

NETEASE.COM, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2005	December 31, 2006	December 31, 2006
	RMB	RMB	USD (Note 1)
Assets			
Current assets:			
Cash	1,685,744,081	1,206,476,526	154,595,216
Time Deposit	1,691,976,255	2,731,396,687	349,995,091
Accounts receivable, net	69,631,541	131,724,899	16,878,935
Prepayments and other current assets	30,021,448	33,913,350	4,345,581
Deferred tax assets	19,929,499	21,097,746	2,703,418
Total current assets	<u>3,497,302,824</u>	<u>4,124,609,208</u>	<u>528,518,241</u>
Non-current assets:			
Non-current rental deposit	1,341,162	3,353,209	429,673
Property, equipment and software, net	126,341,533	224,207,833	28,729,493
Deferred tax assets - long-term portion	-	6,687,329	856,899
Other long-term assets	-	11,458,497	1,468,266
Total non-current assets	<u>127,682,695</u>	<u>245,706,868</u>	<u>31,484,331</u>
Total assets	<u>3,624,985,519</u>	<u>4,370,316,076</u>	<u>560,002,572</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable	28,848,690	105,555,248	13,525,614
Salary and welfare payable	46,438,269	54,924,038	7,037,844
Taxes payable	83,828,862	95,476,498	12,234,146
Deferred revenue	231,670,971	385,720,720	49,425,394
Deferred tax liabilities	3,940,854	-	-
Accrued liabilities	20,751,404	31,340,217	4,015,866
Total current liabilities	<u>415,479,050</u>	<u>673,016,721</u>	<u>86,238,864</u>
Long-term Payable:			
Zero-coupon Convertible Subordinated Notes due July 15, 2023	806,858,596	780,253,918	99,980,000
Other long-term payable	11,554,512	11,377,256	1,457,856
Total long-term payable	<u>818,413,108</u>	<u>791,631,174</u>	<u>101,437,856</u>
Total liabilities	<u>1,233,892,158</u>	<u>1,464,647,895</u>	<u>187,676,720</u>
Shareholders' equity	2,391,093,361	2,905,668,181	372,325,852
Minority interests	-	-	-
Total liabilities and shareholders' equity	<u>3,624,985,519</u>	<u>4,370,316,076</u>	<u>560,002,572</u>

The accompanying notes are an integral part of this press release.

