots). On July 1, 2001, we acquired TechRepublic, Inc. (TechRepublic). Also, see Note (4) of our consolidated financial statements included in Item 8. No financial data or operating information related to these acquired companies is included in the Selected Consolidated Financial Data prior to the dates of acquisition.

b) All periods have been restated for errors we identified in determining measurement dates for stock option grants and other adjustments, as described below under Restatement Adjustments. See also Note 2, Restatement of Consolidated Financial Statements of the Notes to Consolidated Financial Statements.

c) Operating expenses included amortization of intangible assets of $10.1 million, $6.0 million and $6.3 million for the years ended December 31, 2005, 2004 and 2003, respectively. Effective January 1, 2002, we adopted the provisions of SFAS 142. Under SFAS 142, goodwill is no longer amortized. Operating expenses included amortization of goodwill and intangible assets of $678.6 million for the year ended December 31, 2001.

d) During the year ended December 31, 2005, we recorded a goodwill impairment of $10.4 million associated with the write-down of goodwill of our Computer Shopper reporting unit, as well as an asset impairment of approximately $0.3 million for a tradename for that business. In 2004, we determined the carrying value of goodwill for our Computer Shopper reporting unit exceeded its fair value, and an impairment of $8.9 million was recorded. The results of our annual impairment test, as of August 31, 2002, determined that an impairment charge of $238.8 million for goodwill and of $40.5 million for intangible assets of our U.S. Media reporting unit was required. Additionally, a loss on the disposal of fixed assets of $11.2 million was recorded in 2002. In 2001, a charge of $1.1 billion was taken to adjust the carrying value of our goodwill to fair value.

e) In 2003 and 2002, a total of $9.8 million and $12.4 million, respectively, were included in operating expenses representing costs to realign our business. Included in operating expenses in 2001, was a charge of $21.3 million related to the consolidation of our office space, which resulted in the abandonment of several leased facilities, as well as $21.7 million in other costs incurred to integrate the operations of ZDNet into our operations.

f) In 2004, we recognized net gains of $14.9 million on the sale of our privately held investments by third parties. During 2001, we incurred impairment losses of $26.9 million on marketable equity securities. In 2002 and 2001, we incurred impairment losses of $15.4 million and $148.4 million on privately held investments, respectively, for which other-than-temporary declines in value were deemed to have occurred.

g) In 2004, we redeemed the outstanding balance of $113.7 million of our 5% Convertible Subordinated Notes with the proceeds from the offering of $125.0 million of 0.75% Senior Convertible Notes. The redemption of the 5% notes resulted in the write-off of approximately $1.0 million of capitalized debt issuance costs and a $1.6 million prepayment penalty. In 2002, we repurchased $59.2 million principal amount of our 5% Convertible Subordinated Notes for $36.7 million, resulting in a gain of $21.6 million, net of the write-off of related capitalized debt issuance costs of $0.9 million. On August 31, 2001, NBC acquired any NBC Internet, Inc. (NBCi) shares it did not already own. Upon the purchase of the NBCi shares owned by us, the maturity date for our NBCi Trust Automatic Common Exchange Securities (TRACES) obligation accelerated. In conjunction with this accelerated repayment, CNET Networks recorded a loss of $10.6 million, consisting of $9.0 million of early interest payments, which were not refundable, and a write-off of $1.6 million of capitalized debt issuance costs.

h) As a result of the restatement, our basic earnings per share was reduced by $0.06 per share and $0.07 per share for the years ended December 31, 2005 and 2004 and $0.05 per share, $0.18 per share and $0.24 per share for the years ended December 31, 2003, 2002 and 2001, respectively. In addition, diluted earnings per share was reduced by $0.05 per share, $0.07 per share, $0.05 per share, $0.18 per share and $0.24 per share for the years ended December 31, 2005, 2004, 2003, 2002 and 2001, respectively.

Restatement adjustments

The following tables summarize all adjustments included in the restatement for the years ended December 31, 2005, 2004, 2003, 2002, 2001, 2000, 1999, 1998, 1997 and 1996.

