

PRESS RELEASE

NETEASE.COM, INC.
UNAUDITED CONSOLIDATED BALANCE SHEETS

	December 31, 2005	June 30, 2006	June 30, 2006
	RMB	RMB	USD (Note 1)
Assets			
Current assets:			
Cash	1,685,744,081	1,700,210,692	212,677,869
Time deposit	1,691,976,255	1,911,249,034	239,076,471
Accounts receivable, net	69,631,541	96,535,065	12,075,487
Prepayments and other current assets	30,021,448	56,195,663	7,029,467
Deferred tax assets	19,929,499	17,348,300	2,170,084
Total current assets	3,497,302,824	3,781,538,754	473,029,378
Property, equipment and software, net	126,341,533	149,268,568	18,671,875
Other assets	1,341,162	35,431,364	4,432,078
Total assets	3,624,985,519	3,966,238,686	496,133,331
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and other liabilities	28,848,690	59,007,792	7,381,233
Salary and welfare payable	46,438,269	45,656,485	5,711,130
Taxes payable	83,828,862	81,891,610	10,243,750
Deferred revenue	231,670,971	270,837,406	33,878,814
Deferred tax liabilities	3,940,854	3,994,346	499,649
Accrued liabilities	20,751,404	28,888,377	3,613,622
Total current liabilities	415,479,050	490,276,016	61,328,198
Long-term payable:	818,413,108	810,647,370	101,403,171
Total liabilities	1,233,892,158	1,300,923,386	162,731,369
Shareholders' equity:			
Ordinary shares, US\$0.0001 par value: 1,000,300,000,000 shares authorized, 3,263,526,525 shares issued and outstanding as of December 31, 2005, and 3,224,695,300 shares issued and outstanding as of June 30, 2006	2,700,407	2,716,755	339,837
Additional paid-in capital	1,129,733,009	1,198,122,931	149,872,150
Treasury stock	-	(401,741,200)	(50,253,456)
Statutory reserve	135,238,835	135,238,835	16,916,908
Translation adjustments	210,838	-	-
Retained earnings	1,123,210,272	1,730,977,979	216,526,523
Total shareholders' equity	2,391,093,361	2,665,315,300	333,401,962
Total liabilities and shareholders' equity	3,624,985,519	3,966,238,686	496,133,331

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

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Quarter Ended			
	June 30, 2005 RMB	March 31, 2006 RMB	June 30, 2006 RMB	June 30, 2006 USD (Note 1)
Revenues:				
Online game services	343,709,567	450,559,604	486,006,106	60,794,079
Advertising services	53,441,219	61,562,176	68,763,795	8,601,603
Wireless value-added services and others	19,727,359	17,633,673	20,507,390	2,565,251
Total revenues	416,878,145	529,755,453	575,277,291	71,960,933
Business taxes	(24,159,422)	(20,761,791)	(22,646,424)	(2,832,822)
Total net revenues	392,718,723	508,993,662	552,630,867	69,128,111
Total cost of revenues	(65,924,447)	(88,160,633)	(95,269,844)	(11,917,222)
Gross profit	326,794,276	420,833,029	457,361,023	57,210,889
Operating expenses:				
Selling and marketing expenses	(35,175,606)	(42,999,177)	(44,210,634)	(5,530,270)
General and administrative expenses	(30,312,663)	(39,445,469)	(43,807,041)	(5,479,784)
Research and development expenses	(14,606,721)	(31,024,759)	(46,293,935)	(5,790,868)
Total operating expenses	(80,094,990)	(113,469,405)	(134,311,610)	(16,800,922)
Operating profit	246,699,286	307,363,624	323,049,413	40,409,967
Other income (expenses):				
Investment income	433,141	32,067	100,931	12,625
Interest income	12,694,680	22,808,447	24,263,200	3,035,062
Interest expense	-	-	-	-
Other, net	(70,868)	(2,177,007)	(414,399)	(51,837)
Profit before tax	259,756,239	328,027,131	346,999,145	43,405,817
Income tax	(16,957,276)	(34,369,613)	(32,888,956)	(4,114,051)
Net profit	242,798,963	293,657,518	314,110,189	39,291,766
Earnings per share, basic	0.08	0.09	0.10	0.01
Earnings per ADS, basic (Note 2)	1.89	2.25	2.41	0.30
Earnings per share, diluted	0.07	0.08	0.09	0.01
Earnings per ADS, diluted (Note 2)	1.72	2.08	2.23	0.28
Weighted average number of ordinary shares outstanding, basic	3,212,283,531	3,267,392,635	3,254,702,252	3,254,702,252
Weighted average number of ADS outstanding, basic (Note 2)	128,491,341	130,695,705	130,188,090	130,188,090
Weighted average number of ordinary shares outstanding, diluted	3,552,151,228	3,546,376,948	3,537,762,110	3,537,762,110
Weighted average number of ADS outstanding, diluted (Note 2)	142,086,049	141,855,078	141,510,484	141,510,484