NETEASE.COM, INC.
UNAUDITED CONDENSED STATEMENTS OF OPERATIONS

	Quarter Ended				Year Ended		
	December 31, 2005	September 30, 2006	December 31, 2006	December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2006
	RMB	RMB	RMB	USD(Note 1)	RMB	RMB	USD(Note 1)
Revenues:							
Online game services	400,942,544	467,910,918	451,586,343	57,865,269	1,379,475,803	1,856,062,971	237,831,777
Advertising services	69,087,777	83,359,202	72,087,480	9,237,129	241,200,444	285,772,653	36,618,272
Wireless value-added services and others	17,232,471	20,632,782	16,632,276	2,131,223	73,742,136	75,406,121	9,662,372
Total revenues	487,262,792	571,902,902	540,306,099	69,233,621	1,694,418,383	2,217,241,745	284,112,421
Business taxes	(19,738,004)	(23,297,732)	13,823,672	1,771,335	(82,054,902)	(52,882,275)	(6,776,217)
Total net revenues	467,524,788	548,605,170	554,129,771	71,004,956	1,612,363,481	2,164,359,470	277,336,204
Total cost of revenues	(81,312,339)	(100,461,056)	(97,406,648)	(12,481,471)	(275,236,973)	(381,298,181)	(48,858,700)
Gross profit	386,212,449	448,144,114	456,723,123	58,523,485	1,337,126,508	1,783,061,289	228,477,504
Operating expenses:							
Selling and marketing expenses	(37,979,095)	(46,106,919)	(36,825,961)	(4,718,797)	(152,192,422)	(170,142,691)	(21,801,706)
General and administrative expenses	(32,179,955)	(46,650,953)	(49,976,139)	(6,403,831)	(117,942,605)	(179,879,602)	(23,049,372)
Research and development expenses	(24,774,299)	(38,730,988)	(37,112,476)	(4,755,510)	(90,170,092)	(153,162,158)	(19,625,858)
Total operating expenses	(94,933,349)	(131,488,860)	(123,914,576)	(15,878,138)	(360,305,119)	(503,184,451)	(64,476,936)
Operating profit	291,279,100	316,655,254	332,808,547	42,645,347	976,821,389	1,279,876,838	164,000,568
Other income (expenses):							
Investment income	-	104,838	102,885	13,183	1,301,975	340,721	43,659
Interest income	20,411,335	24,631,766	22,661,439	2,903,786	58,070,148	94,364,852	12,091,702
Interest expense	-	-	-	-	(344,859)	-	-
Other, net	(2,481,486)	1,588,129	1,283,947	164,522	(8,901,462)	280,670	35,964
Profit before tax	309,208,949	342,979,987	356,856,818	45,726,838	1,026,947,191	1,374,863,081	176,171,893
Income tax	(32,537,941)	(28,200,106)	(37,026,868)	(4,744,540)	(94,957,022)	(132,485,543)	(16,976,403)
Profit after tax	276,671,008	314,779,881	319,829,950	40,982,298	931,990,169	1,242,377,538	159,195,490
Minority interests	-	-	400,046	51,261	-	400,046	51,261
Net profit	276,671,008	314,779,881	320,229,996	41,033,559	931,990,169	1,242,777,584	159,246,751
Earnings per share, basic	0.08	0.10	0.10	0.01	0.29	0.38	0.05
Earnings per ADS, basic	2.12	2.44	2.52	0.32	7.22	9.61	1.23
Earnings per share, diluted	0.08	0.09	0.09	0.01	0.26	0.35	0.05
Earnings per ADS, diluted	1.95	2.26	2.34	0.30	6.59	8.91	1.14
Weighted average number of ordinary shares outstanding, basic	3,263,094,061	3,225,819,282	3,180,435,508	3,180,435,508	3,225,684,510	3,231,832,008	3,231,832,008
Weighted average number of ADS outstanding, basic	130,523,762	129,032,771	127,217,420	127,217,420	129,027,380	129,273,280	129,273,280
Weighted average number of ordinary shares outstanding, diluted	3,580,605,698	3,485,412,140	3,425,090,889	3,425,090,889	3,565,412,019	3,498,405,110	3,498,405,110
Weighted average number of ADS outstanding, diluted	143,224,228	139,416,486	137,003,636	137,003,636	142,616,481	139,936,204	139,936,204

The accompanying notes are an integral part of this press release.

