

NETEASE.COM, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>December 31,</u> <u>2006</u> RMB	<u>December 31,</u> <u>2007</u> RMB	<u>December 31,</u> <u>2007</u> USD (Note 1)
Assets			
Current assets:			
Cash	1,206,476,526	2,482,820,821	340,364,218
Time deposits	2,731,396,687	1,675,813,944	229,733,494
Accounts receivable, net	131,724,899	166,727,514	22,856,293
Prepayments and other current assets	33,913,350	45,143,728	6,188,650
Deferred tax assets	<u>25,674,468</u>	<u>65,787,113</u>	<u>9,018,605</u>
Total current assets	<u>4,129,185,930</u>	<u>4,436,293,120</u>	<u>608,161,260</u>
Non-current assets:			
Non-current rental deposits	3,353,209	3,033,171	415,810
Property, equipment and software, net	224,207,833	183,471,666	25,151,710
Prepayment for land use right	-	26,956,800	3,695,446
Investment in an associated company	-	1,948,958	267,178
Deferred tax assets	5,502,361	19,060,225	2,612,923
Other long-term assets	<u>11,458,497</u>	<u>14,895,441</u>	<u>2,041,982</u>
Total non-current assets	<u>244,521,900</u>	<u>249,366,261</u>	<u>34,185,049</u>
Total assets	<u>4,373,707,830</u>	<u>4,685,659,381</u>	<u>642,346,309</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Zero-coupon convertible subordinated notes due July 15, 2023	-	641,778,908	87,980,000
Accounts payable	105,555,248	89,143,868	12,220,529
Salary and welfare payables	54,924,038	68,653,742	9,411,584
Taxes payable	95,476,498	92,438,670	12,672,205
Deferred revenue	385,720,720	354,966,697	48,661,571
Deferred tax liabilities	3,391,754	-	-
Accrued liabilities	<u>31,340,217</u>	<u>29,844,067</u>	<u>4,091,255</u>
Total current liabilities	<u>676,408,475</u>	<u>1,276,825,952</u>	<u>175,037,144</u>
Long-term payable:			
Zero-coupon convertible subordinated notes due July 15, 2023	780,253,918	-	-
Other long-term payable	<u>11,377,256</u>	<u>10,200,000</u>	<u>1,398,295</u>
Total long-term payable	<u>791,631,174</u>	<u>10,200,000</u>	<u>1,398,295</u>
Total liabilities	1,468,039,649	1,287,025,952	176,435,439
Shareholders' equity	2,905,668,181	3,398,425,631	465,882,383
Minority interests	-	207,798	28,487
Total liabilities and shareholders' equity	<u>4,373,707,830</u>	<u>4,685,659,381</u>	<u>642,346,309</u>