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

NETEASE.COM INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Quarter Ended			
	June 30, 2005 RMB	March 31, 2006 RMB	June 30, 2006 RMB	June 30, 2006 USD (Note 1)
Cash flows from operating activities:				
Net profit	242,798,963	293,657,518	314,110,189	39,291,766
Adjustments for:				
Depreciation	8,874,584	14,949,734	17,001,040	2,126,645
Share compensation cost	-	25,995,621	26,246,035	3,283,094
Provision for doubtful debts	2,853,672	40,773	407,553	50,980
Amortization of issuance cost of convertible bonds	1,959,973	1,903,873	1,897,029	237,298
Loss on disposal of property and equipment	-	-	526,268	65,830
Write-off of software cost	-	-	11,638,451	1,455,844
Exchange loss	-	2,103,907	44,705	5,592
(Increase) Decrease in accounts receivable	(14,042,757)	7,811,834	(35,163,684)	(4,398,594)
Increase in prepayments and other current assets	(8,608,671)	(24,248,021)	(5,727,096)	(716,397)
(Increase) Decrease in deferred tax assets	5,438,461	(1,028,906)	3,610,105	451,585
Increase (Decrease) in accounts payable and other liabilities	(826,730)	70,236,516	(62,187,069)	(7,778,925)
Increase in deferred revenue	11,361,961	15,945,773	23,220,662	2,904,652
Increase (Decrease) in salary and welfare payable	4,513,515	(6,327,748)	5,989,995	749,283
Increase (Decrease) in taxes payable	(968,908)	11,251,192	(13,188,444)	(1,649,731)
Increase in deferred tax liabilities	-	7,031	46,461	5,812
Increase in accrued liabilities	1,973,490	116,470	8,024,310	1,003,754
Net cash provided by operating activities	<u>255,327,553</u>	<u>412,415,567</u>	<u>296,496,510</u>	<u>37,088,488</u>
Cash flows from investing activities				
Decrease in held-to-maturity investments	82,766,000	-	-	-
Purchase of property, equipment and software	(24,780,204)	(21,793,571)	(34,694,354)	(4,339,886)
Proceeds of disposed property and equipment	-	-	148,076	18,523
(Increase) Decrease in time deposit	1,321,989	(175,096,580)	(44,367,121)	(5,549,844)
Increase in other assets	-	(10,564,836)	(23,525,366)	(2,942,767)
Net cash used in investing activities	<u>59,307,785</u>	<u>(207,454,987)</u>	<u>(102,438,765)</u>	<u>(12,813,974)</u>
Cash flows from financing activities:				
Proceed from employees exercising stock options	7,322,802	16,826,137	10,560,050	1,320,947
Increase in treasury stock	-	-	(401,741,200)	(50,253,456)
Decrease in long-term payable	(107,917)	-	(177,256)	(22,173)
Net cash provided by financing activities	<u>7,214,885</u>	<u>16,826,137</u>	<u>(391,358,406)</u>	<u>(48,954,682)</u>
Effect of exchange rate changes on cash held in foreign currencies	-	(7,958,375)	(2,061,070)	(257,817)
Net (decrease) increase in cash	321,850,223	213,828,342	(199,361,731)	(24,937,985)
Cash, beginning of the quarter	<u>2,320,091,838</u>	<u>1,685,744,081</u>	<u>1,899,572,423</u>	<u>237,615,854</u>
Cash, end of the quarter	<u>2,641,942,061</u>	<u>1,899,572,423</u>	<u>1,700,210,692</u>	<u>212,677,869</u>
Supplemental disclosures of cash flow information:				
Cash paid during the quarter for income taxes	17,503,129	25,507,306	36,511,672	4,567,213
Cash paid during the quarter for interest	3,230,173	-	-	-
Supplemental schedule of non-cash operating, investing and financing activities:				
Net exchange losses	-	2,103,907	44,705	5,592
Compensation costs, arising from transfer of ordinary shares and issuance of stock options in the Company to senior management personnel and some non-employees of the Company	-	25,995,621	26,246,035	3,283,094