NETEASE.COM INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Quarter Ended				Year Ended		
	December	September	December	December	December	December	December
	31, 2005	30, 2006	31, 2006	31, 2006	31, 2005	31, 2006	31, 2006
	RMB	RMB	RMB	USD(Note 1)	RMB	RMB	USD(Note 1)
Cash flows from operating activities:							
Net profit	276,671,008	314,779,881	320,229,996	41,033,559	931,990,169	1,242,777,584	159,246,751
Adjustments to reconcile net income to net cash provided by operating activities:							
Depreciation	11,889,502	20,216,665	26,202,590	3,357,542	40,904,586	78,370,029	10,042,161
Non-cash share compensation cost	-	25,989,512	23,055,508	2,954,281	13,835	101,286,676	12,978,649
Provision for doubtful debts	1,538,472	2,722,739	4,316,554	553,114	3,561,765	7,487,619	959,447
Amortization of issuance cost of convertible notes	1,915,050	530,114	-	-	7,755,532	4,331,016	554,967
Loss on disposal of property, equipment and software	-	-	59,986	7,686	-	586,254	75,121
Write-off of property, equipment and software	-	-	2,024,936	259,471	-	13,663,387	1,750,796
Non-cash exchange losses (gains)	1,920,572	(219,222)	(1,344,778)	(172,317)	8,360,834	584,612	74,911
Share of loss by minority interests	-	-	(400,046)	(51,261)	-	(400,046)	(51,261)
Changes in operating assets and liabilities:							
Accounts receivable	3,985,536	(23,966,921)	(18,262,206)	(2,340,078)	(16,888,544)	(69,580,977)	(8,915,951)
Prepayments and other current assets	707,740	(15,707,637)	31,760,833	4,069,761	(13,134,958)	(13,921,921)	(1,783,923)
Deferred assets	-	-	-	-	326,670	-	-
Deferred tax assets	(548,886)	(2,391,803)	(8,044,972)	(1,030,865)	(19,929,499)	(7,855,576)	(1,006,596)
Accounts payable	(99,633,134)	(13,204,082)	39,050,562	5,003,852	12,823,515	45,117,500	5,781,256
Salary and welfare payables	17,020,247	(4,015,330)	13,764,854	1,763,798	10,355,713	9,411,771	1,206,003
Taxes payable	1,642,269	12,449,108	12,922,506	1,655,861	39,819,520	23,434,362	3,002,827
Deferred revenue	407,992	33,785,515	81,097,799	10,391,691	96,774,108	154,049,749	19,739,592
Deferred tax liabilities	3,940,854	479,699	(4,474,045)	(573,294)	3,940,854	(3,940,854)	(504,972)
Accrued liabilities	(1,147,966)	(6,996,754)	9,563,582	1,225,456	(1,884,669)	10,707,608	1,372,049
Net cash provided by operating activities	220,309,256	344,451,484	531,523,659	68,108,257	1,104,789,431	1,596,108,793	204,521,827
Cash flows from investing activities:							
Purchase of property, equipment and software	(14,900,930)	(52,529,277)	(33,496,300)	(4,292,141)	(92,608,975)	(142,513,502)	(18,261,363)
Proceeds from sale of property, equipment and software	-	-	-	-	-	148,076	18,974
Increase in held-to-maturity investments	-	-	-	-	165,532,000	-	-
Net change in time deposits with terms of three months or less	395,561,264	(536,649,818)	(85,380,462)	(10,940,462)	(637,492,419)	(563,980,613)	(72,267,220)
Placement/rollover of matured time deposits	(655,507,939)	(668,307,391)	(655,105,518)	(83,943,763)	(1,054,979,194)	(1,600,926,277)	(205,139,129)
Uplift/rollover of matured time deposits	-	469,599,506	655,507,938	83,995,328	-	1,125,107,444	144,168,763
Net (increase)/decrease in other assets	-	(2,570,962)	583,578	74,778	799,232	(36,077,586)	(4,622,902)
Net cash used in investing activities	(274,847,605)	(790,457,942)	(117,890,764)	(15,106,260)	(1,618,749,356)	(1,218,242,458)	(156,102,877)
Cash flows from financing activities:							
Proceed from employees exercising stock options	1,431,465	27,755,249	207,554	26,596	105,692,433	44,127,417	5,654,389
Repurchase of company shares	-	(135,413,438)	(336,251,381)	(43,086,503)	-	(873,406,019)	(111,916,303)
Payment of other long-term payable	(199,979)	-	-	-	(195,067)	(177,256)	(22,713)
Capital injection from minority interests	-	-	400,046	51,261	-	400,046	51,261
Net cash (used in)/provided by financing activities	1,231,486	(107,658,189)	(335,643,781)	(43,008,646)	105,497,366	(829,055,812)	(106,233,366)
Effect of exchange rate changes on cash held in foreign currencies	(4,229,442)	(9,186,668)	(8,871,965)	(1,136,834)	(29,684,897)	(28,078,078)	(3,597,862)
Net increase (decrease) in cash	(57,536,305)	(562,851,315)	69,117,149	8,856,517	(438,147,456)	(479,267,555)	(61,412,278)
Cash, beginning of the year/quarter	1,743,280,386	1,700,210,692	1,137,359,377	145,738,699	2,123,891,537	1,685,744,081	216,007,494
Cash, end of the year/quarter	1,685,744,081	1,137,359,377	1,206,476,526	154,595,216	1,685,744,081	1,206,476,526	154,595,216
Supplemental disclosures of cash flow information:							
Cash paid for income taxes, net of tax refund	25,963,450	46,273,131	16,946,423	2,171,477	67,993,005	125,238,532	16,047,787
Supplemental schedule of non-cash investing and financing activities:							
Treasury stock cancellation	-	401,741,200	282,862,720	36,245,399	-	684,603,920	87,723,622
Fixed asset purchases financed by accounts payable	-	-	19,262,046	2,468,196	-	20,051,899	2,569,406