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

NETEASE.COM, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Quarter Ended				Year Ended		
	December 31, 2006	September 30, 2007	December 31, 2007	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2007
	RMB	RMB	RMB	USD(Note 1)	RMB	RMB	USD(Note 1)
Revenues:							
Online game services	451,586,343	468,651,024	506,968,240	69,499,114	1,856,062,971	1,932,634,947	264,940,497
Advertising services	72,087,480	85,478,302	98,055,630	13,442,222	285,772,653	305,057,556	41,819,641
Wireless value-added services and others	16,632,276	16,946,709	17,026,320	2,334,099	75,406,121	68,018,461	9,324,495
Total revenues	540,306,099	571,076,035	622,050,190	85,275,435	2,217,241,745	2,305,710,964	316,084,633
Business taxes	13,823,672	(23,420,856)	(25,761,100)	(3,531,530)	(52,882,275)	(92,424,200)	(12,670,222)
Total net revenues	554,129,771	547,655,179	596,289,090	81,743,905	2,164,359,470	2,213,286,764	303,414,411
Total cost of revenues	(97,406,648)	(105,710,714)	(108,270,695)	(14,842,581)	(381,298,181)	(415,453,046)	(56,953,506)
Gross profit	456,723,123	441,944,465	488,018,395	66,901,324	1,783,061,289	1,797,833,718	246,460,905
Operating expenses:							
Selling and marketing expenses	(36,825,961)	(83,189,695)	(59,767,163)	(8,193,343)	(170,142,691)	(235,318,304)	(32,259,247)
General and administrative expenses	(49,976,139)	(48,276,202)	(44,341,316)	(6,078,649)	(179,879,602)	(176,178,740)	(24,151,940)
Research and development expenses	(37,112,476)	(47,515,112)	(48,724,456)	(6,679,524)	(153,162,158)	(180,734,713)	(24,776,508)
Total operating expenses	(123,914,576)	(178,981,009)	(152,832,935)	(20,951,516)	(503,184,451)	(592,231,757)	(81,187,695)
Operating profit	332,808,547	262,963,456	335,185,460	45,949,808	1,279,876,838	1,205,601,961	165,273,210
Other income (expenses):							
Investment income	102,885	116,843	114,007	15,629	340,721	474,446	65,041
Interest income	22,661,439	29,194,435	31,733,301	4,350,246	94,364,852	112,599,994	15,436,075
Other, net	1,283,947	(12,164,815)	(30,144,109)	(4,132,387)	280,670	(51,975,334)	(7,125,179)
Profit before tax	356,856,818	280,109,919	336,888,659	46,183,296	1,374,863,081	1,266,701,067	173,649,147
Income tax	(37,026,868)	(19,946,757)	52,868,775	7,247,659	(132,485,543)	(2,689,309)	(368,671)
Profit after tax	319,829,950	260,163,162	389,757,434	53,430,955	1,242,377,538	1,264,011,758	173,280,476
Minority interests	400,046	-	74,364	10,194	400,046	74,364	10,194
Net profit	320,229,996	260,163,162	389,831,798	53,441,149	1,242,777,584	1,264,086,122	173,290,670
Earnings per share, basic	0.10	0.09	0.13	0.02	0.38	0.41	0.06
Earnings per ADS, basic	2.52	2.13	3.21	0.44	9.61	10.24	1.40
Earnings per share, diluted	0.09	0.08	0.12	0.02	0.36	0.38	0.05
Earnings per ADS, diluted	2.34	1.99	3.01	0.41	8.91	9.55	1.31
Weighted average number of ordinary shares outstanding, basic	3,180,435,508	3,053,681,518	3,033,153,746	3,033,153,746	3,231,832,008	3,086,451,412	3,086,451,412
Weighted average number of ADS outstanding, basic	127,217,420	122,147,261	121,326,150	121,326,150	129,273,280	123,458,056	123,458,056
Weighted average number of ordinary shares outstanding, diluted	3,425,090,889	3,261,550,487	3,240,836,099	3,240,836,099	3,498,405,110	3,307,538,379	3,307,538,379
Weighted average number of ADS outstanding, diluted	137,003,636	130,462,019	129,633,444	129,633,444	139,936,204	132,301,535	132,301,535