(in thousands)	Year Ended December 31, 2005	2004	2003	2002	2001
Stock compensation expense adjustments:					
Stock compensation expense	$ 6,357	$ 8,991	$ 8,175	$ 22,866	$ 18,909
Capitalized compensation expense	(13)		(29)	(271)	(507)
Related payroll tax expense	83	128	12		
Total stock compensation expense adjustments	6,427	9,119	8,158	22,595	18,402
Reclassification of foreign transactional tax:					
Revenues	(1,258)	(887)	(651)	(681)	(461)
Sales and marketing	1,545	1,075	738	681	548
Income tax (benefit)	(287)	(188)	(87)		(87)
Total reclassification of foreign transactional tax					
Other adjustments, net	1,724	589	(198)	(381)	(105)
Other income tax adjustments	(41)	138	(414)	(239)	(714)
Total decreases to net income and increases to net loss from all restatement adjustments	$ 8,110	$ 9,846	$ 7,546	$ 21,975	$ 17,583

(in thousands)	Year Ended December 31, 2000	1999	1998	1997	1996
Stock compensation expense adjustments:					
Stock compensation expense	$ 23,862	$ 12,940	$ 3,443	$ 795	$ 151
Capitalized compensation expense					
Related payroll tax expense					
Total stock compensation expense adjustments	23,862	12,940	3,443	795	151
Reclassification of foreign transactional tax:					
Revenues					
Sales and marketing					
Income tax (benefit)					
Total reclassification of foreign transactional tax					
Other adjustments, net					
Other income tax adjustments	(2,685)	(843)			
Total decreases to net income and increases to net loss from all restatement adjustments	$ 21,177	$ 12,097	$ 3,443	$ 795	$ 151

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

Restatement of Consolidated Financial Statements

Stock Options

Background

On May 16, 2006, the Center for Financial Research and Analysis, or CFRA, issued an analysis of the stock option exercise prices relative to stock price ranges for certain companies during the period 1997 to 2002. The report identified CNET Networks as having granted stock options between 1998 and 2001 with exercise prices that matched or were close to a forty-day low for our stock price. On May 22, 2006, we announced that our Board of Directors appointed a Special Committee comprised of independent directors to conduct, with the assistance of legal counsel and outside accounting experts, an internal investigation relating to past option grants, the timing of such grants and related accounting matters.

On July 10, 2006, we announced that the Special Committee had reached the preliminary conclusion that the actual measurement dates for the grants identified in the CFRA report differed from the recorded measurement dates. Charges related to the changed measurement dates for these stock options were determined to be material and as a result, we announced that we expected to restate our financial statements. In October 2006, the Special Committee completed its review and announced its findings.

Management completed its review of CNET Networks stock option grant activity in January 2007. The review conducted by management covered approximately 97% of option grants to all employees, directors and consultants for all grant dates during the period from CNET Networks initial public offering in July 1996 through May 2006. Grants not reviewed by management related to promotion grants from 1996, 1997, 2000 and 2001 where less than 100,000 options were granted on a single day, which accounted for approximately 3% of options granted and thus, were not material to our overall evaluation of stock option measurement dates.

Results of Findings

Based on the separate reviews of management and the Special Committee, we identified instances where the grant date used by us as the measurement date for accounting purposes, differed from the measurement date as defined in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees and related interpretations (APB 25), for more than the grants identified in the CFRA report. As a result, we corrected the measurement date for approximately 40.8 million options out of a total of 73.8 million options granted from July 1996 through December 2005, with substantially all these corrections relating to options granted prior to December 31, 2003. In addition to measurement date corrections, management also identified instances where we incorrectly accounted for certain option grants that were modified after the grant date.

A key finding of the Special Committee report was that there were deficiencies with the process by which options were granted at CNET Networks, including in some instances the backdating of option grants during the period from CNET Networks initial public offering in 1996 through at least 2003, which resulted in accounting errors. The Special Committee report stated that a number of executives of the Company, including the former CFO and the recently resigned CEO, General Counsel, and Senior Vice President of Human Resources, bear varying degrees of responsibility for the deficiencies in the process by which options were granted. The Special Committee did not conclude that any current employees or recently resigned employees of the Company engaged in intentional wrongdoing.

Our corrections resulted in additional stock compensation expense of $105.7 million for the years ended December 31, 1996 through December 31, 2005. As of December 31, 2005, the remaining unamortized deferred stock compensation related to the errors identified during our review was approximately $2.9 million.

Approach

The following describes the methodology and evaluation process used by management in determining the appropriate measurement date for various option grants and reviewing modifications to determine if they were appropriately accounted for at the date of modification.

Improper Measurement Dates

The measurement date is the date on which the option is deemed granted under applicable accounting principles, which for all relevant periods was APB 25, and is the first date on which all of the following are known: (1) the individual who is entitled to receive the option grant; (2) the number of options that an individual is entitled to receive; and (3) the option s exercise price.

Objective Evidence.