The accompanying notes are an integral part of this press release.

NETEASE.COM, INC.
UNAUDITED SEGMENT INFORMATION

	Quarter Ended				Year Ended		
	December 31,	September 30,	December 31,	December 31,	December 31,	December 31,	December 31,
	2005	2006	2006	2006	2005	2006	2006
	RMB	RMB	RMB	USD (Note 1)	RMB	RMB	USD (Note 1)
Revenues:							
Online game services	400,942,544	467,910,918	451,586,343	57,865,269	1,379,475,803	1,856,062,971	237,831,777
Advertising services	69,087,777	83,359,202	72,087,480	9,237,129	241,200,444	285,772,653	36,618,272
Wireless value-added services and others	17,232,471	20,632,782	16,632,276	2,131,223	73,742,136	75,406,121	9,662,372
Total revenues	487,262,792	571,902,902	540,306,099	69,233,621	1,694,418,383	2,217,241,745	284,112,421
Business taxes:							
Online game services	(13,231,104)	(15,441,061)	20,578,370	2,636,867	(58,851,439)	(25,769,359)	(3,302,028)
Advertising services	(5,872,461)	(7,085,532)	(6,127,436)	(785,156)	(20,502,038)	(24,290,676)	(3,112,553)
Wireless value-added services and others	(634,439)	(771,139)	(627,262)	(80,376)	(2,701,425)	(2,822,240)	(361,636)
Total business taxes	(19,738,004)	(23,297,732)	13,823,672	1,771,335	(82,054,902)	(52,882,275)	(6,776,217)
Net revenues:							
Online game services	387,711,440	452,469,857	472,164,713	60,502,136	1,320,624,364	1,830,293,612	234,529,749
Advertising services	63,215,316	76,273,670	65,960,044	8,451,973	220,698,406	261,481,977	33,505,719
Wireless value-added services and others	16,598,032	19,861,643	16,005,014	2,050,847	71,040,711	72,583,881	9,300,736
Total net revenues	467,524,788	548,605,170	554,129,771	71,004,956	1,612,363,481	2,164,359,470	277,336,204
Cost of revenues:							
Online game services	(41,052,587)	(47,833,799)	(45,733,082)	(5,860,135)	(137,301,493)	(178,676,915)	(22,895,263)
Advertising services	(23,450,822)	(33,447,437)	(32,636,526)	(4,181,972)	(78,589,395)	(125,183,293)	(16,040,708)
Wireless value-added and others	(16,808,930)	(19,179,820)	(19,037,040)	(2,439,364)	(59,346,085)	(77,437,973)	(9,922,729)
Total cost of revenues	(81,312,339)	(100,461,056)	(97,406,648)	(12,481,471)	(275,236,973)	(381,298,181)	(48,858,700)
Gross profit/(loss):							
Online game services	346,658,853	404,636,058	426,431,631	54,642,001	1,183,322,871	1,651,616,697	211,634,486
Advertising services	39,764,494	42,826,233	33,323,518	4,270,001	142,109,011	136,298,684	17,465,011
Wireless value-added services and others	(210,898)	681,823	(3,032,026)	(388,517)	11,694,626	(4,854,092)	(621,993)
Total gross profit	386,212,449	448,144,114	456,723,123	58,523,485	1,337,126,508	1,783,061,289	228,477,504

The accompanying notes are an integral part of this press release.

