

NETEASE.COM, INC.  
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

|   | December 31,<br>2008 | September 30,<br>2009 | September 30,<br>2009 |
|---|----------------------|-----------------------|-----------------------|
|   | RMB                  | RMB                   | USD (Note 1)          |
| <b>Assets</b>                               |                      |                       |                       |
| Current assets:                             |                      |                       |                       |
| Cash  | 793,407,922          | 1,356,305,421         | 198,691,134           |
| Time deposits                               | 4,820,000,100        | 5,054,114,507         | 740,399,418           |
| Accounts receivable, net                    | 231,030,576          | 117,489,521           | 17,211,556            |
| Prepayments and other current assets        | 104,092,051          | 446,902,146           | 65,468,657            |
| Deferred tax assets                         | 25,248,842           | 53,526,961            | 7,841,399             |
| Total current assets                        | <u>5,973,779,491</u> | <u>7,028,338,556</u>  | <u>1,029,612,164</u>  |
| Non-current assets:                         |                      |                       |                       |
| Non-current rental deposits                 | 3,443,249            | 3,979,450             | 582,967               |
| Property, equipment and software, net       | 258,787,534          | 531,139,240           | 77,808,919            |
| Land use right, net                         | 12,563,485           | 12,369,537            | 1,812,068             |
| License right, net                          | 27,463,600           | 230,006,833           | 33,694,711            |
| Deferred tax assets                         | 12,444,636           | 10,528,058            | 1,542,301             |
| Restricted cash                             | -                    | 82,000,000            | 12,012,540            |
| Other long-term assets                      | 57,411,308           | 48,087,530            | 7,044,553             |
| Total non-current assets                    | <u>372,113,812</u>   | <u>918,110,648</u>    | <u>134,498,059</u>    |
| Total assets                                | <u>6,345,893,303</u> | <u>7,946,449,204</u>  | <u>1,164,110,223</u>  |
| <b>Liabilities and Shareholders' Equity</b> |                      |                       |                       |
| Current liabilities:                        |                      |                       |                       |
| Accounts payable                            | 119,829,878          | 173,018,710           | 25,346,270            |
| Salary and welfare payables                 | 94,922,963           | 63,842,731            | 9,352,602             |
| Taxes payable                               | 104,754,356          | 162,096,012           | 23,746,156            |
| Deferred revenue                            | 447,725,795          | 566,510,800           | 82,990,654            |
| Accrued liabilities                         | 61,815,070           | 122,386,948           | 17,929,001            |
| Total current liabilities                   | <u>829,048,062</u>   | <u>1,087,855,201</u>  | <u>159,364,683</u>    |
| Long-term payable:                          |                      |                       |                       |
| Other long-term payable                     | 200,000              | 200,000               | 29,299                |
| Total long-term payable                     | <u>200,000</u>       | <u>200,000</u>        | <u>29,299</u>         |
| Total liabilities                           | 829,248,062          | 1,088,055,201         | 159,393,982           |
| Shareholders' equity                        | 5,516,645,241        | 6,858,394,003         | 1,004,716,241         |
| Total liabilities and shareholders' equity  | <u>6,345,893,303</u> | <u>7,946,449,204</u>  | <u>1,164,110,223</u>  |