In determining the appropriate measurement date of an option grant, we considered meeting minutes of the Compensation Committee or Board of Directors, and/or Unanimous Written Consents (UWCs) of the Compensation Committee, in addition to the following data:

- reports on Form 4 filed with the SEC;
- contemporaneous emails;
- personnel files;
- payroll records; and
- various records maintained by our Human Resources department.

In instances where a combination of the data outlined above was available, we were able to determine a more appropriate measurement date using clear and objective data. Based on an evaluation of this data, we concluded that the measurement date for certain grants was actually subsequent to the stated grant date, resulting in new measurement dates for the related options. Sufficient objective evidence was generally available for most of our annual incentive grants, grants to new employees, certain promotion grants and grants to members of our Board of Directors. Total stock compensation expense recognized based on objective evidence of a more appropriate measurement date was $84.0 million of the total $95.9 million of compensation expense recognized related to improper measurement dates.

Subjective Evidence

For certain grants there was not a sufficient combination of objective evidence to support the original measurement date or determine the precise date when the number of options and exercise price were finalized. The majority of grants in this category were options granted in connection with promotions for the years 1996 to 2001, one company-wide grant and one grant to a former executive. Sufficient objective evidence was available for options granted in connection with stock options granted from 2002 onwards to allow us to determine the appropriate measurement dates. In order to ensure that we reviewed an appropriate amount of promotion grants, management reviewed all promotion grants made during 1998 and 1999 as all of these grants were referenced in UWCs, and all promotion grants in 1996, 1997, 2000 and 2001 for which 100,000 or more options were granted on a single day.

For grants where there was not a sufficient combination of objective evidence to support the original measurement date or to determine the precise date when the number of options and exercise price were finalized, management considered all available relevant information to form a reasonable conclusion as to the most likely measurement date for these grants, and when there was no evidence to indicate one date was more likely the true measurement date, we calculated compensation expense utilizing the median closing price of the stock over the likely period in which the measurement date occurred. We believe that the use of the median closing price gives a more reasonable approximation of the compensation expense related to these options than the amount calculated using either the high or the low closing price during the period as there is no evidence to indicate that either the date on which the high or the low closing price occurred was a better indication of the true measurement date.

The paragraphs below describe the methodology when subjective evidence was used to determine the measurement date for options which fell into the categories described above.

Dates with 100,000 or more promotion grants

Our review of all promotion grants of 100,000 or more options on a single day for all periods from 1996 to 2001 resulted in our review of nine option grant dates on which a total of 2.4 million options were granted.

For all promotion grants reviewed from 1996 to 2001 where sufficient objective evidence existed to support a measurement date, we used a combination of meeting minutes, UWCs and contemporaneous emails to determine that the average period between the original grant date and the corrected or revised measurement date was approximately 90 days. Using this 90-day average period, management reviewed alternative measurement dates for grant dates with 100,000 or more promotion grants utilizing measurement dates that corresponded to either the low, median or high closing price over the 90-day average promotion approval period. These alternatives resulted in stock compensation expense in the range of $41,000, $2.4 million to $5.8 million for the low, median or high closing prices, respectively. Selecting the median price resulted in total stock compensation expense associated with these grants of $2.4 million.

1998 and 1999 Promotion Grants

For promotion grants in 1998 and 1999 we were able to find more evidence to support measurement dates than available for the promotion grants in 1996, 1997, 2000 and 2001. In 1998 and 1999, we periodically sent UWCs to the members of the Compensation Committee of our Board of Directors for the purpose of authorizing a total of 1.1 million options (excluding the grant to one executive described below). In all but one instance, the final approval date of the UWCs could not be determined although there was evidence to support when the UWCs were distributed to the Compensation Committee members. Based on the fact that we found evidence that both Compensation Committee members returned one UWC within three days during this time frame, and the Directors were located close to our headquarters, we have no reason to believe the Compensation Committee members were not timely in returning UWCs. For purposes of calculating compensation expense related to these options, we determined that a seven day time period was a reasonable estimate of when UWCs would be returned. We evaluated our low, median and high closing stock prices over a seven day time period after the date of the cover letter for the UWCs. These alternatives resulted in stock compensation in the range of $5.7 million, $6.0 million to $7.2 million for the low, median or high closing prices, respectively. Selecting the median price resulted in total stock compensation expense associated with these grants of $6.0 million.

Other Grants

For one company-wide grant of 1.9 million options and one grant to a former executive of 128,000 options, there was not sufficient objective evidence to support the original measurement date or to determine a precise measurement date for either grant. Using a combination of UWCs, meeting minutes and contemporaneous emails we were able to determine the likely periods during which the measurement date occurred. In determining the intrinsic value for these grants management reviewed alternatives utilizing measurement dates that corresponded to either the low, median or high closing price during the likely periods in which the measurement date occurred. These alternatives resulted in stock compensation expense in the range of $2.8 million, $3.5 million to $4.2 million for the low, median or high closing prices, respectively. Selecting the median price resulted in total stock compensation expense associated with these grants of $3.5 million.