NETEASE.COM, INC.

RECONCILIATIONS TO UNAUDITED STATEMENTS OF OPERATIONS

NON-GAAP GROSS PROFIT, TOTAL OPERATING EXPENSES, NET PROFIT AND EARNINGS PER SHARE

EXCLUDING SHARE-BASED COMPENSATION EXPENSE

	Quarter Ended				Year Ended	
	December 31,	September 30,	December 31,	December 31,	December 31,	December 31,
	2005	2006	2006	2006	2005	2006
	RMB	RMB	RMB	USD (Note 1)	RMB	USD (Note 1)
<u>Gross Profit</u>						
GAAP gross profit	386,212,449	448,144,114	456,723,123	58,523,485	1,337,126,508	228,477,504
Add: share-based compensation cost	-	4,184,265	3,650,046	467,709	-	2,128,921
Non-GAAP gross profit	<u>386,212,449</u>	<u>452,328,379</u>	<u>460,373,169</u>	<u>58,991,194</u>	<u>1,337,126,508</u>	<u>230,606,425</u>
<u>Operating expenses</u>						
GAAP operating expenses	(94,933,349)	(131,488,860)	(123,914,576)	(15,878,138)	(360,305,119)	(64,476,936)
Add: share-based compensation cost	-	-	-	-	-	-
- Selling and marketing expenses	-	5,406,776	4,943,118	633,400	-	2,709,773
- General and administrative expenses	-	9,534,605	8,940,057	1,145,558	13,835	4,787,283
- Research and development expenses	-	6,863,866	5,522,287	707,614	-	3,352,672
Non-GAAP operating expenses	<u>(94,933,349)</u>	<u>(109,683,613)</u>	<u>(104,509,114)</u>	<u>(13,391,566)</u>	<u>(360,291,284)</u>	<u>(53,627,208)</u>
<u>Net profit</u>						
GAAP net profit	276,671,008	314,779,881	320,229,996	41,033,559	931,990,169	159,246,751
Add: share-based compensation cost	-	25,989,512	23,055,508	2,954,281	13,835	12,978,649
Non-GAAP net profit	<u>276,671,008</u>	<u>340,769,393</u>	<u>343,285,504</u>	<u>43,987,840</u>	<u>932,004,004</u>	<u>172,225,400</u>
<u>Earnings per share, diluted</u>						
GAAP earnings per ADS, diluted	1.95	2.26	2.34	0.30	6.59	1.14
Add: Adjustment for dilutive impact of share-based compensation	-	0.19	0.17	0.02	-	0.09
Non-GAAP earnings per ADS, diluted	<u>1.95</u>	<u>2.45</u>	<u>2.51</u>	<u>0.32</u>	<u>6.59</u>	<u>1.23</u>

The accompanying notes are an integral part of this press release.

NETEASE.COM, INC.

NOTES TO UNAUDITED FINANCIAL INFORMATION

Note 1: The conversion of Renminbi (RMB) into United States dollars (USD) is based on the noon buying rate of USD1.00 = RMB7.8041 on December 31, 2006 in The City of New York for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York.

Note 2: Effective from March 27, 2006, the Company changed its ADR to ordinary share ratio from one ADR for every 100 ordinary shares to one ADR for every 25 ordinary shares. The basic and diluted earnings per ADR and the basic and diluted weighted average number of ADSs outstanding for the comparative period ended December 31, 2005 have been restated to conform to the current ADR ratio for the period ended December 31, 2006 accordingly.