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

NETEASE.COM, INC.  
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

|   | Quarter Ended         |                      |                       |                       |
|---|-----------------------|----------------------|-----------------------|-----------------------|
|   | September 30,<br>2008 | June 30,<br>2009     | September 30,<br>2009 | September 30,<br>2009 |
|   | RMB                   | RMB                  | RMB                   | USD (Note 1)          |
| <b>Revenues:</b>  |                       |                      |                       |                       |
| Online game services  | 675,127,723           | 781,482,693          | 775,141,663           | 113,553,905           |
| Advertising services  | 113,005,479           | 72,801,803           | 86,049,485            | 12,605,767            |
| Wireless value-added services and others                        | 18,477,994            | 17,823,767           | 18,257,187            | 2,674,575             |
| Total revenues  | 806,611,196           | 872,108,263          | 879,448,335           | 128,834,247           |
| Business taxes  | (10,641,607)          | (9,018,646)          | (11,421,825)          | (1,673,233)           |
| <b>Total net revenues</b>                                       | <b>795,969,589</b>    | <b>863,089,617</b>   | <b>868,026,510</b>    | <b>127,161,014</b>    |
| <b>Total cost of revenues</b>                                   | <b>(164,696,351)</b>  | <b>(171,209,882)</b> | <b>(241,003,866)</b>  | <b>(35,305,714)</b>   |
| <b>Gross profit</b>   | <b>631,273,238</b>    | <b>691,879,735</b>   | <b>627,022,644</b>    | <b>91,855,300</b>     |
| <b>Operating expenses:</b>                                      |                       |                      |                       |                       |
| Selling and marketing expenses                                  | (62,505,815)          | (68,323,402)         | (102,694,671)         | (15,044,193)          |
| General and administrative expenses                             | (48,810,235)          | (52,671,504)         | (53,406,612)          | (7,823,769)           |
| Research and development expenses                               | (53,322,288)          | (53,812,664)         | (62,783,771)          | (9,197,470)           |
| Total operating expenses  | (164,638,338)         | (174,807,570)        | (218,885,054)         | (32,065,432)          |
| <b>Operating profit</b>   | <b>466,634,900</b>    | <b>517,072,165</b>   | <b>408,137,590</b>    | <b>59,789,868</b>     |
| Other income (expenses):  |                       |                      |                       |                       |
| Investment income   | 1,202,091             | 84,794               | 82,497                | 12,085                |
| Interest income   | 39,704,670            | 33,086,968           | 29,775,123            | 4,361,888             |
| Other, net  | (68,543,630)          | 33,227,641           | 21,344,811            | 3,126,895             |
| <b>Net income before tax</b>                                    | <b>438,998,031</b>    | <b>583,471,568</b>   | <b>459,340,021</b>    | <b>67,290,736</b>     |
| Income tax  | (125,687,666)         | (115,383,256)        | (65,544,656)          | (9,601,924)           |
| <b>Net income after tax</b>                                     | <b>313,310,365</b>    | <b>468,088,312</b>   | <b>393,795,365</b>    | <b>57,688,812</b>     |
| Add: Net loss attributable to noncontrolling interest           | 2,235                 | 30,515               | 34,189                | 5,008                 |
| <b>Net income attributable to the Company's shareholders</b>    | <b>313,312,600</b>    | <b>468,118,827</b>   | <b>393,829,554</b>    | <b>57,693,820</b>     |
| Earnings per share, basic                                       | 0.10                  | 0.15                 | 0.12                  | 0.02                  |
| Earnings per ADS, basic   | 2.45                  | 3.64                 | 3.04                  | 0.45                  |
| Earnings per share, diluted                                     | 0.10                  | 0.14                 | 0.12                  | 0.02                  |
| Earnings per ADS, diluted                                       | 2.42                  | 3.60                 | 3.02                  | 0.44                  |
| Weighted average number of ordinary shares outstanding, basic   | 3,199,978,057         | 3,219,247,705        | 3,236,059,232         | 3,236,059,232         |
| Weighted average number of ADS outstanding, basic               | 127,999,122           | 128,769,908          | 129,442,369           | 129,442,369           |
| Weighted average number of ordinary shares outstanding, diluted | 3,240,451,297         | 3,250,458,685        | 3,260,784,175         | 3,260,784,175         |
| Weighted average number of ADS outstanding, diluted             | 129,618,052           | 130,018,347          | 130,431,367           | 130,431,367           |