We believe the methodology we selected for each affected option grant was the most appropriate in the absence of sufficient objective data for these grants. In selecting the most appropriate methodologies, we also noted that the selection of the other alternatives considered would not have had a significant impact on our operating income (loss) in comparison to the alternative selected.

Modifications

Our review identified various option modifications which generally related to accelerated vesting of certain option grants at the time of an employee s termination and to extensions of the time period to exercise grants following termination. In certain instances where these changes were made, we did not treat the change as a modification, which requires a new measurement date.

Total additional stock compensation expense recorded in connection with option modifications was $10.5 million. Of this charge, $9.9 million relates to the modification of a grant made to an employee who left CNET Networks in November 2000.

Other Adjustments and Reclassifications in our Restated Financial Statements

Other Adjustments

In connection with the restatement, we made certain additional adjustments in our historical consolidated financial statements that were not previously recorded because in each case, and in the aggregate, the underlying errors were not considered by management to be material to our consolidated financial statements. These adjustments consisted of reclassifications of certain foreign transactional taxes on our consolidated statements of operations and other tax reclassifications on our consolidated balance sheets; and other adjustments to operating expenses for previously known errors and corrections to our provision for income tax resulting from computational errors. These adjustments resulted in reductions to previously reported income before income taxes of $1.7 million and $0.6 million for the years ended December 31, 2005 and 2004, respectively, and in reductions to previously reported loss before income taxes of $0.2 million and $0.4 million for the years ended December 31, 2003 and 2002, respectively. The net effect of these adjustments on loss before income taxes for the year ended December 31, 2001 was negligible.

Reclassification of Foreign Transactional Tax

In 2005, 2004, 2003, 2002 and 2001 we erroneously recorded a transactional tax in a foreign jurisdiction as a reduction of revenues. As part of this restatement, we are reclassifying these charges from revenues to sales and marketing expense. As a result of these reclassifications, our restated revenues increased by $1.3 million, $0.9 million, $0.7 million, $0.7 million and $0.5 million for the years ended December 31, 2005, 2004, 2003, 2002 and 2001, respectively, representing an increase to revenues of less than one-half of one percent for each period. There was no impact on cash or accounts receivable for any period.

Income Tax Adjustments

Income tax expense (benefit) changes resulted primarily from the correction of computational errors and certain reclassifications. We have adjusted previously recognized income tax benefits and net operating loss carryforwards as a result of certain stock options that were granted to certain executive officers with exercise prices that were less than the fair market value of our common stock on the actual date of grant, and therefore, did not qualify as deductible performance-based compensation in accordance with Internal Revenue Code section 162(m), or IRC 162(m). These adjustments were not material to either reported tax expense (benefit) or to net operating loss carryforwards.

The following table sets forth the impact of the non-cash charges for stock compensation expense and other adjustments, income tax adjustments and reclassifications on our historical statements of operations for each of the three years ended December 31, 2005, 2004 and 2003.