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 31,	September 30,	December 31,	December 31,	December 31,	December 31,	December 31,
	2006	2007	2007	2007	2006	2007	2007
	RMB	RMB	RMB	USD(Note 1)	RMB	RMB	USD(Note 1)
Cash flows from operating activities:							
Net profit	320,229,996	260,163,162	389,831,798	53,441,149	1,242,777,584	1,264,086,122	173,290,670
Adjustments to reconcile net profit to net cash provided by operating activities:							
Depreciation and amortization	26,202,590	24,019,586	26,752,268	3,667,407	78,370,029	99,110,799	13,586,872
Share-based compensation cost	23,055,508	26,072,433	22,060,172	3,024,178	101,286,676	95,428,175	13,082,029
(Reversal) provision for doubtful debts	4,316,554	1,067,169	(228,892)	(31,378)	7,487,619	(5,334,898)	(731,349)
Amortization of issuance cost of convertible notes	-	-	-	-	4,331,016	-	-
Loss on disposal of property, equipment and software	59,986	696,754	38,711	5,307	586,254	830,169	113,806
Write-off of property, equipment and software	2,024,936	-	-	-	13,663,387	-	-
Non-cash exchange (gains) losses	(1,344,778)	11,262,944	30,229,825	4,144,137	584,612	50,891,073	6,976,541
Share of loss by minority interests	(400,046)	-	(74,364)	(10,194)	(400,046)	(74,364)	(10,194)
Net equity share of loss from an associated company	-	199,941	351,101	48,132	-	551,042	75,541
Others	-	-	-	-	-	278,324	38,155
Changes in operating assets and liabilities:							
Accounts receivable	(18,262,206)	(16,898,211)	(28,797,530)	(3,947,787)	(69,580,977)	(29,756,151)	(4,079,203)
Prepayments and other current assets	31,760,833	2,411,864	19,140,543	2,623,933	(13,921,921)	(16,535,100)	(2,266,756)
Deferred tax assets	(5,934,365)	2,060,348	(45,969,165)	(6,301,808)	(5,744,969)	(40,112,645)	(5,498,951)
Deferred tax assets - non-current	(5,502,361)	(5,356,345)	(11,939,153)	(1,636,711)	(5,502,361)	(13,557,864)	(1,858,617)
Accounts payable	39,050,562	(12,339,449)	4,839,436	663,427	45,117,500	945,594	129,629
Salary and welfare payables	13,764,854	(10,472,826)	25,160,475	3,449,192	9,411,771	13,216,566	1,811,829
Taxes payable	12,922,506	9,217,774	11,798,902	1,617,484	23,434,362	(2,750,313)	(377,034)
Deferred revenue	81,097,799	39,167,706	(14,094,607)	(1,932,197)	154,049,749	(30,754,023)	(4,215,999)
Deferred tax liabilities	(1,082,291)	-	-	-	(549,100)	(3,391,754)	(464,968)
Accrued liabilities	9,563,582	7,941,122	(2,499,785)	(342,690)	10,707,608	(3,168,330)	(434,339)
Net cash provided by operating activities	<u>531,523,659</u>	<u>339,213,972</u>	<u>426,599,735</u>	<u>58,481,581</u>	<u>1,596,108,793</u>	<u>1,379,902,422</u>	<u>189,167,662</u>
Cash flows from investing activities:							
Purchase of property, equipment and software	(33,496,300)	(16,472,855)	(13,885,112)	(1,903,478)	(142,513,502)	(71,515,551)	(9,803,903)
Proceeds from sale of property, equipment and software	-	10,320	25,434	3,487	148,076	55,675	7,632
Prepayment for land use right	-	-	-	-	-	(26,956,800)	(3,695,446)
Investment in an associated company	-	(2,500,000)	-	-	-	(2,500,000)	(342,719)
Net cash received upon closure of VIE	-	(1,217,831)	-	-	-	(1,217,831)	(166,950)
Transfer from restricted cash	-	-	761,580,600	104,403,339	-	-	-
Net change in time deposits with terms of three months	(85,380,462)	(216,493,992)	(246,295,721)	(33,764,116)	(563,980,613)	74,476,020	10,209,747
Placement/rollover of matured time deposits	(655,105,518)	(201,035,000)	(270,000,000)	(37,013,681)	(1,600,926,277)	(636,577,729)	(87,266,982)
Uplift of matured time deposits	655,507,938	598,179,141	655,105,518	89,806,914	1,125,107,444	1,530,798,027	209,853,594
Net increase in other assets	583,578	(2,306)	(89,786)	(12,309)	(36,077,586)	(87,737)	(12,028)
Net cash provided by (used in) investing activities	<u>(117,890,764)</u>	<u>160,467,477</u>	<u>886,440,933</u>	<u>121,520,156</u>	<u>(1,218,242,458)</u>	<u>866,474,074</u>	<u>118,782,945</u>
Cash flows from financing activities:							
Minority interests	400,046	-	282,162	38,681	400,046	282,162	38,681
Proceeds from employees exercising stock options	207,554	20,819,202	1,618,804	221,918	44,127,417	43,232,921	5,926,702
Repurchase of company shares	(336,251,381)	(231,914,175)	(36,478,319)	(5,000,729)	(873,406,019)	(1,003,747,328)	(137,601,421)
Payment of other long-term payable	-	-	-	-	(177,256)	(177,256)	(24,300)
Net cash used in financing activities	<u>(335,643,781)</u>	<u>(211,094,973)</u>	<u>(34,577,353)</u>	<u>(4,740,130)</u>	<u>(829,055,812)</u>	<u>(960,409,501)</u>	<u>(131,660,338)</u>
Effect of exchange rate changes on cash held in foreign currencies	(8,871,965)	(3,525,100)	(1,064,010)	(145,863)	(28,078,078)	(9,622,700)	(1,319,154)
Net increase (decrease) in cash	69,117,149	285,061,376	1,277,399,305	175,115,744	(479,267,555)	1,276,344,295	174,971,115
Cash, beginning of the quarter/year	<u>1,137,359,377</u>	<u>920,360,140</u>	<u>1,205,421,516</u>	<u>165,248,474</u>	<u>1,685,744,081</u>	<u>1,206,476,526</u>	<u>165,393,103</u>
Cash, end of the quarter/year	<u><u>1,206,476,526</u></u>	<u><u>1,205,421,516</u></u>	<u><u>2,482,820,821</u></u>	<u><u>340,364,218</u></u>	<u><u>1,206,476,526</u></u>	<u><u>2,482,820,821</u></u>	<u><u>340,364,218</u></u>
Supplemental disclosures of cash flow information:							
Cash paid for income tax, net of refund/(net tax refund)	16,946,423	19,457,537	(9,165,960)	(1,256,540)	125,238,532	71,797,010	9,842,488
Supplemental schedule of non-cash investing and financing activities:							
Treasury stock cancellation	282,862,720	237,971,707	121,821,189	16,700,188	684,603,920	1,192,549,427	163,483,868
Fixed asset purchases financed by accounts payable	20,051,899	11,313,407	6,112,886	838,002	20,051,899	6,112,886	838,002