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

NETEASE.COM, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

|   | Quarter Ended   |               |                 |               |
|---|-----------------|---------------|-----------------|---------------|
|   | September 30,   | June 30,      | September 30,   | September 30, |
|   | 2008            | 2009          | 2009            | 2009          |
|   | RMB             | RMB           | RMB             | USD (Note 1)  |
| <b>Cash flows from operating activities:</b>                                      |                 |               |                 |               |
| Net income  | 313,310,365     | 468,088,312   | 393,795,365     | 57,688,812    |
| Adjustments to reconcile net profit to net cash provided by operating activities: |                 |               |                 |               |
| Depreciation and amortization   | 22,478,837      | 20,464,224    | 42,479,635      | 6,223,028     |
| Share-based compensation cost   | 16,117,448      | 8,787,730     | 6,008,286       | 880,180       |
| Allowance for provision for doubtful debts  | 9,458,347       | 4,190,088     | 4,148,839       | 607,782       |
| Loss on disposal of property, equipment and software                              | 581,041         | 2,858,440     | 446,393         | 65,394        |
| Unrealized exchange losses (gains)  | 68,605,629      | (47,200,756)  | (25,338,559)    | (3,711,957)   |
| Net equity share of loss from associated companies                                | 1,268,384       | 1,934,915     | 1,285,489       | 188,317       |
| Others  | (7,292)         | -             | 13,371          | 1,959         |
| Changes in operating assets and liabilities:                                      |                 |               |                 |               |
| Accounts receivable   | (33,769,360)    | (24,854,994)  | 12,044,441      | 1,764,443     |
| Prepayments and other current assets  | (6,234,669)     | (56,041,033)  | (248,662,365)   | (36,427,642)  |
| Deferred tax assets   | 24,151,981      | 1,131,023     | (12,249,742)    | (1,794,518)   |
| Deferred tax assets - non-current   | 347,875         | 593,254       | 1,512,981       | 221,643       |
| Accounts payable  | 57,055,571      | 123,575,583   | (51,039,399)    | (7,476,986)   |
| Salary and welfare payables   | (12,943,811)    | 22,036,053    | (15,600,191)    | (2,285,340)   |
| Taxes payable   | (1,129,914)     | 36,606,707    | (8,467,595)     | (1,240,455)   |
| Deferred revenue  | 37,929,704      | (29,402,088)  | 141,140,067     | 20,676,228    |
| Accrued liabilities   | (1,709,862)     | 11,612,178    | 28,448,084      | 4,167,485     |
| Net cash provided by operating activities   | 495,510,274     | 544,379,636   | 269,965,100     | 39,548,373    |
| <b>Cash flows from investing activities:</b>                                      |                 |               |                 |               |
| Purchase of property, equipment and software                                      | (49,664,942)    | (239,465,882) | (91,139,494)    | (13,351,425)  |
| Proceeds from sale of property, equipment and software                            | 150,070         | 5,373         | 89,019          | 13,041        |
| Purchase of license right   | (27,463,600)    | (204,819,000) | -               | -             |
| Investment in an associated company   | (31,000,000)    | -             | (4,207,050)     | (616,309)     |
| Net change in time deposits with terms of three months                            | (932,958,372)   | 327,669,991   | (95,918,953)    | (14,051,588)  |
| Placement/rollover of matured time deposits                                       | (1,290,712,014) | (149,337,445) | (1,511,411,788) | (221,413,347) |
| Uplift of matured time deposits   | 445,500,062     | 171,181,813   | 1,494,799,368   | 218,979,720   |
| Net change in other assets  | 668,111         | (1,421,647)   | (824,101)       | (120,726)     |
| Net cash used in investing activities   | (1,885,480,685) | (96,186,797)  | (208,612,999)   | (30,560,634)  |
| <b>Cash flows from financing activities:</b>                                      |                 |               |                 |               |
| Capital contribution from noncontrolling interest                                 | 2,710           | -             | 2,602           | 381           |
| Proceeds from employees exercising stock options                                  | 16,009,885      | 35,022,839    | 944             | 138           |
| Repurchase of company shares  | (424,438)       | -             | -               | -             |
| Payment of other long-term payable  | (10,000,000)    | -             | -               | -             |
| Net cash provided by financing activities   | 5,588,157       | 35,022,839    | 3,546           | 519           |
| Effect of exchange rate changes on cash held in foreign currencies                | (29,719,910)    | 6,686,473     | 12,850,834      | 1,882,575     |
| Net increase (decrease) in cash   | (1,414,102,164) | 489,902,151   | 74,206,481      | 10,870,833    |
| <b>Cash, beginning of the quarter</b>   | 2,399,140,819   | 792,196,789   | 1,282,098,940   | 187,820,301   |
| <b>Cash, end of the quarter</b>   | 985,038,655     | 1,282,098,940 | 1,356,305,421   | 198,691,134   |
| <b>Supplemental disclosures of cash flow information:</b>                         |                 |               |                 |               |
| Cash paid for income tax, net of tax refund                                       | 83,231,216      | 114,558,434   | 54,590,335      | 7,997,178     |
| <b>Supplemental schedule of non-cash investing and financing activities:</b>      |                 |               |                 |               |
| Fixed asset purchases financed by accounts payable and accrued liabilities        | 24,305,244      | 33,393,585    | 36,812,035      | 5,392,757     |
| Conversion of convertible notes to ordinary shares                                | 433,664,691     | -             | -               | -             |