	2005			2004			2003		
	Year Ended December 31, (in thousands, except per share data)								
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
Revenues:									
Interactive	$ 324,107	$ 396	$ 324,503	$ 256,245	$ 47	$ 256,292	$ 196,990	$ (11)	$ 196,979
Publishing	28,844	862	29,706	34,911	764	35,675	49,250	639	49,889
Total revenues	352,951	1,258	354,209	291,156	811	291,967	246,240	628	246,868
Operating expenses:									
Cost of revenues (1)	161,462	2,028	163,490	144,312	2,591	146,903	138,305	2,114	140,419
Sales and marketing (1)	79,136	2,954	82,090	73,268	1,911	75,179	68,827	1,657	70,484
General and administrative (1)	44,097	4,119	48,216	38,105	5,698	43,803	36,272	4,950	41,222
Depreciation	16,971	360	17,331	19,432	172	19,604	17,348	403	17,751
Amortization of intangible assets	10,001	73	10,074	5,895	82	5,977	6,304	7	6,311
Asset impairment	1,829		1,829						
Goodwill impairments	10,068	360	10,428	8,931		8,931			
Total operating expenses	323,564	9,894	333,458	289,943	10,454	300,397	267,056	9,131	276,187
Operating income (loss)	29,387	(8,636)	20,751	1,213	(9,643)	(8,430)	(20,816)	(8,503)	(29,319)
Non-operating income (expense):									
Realized gains on sales of investment	1,913		1,913	16,605		16,605			
Impairment of privately held investments	(2,083)		(2,083)	(1,753)		(1,753)			
Interest income	1,989		1,989	1,872		1,872	2,205		2,205
Interest expense	(3,086)		(3,086)	(6,149)		(6,149)	(6,932)	203	(6,729)
Other, net	(179)	198	19	(136)	(253)	(389)	(87)	253	166
Total non-operating income (expense)	(1,446)	198	(1,248)	10,439	(253)	10,186	(4,814)	456	(4,358)
Income (loss) before income taxes	27,941	(8,438)	19,503	11,652	(9,896)	1,756	(25,630)	(8,047)	(33,677)
Income tax expense (benefit)	248	(328)	(80)	(33)	(50)	(83)	660	(501)	159
Net income (loss)	$ 27,693	$ (8,110)	$ 19,583	$ 11,685	$ (9,846)	$ 1,839	$ (26,290)	$ (7,546)	$ (33,836)
Basic net income (loss) per share	$ 0.19	$ (0.06)	$ 0.13	$ 0.08	$ (0.07)	$ 0.01	$ (0.19)	$ (0.05)	$ (0.24)
Diluted net income (loss) per share	$ 0.18	$ (0.05)	$ 0.13	$ 0.08	$ (0.07)	$ 0.01	$ (0.19)	$ (0.05)	$ (0.24)
Shares used in calculating basic net income (loss) per share	146,063	(33)	146,030	143,290	(1,128)	142,162	140,235	(1,108)	139,127
Shares used in calculating diluted net income (loss) per share	153,120	(505)	152,615	150,314	(2,297)	148,017	140,234	(1,107)	139,127

(1) Stock compensation expense included in our restated statements of operations are as follows:

(in thousands)	Year Ended December 31, 2005	2004	2003
Cost of revenues	$ 1,664	$ 2,431	$ 2,304
Sales and marketing	743	988	1,016
General and administrative	3,937	5,572	4,826

$ 6,344	$ 8,991	$ 8,146

The following table sets forth the impact of the non-cash charges for stock compensation expense and other adjustments and reclassifications on our consolidated balance sheets as of December 31, 2005 and 2004:

(in thousands, except per share data)	**December 31,**					
	2005			**2004**		
	As previously reported	**Adjustments**	**As restated**	**As previously reported**	**Adjustments**	**As restated**
ASSETS						
Current assets:						
Cash and cash equivalents	$ 55,895	$	$ 55,895	$ 29,560	$	$ 29,560
Investments in marketable debt securities	41,591		41,591	22,193		22,193
Accounts receivable, net	85,312		85,312	66,712		66,712
Other current assets	13,299	1,038	14,337	15,155		15,155
Total current assets	196,097	1,038	197,135	133,620		133,620
Restricted cash	2,248		2,248	19,774		19,774
Investments in marketable debt securities	12,432		12,432	22,199		22,199
Property and equipment, net	56,891	874	57,765	48,989	1,221	50,210
Other assets	18,465	483	18,948	21,722		21,722
Intangible assets, net	37,113	267	37,380	34,756	340	35,096
Goodwill	131,694	(2,036)	129,658	126,287	(429)	125,858
Total assets	$ 454,940	$ 626	$ 455,566	$ 407,347	$ 1,132	$ 408,479
LIABILITIES AND STOCKHOLDERS EQUITY						
Current liabilities:						
Accounts payable	$ 8,330	$	$ 8,330	$ 6,903	$	$ 6,903
Revolving credit facility				5,000		5,000
Accrued liabilities	50,887	1,253	52,140	61,992	(206)	61,786
Current portion of long-term debt	2,652		2,652	4,007		4,007
Total current liabilities	61,869	1,253	63,122	77,902	(206)	77,696
Non-current liabilities:						
Long-term debt	139,114		139,114	135,614		135,614
Other liabilities	794		794	252		252
Total liabilities	201,777	1,253	203,030	213,768	(206)	213,562
Stockholders equity:						
Common stock; $0.0001 par value; 400,000 shares authorized; 148,685 outstanding at December 31, 2005 and 143,328 outstanding at December 31, 2004	15		15	14		14
Additional paid-in-capital	2,752,208	104,967	2,857,175	2,719,576	104,411	2,823,987
Deferred stock compensation		(2,871)	(2,871)		(8,460)	(8,460)
Accumulated other comprehensive loss	(13,394)		(13,394)	(12,652)		(12,652)
Treasury stock, at cost, 1,510 shares at December 31, 2005 and 1,128 at December 31, 2004	(30,453)		(30,453)	(30,453)		(30,453)
Accumulated deficit	(2,455,213)	(102,723)	(2,557,936)	(2,482,906)	(94,613)	(2,577,519)
Total stockholders equity	253,163	(627)	252,536	193,579	1,338	194,917
Total liabilities and stockholders equity	$ 454,940	$ 626	$ 455,566	$ 407,347	$ 1,132	$ 408,479

Our consolidated statements of stockholders equity have been restated to reflect the impact of the restatement adjustments on the consolidated stockholders equity amounts shown above.