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

UNAUDITED SEGMENT INFORMATION

	Quarter Ended			
	June 30, 2005	March 31, 2006	June 30, 2006	June 30, 2006
	RMB	RMB	RMB	USD (Note 1)
Revenues:				
Online game services	343,709,567	450,559,604	486,006,106	60,794,079
Advertising services	53,441,219	61,562,176	68,763,795	8,601,603
Wireless value-added services and others	19,727,359	17,633,673	20,507,390	2,565,251
Total revenues	416,878,145	529,755,453	575,277,291	71,960,933
Business taxes:				
Online game services	(18,904,026)	(14,868,467)	(16,038,201)	(2,006,205)
Advertising services	(4,542,505)	(5,232,785)	(5,844,923)	(731,136)
Wireless value-added services and others	(712,891)	(660,539)	(763,300)	(95,481)
Total business taxes	(24,159,422)	(20,761,791)	(22,646,424)	(2,832,822)
Net revenues:				
Online game services	324,805,541	435,691,137	469,967,905	58,787,874
Advertising services	48,898,714	56,329,391	62,918,872	7,870,467
Wireless value-added services and others	19,014,468	16,973,134	19,744,090	2,469,770
Total net revenues	392,718,723	508,933,662	552,630,867	69,128,111
Cost of revenues:				
Online game services	(31,875,924)	(41,630,463)	(43,479,571)	(5,438,822)
Advertising services	(18,540,302)	(27,512,062)	(31,587,268)	(3,951,224)
Wireless value-added services and others	(15,508,221)	(19,018,108)	(20,203,005)	(2,527,176)
Total cost of revenues	(65,924,447)	(88,160,633)	(95,269,844)	(11,917,222)
Gross profit (loss) :				
Online game services	292,929,617	394,060,674	426,488,334	53,349,052
Advertising services	30,358,412	28,817,329	31,331,604	3,919,243
Wireless value-added services and others	3,506,247	(2,044,974)	(458,915)	(57,406)
Total gross profit	326,794,276	420,833,029	457,361,023	57,210,889

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

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			
	June 30, 2005	March 31, 2006	June 30, 2006	June 30, 2006
	RMB	RMB	RMB	USD (Note 1)
<u>Gross Profit</u>				
GAAP gross profit	326,794,276	420,833,029	457,361,023	57,210,889
Add: share-based compensation cost under cost of revenues	-	4,434,511	4,345,487	543,574
Non-GAAP gross profit	326,794,276	425,267,540	461,706,510	57,754,463
<u>Operating expenses</u>				
GAAP operating expenses	(80,094,990)	(113,469,405)	(134,311,610)	(16,800,922)
Add: share-based compensation cost				
- Selling and marketing expenses	-	5,365,664	5,431,785	679,457
- General and administrative expenses	-	9,364,705	9,521,066	1,190,982
- Research and development expenses	-	6,830,741	6,947,697	869,081
Non-GAAP operating expenses	(80,094,990)	(91,908,295)	(112,411,062)	(14,061,402)
<u>Net profit</u>				
GAAP net profit	242,798,963	293,657,518	314,110,189	39,291,766
Add: share-based compensation cost	-	25,995,621	26,246,035	3,283,094
Non-GAAP net profit	242,798,963	319,653,139	340,356,224	42,574,860
<u>Earnings per share, diluted</u>				
GAAP earnings per ADS, diluted	1.72	2.08	2.23	0.28
Add: Adjustment for dilutive impact of share based compensation cost	-	0.19	0.19	0.02
Non-GAAP earnings per ADS, diluted	1.72	2.27	2.42	0.30

Note 1: The conversion of Renminbi (RMB) into United States dollars (USD) is based on the noon buying rate of USD1.00 = RMB7.9943 on June 30, 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 June 30, 2005 have been restated to conform to the current ADR ratio for the period ended June 30, 2006 accordingly.