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

NETEASE.COM, INC.  
UNAUDITED SEGMENT INFORMATION

|  | Quarter Ended        |                      |                      |                     |
|--|----------------------|----------------------|----------------------|---------------------|
|  | September 30,        | June 30,             | September 30,        | September 30,       |
|  | 2008                 | 2009                 | 2009                 | 2009                |
|  | RMB                  | RMB                  | RMB                  | USD (Note 1)        |
| <b>Revenues:</b>                         |                      |                      |                      |                     |
| Online game services                     | 675,127,723          | 781,482,693          | 775,141,663          | 113,553,905         |
| Advertising services                     | 113,005,479          | 72,801,803           | 86,049,485           | 12,605,767          |
| Wireless value-added services and others | 18,477,994           | 17,823,767           | 18,257,187           | 2,674,575           |
| Total revenues                           | <u>806,611,196</u>   | <u>872,108,263</u>   | <u>879,448,335</u>   | <u>128,834,247</u>  |
| <b>Business taxes:</b>                   |                      |                      |                      |                     |
| Online game services                     | (849,228)            | (1,547,733)          | (3,287,201)          | (481,557)           |
| Advertising services                     | (9,605,466)          | (7,253,512)          | (7,886,109)          | (1,155,270)         |
| Wireless value-added services and others | (186,913)            | (217,401)            | (248,515)            | (36,406)            |
| Total business taxes                     | <u>(10,641,607)</u>  | <u>(9,018,646)</u>   | <u>(11,421,825)</u>  | <u>(1,673,233)</u>  |
| <b>Net revenues:</b>                     |                      |                      |                      |                     |
| Online game services                     | 674,278,495          | 779,934,960          | 771,854,462          | 113,072,348         |
| Advertising services                     | 103,400,013          | 65,548,291           | 78,163,376           | 11,450,497          |
| Wireless value-added services and others | 18,291,081           | 17,606,366           | 18,008,672           | 2,638,169           |
| Total net revenues                       | <u>795,969,589</u>   | <u>863,089,617</u>   | <u>868,026,510</u>   | <u>127,161,014</u>  |
| <b>Cost of revenues:</b>                 |                      |                      |                      |                     |
| Online game services                     | (69,658,107)         | (91,342,290)         | (154,810,194)        | (22,678,825)        |
| Advertising services                     | (75,569,816)         | (54,687,506)         | (60,088,698)         | (8,802,657)         |
| Wireless value-added services and others | (19,468,428)         | (25,180,086)         | (26,104,974)         | (3,824,232)         |
| Total cost of revenues                   | <u>(164,696,351)</u> | <u>(171,209,882)</u> | <u>(241,003,866)</u> | <u>(35,305,714)</u> |
| <b>Gross profit (loss):</b>              |                      |                      |                      |                     |
| Online game services                     | 604,620,388          | 688,592,670          | 617,044,268          | 90,393,523          |
| Advertising services                     | 27,830,197           | 10,860,785           | 18,074,678           | 2,647,840           |
| Wireless value-added services and others | (1,177,347)          | (7,573,720)          | (8,096,302)          | (1,186,063)         |
| Total gross profit                       | <u>631,273,238</u>   | <u>691,879,735</u>   | <u>627,022,644</u>   | <u>91,855,300</u>   |
| <b>Gross profit (loss) margin:</b>       |                      |                      |                      |                     |
| Online game services                     | 89.7%                | 88.3%                | 79.9%                | 79.9%               |
| Advertising services                     | 26.9%                | 16.6%                | 23.1%                | 23.1%               |
| Wireless value-added services and others | (6.4%)               | (43.0%)              | (45.0%)              | (45.0%)             |

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 = RMB6.8262 on September 30, 2009 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:

|  | <b>Quarter Ended</b>          |                          |                               |                               |
|--|-------------------------------|--------------------------|-------------------------------|-------------------------------|
|  | <b>September 30,<br/>2008</b> | <b>June 30,<br/>2009</b> | <b>September 30,<br/>2009</b> | <b>September 30,<br/>2009</b> |
|  | RMB                           | RMB                      | RMB                           | USD (Note 1)                  |
| Share-based compensation cost included in: |                               |                          |                               |                               |
| Cost of revenue                            | 3,840,525                     | 2,485,431                | 1,852,934                     | 271,444                       |
| Operating expenses                         |                               |                          |                               |                               |
| - Selling and marketing expenses           | 2,010,771                     | 679,054                  | 350,137                       | 51,293                        |
| - General and administrative expenses      | 5,498,972                     | 2,803,979                | 1,640,203                     | 240,281                       |
| - Research and development expenses        | 4,767,180                     | 2,819,266                | 2,165,012                     | 317,162                       |