The non-cash charges for stock compensation expense and other adjustments, income tax adjustments and reclassifications had no impact on our cash balances. The following table sets forth the revised presentation resulting from the non-cash charges for stock compensation expense and adjustments and reclassifications on our consolidated statements of cash flows for each of the years in the three years ended December 31, 2005.

(In thousands)	Year Ended December 31								
	2005			2004			2003		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
Cash flows from operating activities:									
Net income (loss)	$ 27,693	$ (8,110)	$ 19,583	$ 11,685	$ (9,846)	$ 1,839	$ (26,290)	$ (7,546)	$ (33,836)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:									
Depreciation and amortization	26,972	433	27,405	25,327	254	25,581	23,652	410	24,062
Asset impairments	11,897	360	12,257	8,931		8,931			
Asset disposals	133		133	433		433	(247)		(247)
Deferred taxes		159	159	153		153			
Noncash interest	290		290	733		733	831		831
Loss on debt retirement				950		950			
Noncash stock compensation		6,344	6,344		8,991	8,991	53	8,146	8,199
Provision for doubtful accounts	1,769		1,769	3,513		3,513	2,579		2,579
Gain on sale of privately held investments	(1,913)		(1,913)	(16,605)		(16,605)	(10)		(10)
Impairment of privately held investments	2,083		2,083	1,753		1,753			
Equity in losses of investees	382	(382)							
Changes in operating assets and liabilities, net of acquisitions:									
Accounts receivable	(19,958)		(19,958)	(14,463)		(14,463)	(902)		(902)
Other assets	1,604	(263)	1,341	(2,453)	78	(2,375)	3,360		3,360
Accounts payable	1,415		1,415	(1,875)	(78)	(1,953)	2,195		2,195
Accrued liabilities	(7,329)	(291)	(7,620)	(5,384)	462	(4,922)	(11,166)	(807)	(11,973)
Other liabilities	(60)		(60)	(1,575)		(1,575)	(983)		(983)
Net cash provided by (used in) operating activities	44,978	(1,750)	43,228	11,123	(139)	10,984	(6,928)	203	(6,725)
Cash flows from investing activities:									
Purchase of marketable debt securities	(58,803)		(58,803)	(40,108)		(40,108)	(51,875)		(51,875)
Proceeds from sale of marketable debt securities	54,049	(5,000)	49,049	47,522		47,522	81,389		81,389
Proceeds from sale of privately held companies	1,913		1,913	18,022		18,022			
Investments in privately held companies	(1,934)		(1,934)	(2,600)		(2,600)			
Proceeds from asset sales							247		247
Release of restricted funds	12,526	5,000	17,526						
Cash paid for acquisitions, net of cash acquired	(25,105)		(25,105)	(75,635)		(75,635)	(2,938)		(2,938)
Capital expenditures	(25,109)	1,750	(23,359)	(14,214)	(125)	(14,339)	(11,694)	61	(11,633)
Net cash provided by (used in) investing activities	(42,463)	1,750	(40,713)	(67,013)	(125)	(67,138)	15,129	61	15,190
Cash flows from financing activities:									
Payments received on stockholders notes				137		137	260		260
Net proceeds from employee stock purchase plan	1,266		1,266	1,032		1,032	652		652
Net proceeds from exercise of stock options	29,417		29,417	8,874		8,874	9,496		9,496
Proceeds from borrowings on revolving credit facility				5,000		5,000			
Proceeds from borrowings				120,800		120,800			
Principal payments on capital leases, borrowings and debt retirement	(5,873)		(5,873)	(114,032)		(114,032)	(536)		(536)
Net cash provided by financing activities	24,810		24,810	21,811		21,811	9,872		9,872