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,
	2006	2007	2007	2007	2006	2007	2007
	RMB	RMB	RMB	USD (Note 1)	RMB	RMB	USD(Note 1)
Revenues:							
Online game services	451,586,343	468,651,024	506,968,240	69,499,114	1,856,062,971	1,932,634,947	264,940,497
Advertising services	72,087,480	85,478,302	98,055,630	13,442,222	285,772,653	305,057,556	41,819,641
Wireless value-added services and others	16,632,276	16,946,709	17,026,320	2,334,099	75,406,121	68,018,461	9,324,495
Total revenues	540,306,099	571,076,035	622,050,190	85,275,435	2,217,241,745	2,305,710,964	316,084,633
Business taxes:							
Online game services	20,578,370	(15,465,484)	(16,729,952)	(2,293,471)	(25,769,359)	(63,776,953)	(8,743,036)
Advertising services	(6,127,436)	(7,265,655)	(8,334,729)	(1,142,589)	(24,290,676)	(25,929,892)	(3,554,669)
Wireless value-added services and others	(627,262)	(689,717)	(696,419)	(95,470)	(2,822,240)	(2,717,355)	(372,517)
Total business taxes	13,823,672	(23,420,856)	(25,761,100)	(3,531,530)	(52,882,275)	(92,424,200)	(12,670,222)
Net revenues:							
Online game services	472,164,713	453,185,540	490,238,288	67,205,643	1,830,293,612	1,868,857,994	256,197,461
Advertising services	65,960,044	78,212,647	89,720,901	12,299,633	261,481,977	279,127,664	38,264,972
Wireless value-added services and others	16,005,014	16,256,992	16,329,901	2,238,629	72,583,881	65,301,106	8,951,978
Total net revenues	554,129,771	547,655,179	596,289,090	81,743,905	2,164,359,470	2,213,286,764	303,414,411
Cost of revenues:							
Online game services	(45,733,082)	(48,094,598)	(45,658,298)	(6,259,191)	(178,676,915)	(187,411,229)	(25,691,776)
Advertising services	(32,636,526)	(35,946,007)	(43,104,579)	(5,909,108)	(125,183,293)	(143,676,057)	(19,696,221)
Wireless value-added services and others	(19,037,040)	(21,670,109)	(19,507,818)	(2,674,282)	(77,437,973)	(84,365,760)	(11,565,509)
Total cost of revenues	(97,406,648)	(105,710,714)	(108,270,695)	(14,842,581)	(381,298,181)	(415,453,046)	(56,953,506)
Gross profit (loss)							
Online game services	426,431,631	405,090,942	444,579,990	60,946,452	1,651,616,697	1,681,446,765	230,505,685
Advertising services	33,323,518	42,266,640	46,616,322	6,390,525	136,298,684	135,451,607	18,568,751
Wireless value-added services and others	(3,032,026)	(5,413,117)	(3,177,917)	(435,653)	(4,854,092)	(19,064,654)	(2,613,531)
Total gross profit	456,723,123	441,944,465	488,018,395	66,901,324	1,783,061,289	1,797,833,718	246,460,905
Gross profit (loss) margin							
Online game services	90.3%	89.4%	90.7%	90.7%	90.2%	90.0%	90.0%
Advertising services	50.5%	54.0%	52.0%	52.0%	52.1%	48.5%	48.5%
Wireless value-added services and others	(18.9%)	(33.3%)	(19.5%)	(19.5%)	(6.7%)	(29.2%)	(29.2%)

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

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 = RMB7.2946 on December 31, 2007 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: Share-based compensation cost reported in the Company's unaudited condensed consolidated statements of operations is set out as follows:

	Quarter Ended				Year Ended		
	December 31, 2006	September 30, 2007	December 31, 2007	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2007
	RMB	RMB	RMB	USD (Note 1)	RMB	RMB	USD (Note 1)
Share-based compensation cost included in:							
Cost of revenue	3,650,046	4,110,297	3,444,268	472,167	16,614,309	14,890,378	2,041,288
Operating expenses							
- Selling and marketing expenses	4,943,118	3,716,654	3,043,367	417,208	21,147,343	14,357,336	1,968,214
- General and administrative expenses	8,940,057	8,824,199	7,822,539	1,072,374	37,360,433	33,887,323	4,645,535
- Research and development expenses	5,522,287	9,421,283	7,749,998	1,062,429	26,164,591	32,293,138	4,426,992