Net increase (decrease) in cash and cash equivalents	27,325		27,325	(34,079)	(264)	(34,343)	18,073	264	18,337
Effect of exchange rate differences on cash and cash equivalents	(990)		(990)	(2,274)	264	(2,010)	641	(264)	377
Cash and cash equivalents at the beginning of the period	29,560		29,560	65,913		65,913	47,199		47,199
Cash and cash equivalents at the end of the period	$ 55,895	$	$ 55,895	$ 29,560	$	$ 29,560	$ 65,913	$	$ 65,913
Supplemental disclosure of cash flow information:									
Interest paid	$ 2,253		$ 2,253	$ 5,470		$ 5,470	$ 5,786		$ 5,786
Taxes paid (refunded)	$ 2,993		$ 2,993	$ 1,802		$ 1,802	$ (8,612)		$ (8,612)
Supplemental disclosure of noncash transactions:									
Issuance of common stock for acquisitions	$ 1,956		$ 1,956	$ 500		$ 500	$		$
Issuance of note payable for acquisitions	$ 3,500		$ 3,500	$ 10,000		$ 10,000	$		$

The following table sets forth the impact of the non-cash charges for stock compensation expense and the other adjustments and reclassifications on our historical statements of operations for each of the years ended December 31, 2002 and 2001.

	Year Ended December 31,					
	2002			2001		
	(in thousands , except per share data)					
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
Revenues:						
Interactive	$ 183,313	$ 681	$ 183,994	$ 241,199	$ 461	$ 241,660
Publishing	53,644		53,644	44,606		44,606
Total revenues	236,957	681	237,638	285,805	461	286,266
Operating expenses:						
Cost of revenues	146,697	8,744	155,441	178,085	6,506	184,591
Sales and marketing	76,080	5,628	81,708	129,542	3,688	133,230
General and administrative	44,585	9,054	53,639	67,284	8,906	76,190
Depreciation	25,749		25,749	24,417		24,417
Amortization of intangible assets	34,655		34,655	678,602		678,602
Asset impairments	290,505		290,505	1,075,000		1,075,000
Total operating expenses	618,271	23,426	641,697	2,152,930	19,100	2,172,030
Operating loss	(381,314)	(22,745)	(404,059)	(1,867,125)	(18,639)	(1,885,764)
Non-operating income (expense):						
Realized gains on sales of investments	2,881		2,881	9,547		9,547
Realized losses on sales of investments	(123)		(123)	(8,553)		(8,553)
Realized loss on impairment of public investments	(154)		(154)	(26,866)		(26,866)
Impairment of privately held investments	(15,395)		(15,395)	(148,389)		(148,389)
Interest income	4,920		4,920	11,924		11,924
Interest expense	(10,289)	531	(9,758)	(15,615)	255	(15,360)
Other	18,596		18,596	(13,418)		(13,418)
Total non-operating income (expense)	436	531	967	(191,370)	255	(191,115)
Loss before income taxes	(380,878)	(22,214)	(403,092)	(2,058,495)	(18,384)	(2,076,879)
Income tax benefit	(20,293)	(239)	(20,532)	(69,007)	(801)	(69,808)
Net loss	$ (360,585)	$ (21,975)	$ (382,560)	$ (1,989,488)	$ (17,583)	$ (2,007,071)
Basic and diluted net loss per share	$ (2.60)	$ (0.18)	$ (2.78)	$ (14.52)	$ (0.24)	$ (14.76)
Shares used in calculating basic and diluted loss per share	138,850	(1,107)	137,743	137,063	(1,102)	135,961

Overview

CNET Networks is a worldwide media company and creator of authentic brand experiences in multiple categories. We operate industry leading websites, each with its own distinct brand, in four content categories: technology, games and entertainment, business and community.

We have determined that our business segments are U.S. Media and International Media. U.S. Media consists of an online network focused on four content categories: technology, games and entertainment, business and community, as well as a print publication. As of February 2, 2006, the print publication in the U.S., Computer Shopper, was sold. International Media includes the delivery of online technology information and several technology and gaming print publications in non U.S. markets. Within these business segments, we earn revenues from:

Marketing Services: sales of advertisements on our Internet network through impression-based advertising (fees earned from the number of times an advertisement is viewed by users of our websites) and activity-based advertising (fees earned when our users click on an advertisement or text link to visit the websites of our merchant partners, or download a software application or a whitepaper);

Licensing, Fees and Users: licensing our product database and online content, subscriptions to our online services, and other paid services; and

Publishing: sales of advertisements in our print publications, subscriptions and newsstand sales of publications, and custom publishing services. With the sale of *Computer Shopper* magazine in 2006, advertising revenues from our remaining international print business will be reported as Marketing Services revenue and subscription revenues will be reported as Licensing, Fee and Users revenue.

We evaluate our revenues according to the classifications listed above. We classify our marketing services revenues and licensing, fees and user revenues as interactive revenues and our publishing revenues as publishing revenues on our consolidated statements of operations. Revenues for the past three years for these categories are as follows:

(in thousands)	**Year Ended December 31,**		
	2005 (as restated)	**2004 (as restated)**	**2003 (as restated)**
Revenues:			
Marketing services	$ 284,135	$ 223,530	$ 169,476
Licensing, fees and users	40,368	32,762	27,503
Interactive	324,503	256,292	196,979
Publishing	29,706	35,675	49,889
	$ 354,209	$ 291,967	$ 246,868
As a Percentage of Revenues:			
Marketing Services	81%	77%	69%
Licensing, fees and users	11%	11%	11%
Interactive	92%	88%	80%
Publishing	8%	12%	20%
	100%	100%	100%

We had an average of 116 million unique users per month in the fourth quarter of 2005, compared to 103 million unique users in the fourth quarter of 2004, an increase of 13%. These users generated over 103 million Web page views per day during the fourth quarter 2005 compared to 85 million in 2004, a 22% increase. These increases reflect growth primarily from our games and entertainment and Webshots properties. While increases or decreases in unique users and daily average page views are not necessarily indicative of increases or decreases in financial results, we believe that these statistics are helpful because they provide insight into the growth of the Internet as an advertising medium resulting from increased user adoption and into user demand for CNET Networks properties in particular.

Operating expenses included in our operating income (loss) before depreciation, amortization, asset impairments and stock compensation expense consist of cost of revenues, sales and marketing and general and administrative costs, which are primarily cash related expense activities. The majority of our cash related expenses are costs associated with employee compensation, benefits and facilities, which represented approximately 56% of our total operating expenses in 2005. Non-cash related expenses consist of depreciation, amortization of intangible assets asset impairment and stock compensation expense and are included in our operating income (loss).

Cost of revenues includes costs associated with the production and delivery of our Internet sites, print publications and creation of our product database and related technology. The principal elements of cost of revenues for our operations are compensation and related expenses for the editorial, production and technology staff and related costs for facilities and equipment, as well as costs to print and distribute our magazines. The majority of our cost of revenues does not necessarily fluctuate proportionately with fluctuations in revenues.

Sales and marketing expenses consist primarily of compensation and related expenses, consulting fees and advertising expenses and related costs for facilities and equipment.

General and administrative expenses consist of compensation and related expenses for executive, finance, legal and administrative personnel, professional fees and other general corporate expenses and related costs for facilities and equipment.

We evaluate our financial performance primarily on the following key measurements:

Revenues

Operating income (loss)

Net income (loss) and earnings (loss) per share

We evaluate our liquidity primarily on the following key measurements:

Operating income (loss) before depreciation, amortization, asset impairment and stock compensation expense

Net cash provided by (used in) operating activities

Free cash flow

2005 Results

In 2005, we continued to expand our offerings both domestically and internationally, with new products, partnerships and acquisitions. We continued to drive revenue growth through our combined efforts of extending our relationships with our traditional advertisers and gaining more share of spending from general consumer advertisers. We experienced growth and expansion in our overall product offerings, customer base and audience within our existing categories and from new content categories. Examples of new properties include TV.com, PCHome, and CNET in the UK and France.

In 2005, we were able to achieve revenue growth that exceeded the growth in operating expenses, which allowed us to meet our 2005 goal of over 50 percent year-over-year incremental margin. We define incremental margin as the percentage of new revenue dollars that flow to operating income before depreciation, amortization, asset impairment and stock compensation expense as compared to the previous year.

As shown in the table below, we had operating income of $20.8 million for the year ended December 31, 2005, and we incurred an operating loss of $8.4 million and $29.3 million for the years ended December 31, 2004 and 2003, respectively. We had operating income before depreciation, amortization, asset impairment and stock compensation expense of $66.8 million, $35.1 million and $2.9 million in 2005, 2004 and 2003, respectively. Our net income and net income per diluted share for the years ended December 31, 2005 and 2004 was $19.6 million, or $0.13 per share, and $1.8 million, or $0.01 per share, respectively. Our net loss and net loss per share for the year ended December 31, 2003 was $33.8 million, or $0.24 per share.

	Year Ended December 31,		
(in thousands, except per share data)	**2005 (as restated)**	**2004 (as restated)**	**2003 (as restated)**
Operating income (loss)	$ 20,751	$ (8,430)	$ (29,319)
Stock compensation expense	6,344	8,991	8,146
De			