

NETEASE.COM, INC.  
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS  
(RMB and USD in thousands)

	December 31, 2009	March 31, 2010	March 31, 2010
	RMB	RMB	USD (Note 1)
<b>Assets</b>			
Current assets:			
Cash	1,041,290	1,443,105	211,419
Time deposits	5,975,378	6,234,955	913,439
Restricted cash	123,864	32,000	4,688
Accounts receivable, net	187,340	143,079	20,961
Prepayments and other current assets	568,125	472,035	69,155
Deferred tax assets	76,565	66,981	9,813
Total current assets	<u>7,972,562</u>	<u>8,392,155</u>	<u>1,229,475</u>
Non-current assets:			
Property, equipment and software, net	557,756	562,351	82,386
Land use right, net	12,305	12,240	1,793
License right, net	212,847	196,028	28,719
Deferred tax assets	4,188	1,823	267
Other long-term assets	43,811	43,873	6,428
Total non-current assets	<u>830,907</u>	<u>816,315</u>	<u>119,593</u>
Total assets	<u>8,803,469</u>	<u>9,208,470</u>	<u>1,349,068</u>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable	238,435	131,414	19,253
Salary and welfare payables	129,493	88,553	12,973
Taxes payable	213,727	210,143	30,787
Deferred revenue	583,470	656,615	96,196
Accrued liabilities and other payables	212,800	236,030	34,579
Total current liabilities	<u>1,377,925</u>	<u>1,322,755</u>	<u>193,788</u>
Long-term payable:			
Other long-term payable	200	200	29
Total long-term payable	<u>200</u>	<u>200</u>	<u>29</u>
Total liabilities	1,378,125	1,322,955	193,817
Shareholders' equity	7,425,344	7,885,515	1,155,251
Total liabilities and shareholders' equity	<u>8,803,469</u>	<u>9,208,470</u>	<u>1,349,068</u>

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

NETEASE.COM, INC.  
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(RMB and USD in thousands, except per share data)

	Quarter Ended			
	March 31, 2009 RMB	December 31, 2009 RMB	March 31, 2010 RMB	March 31, 2010 USD (Note 1)
<b>Revenues:</b>				
Online game services	724,024	1,088,041	1,085,322	159,003
Advertising services	41,030	183,679	91,548	13,412
Wireless value-added services and others	16,641	18,480	18,060	2,646
Total revenues	781,695	1,290,200	1,194,930	175,061
Business taxes	(5,772)	(40,291)	(30,442)	(4,459)
<b>Total net revenues</b>	775,923	1,249,909	1,164,488	170,602
<b>Total cost of revenues</b>	(134,229)	(405,787)	(383,788)	(56,226)
<b>Gross profit</b>	641,694	844,122	780,700	114,376
<b>Operating expenses:</b>				
Selling and marketing expenses	(47,511)	(119,780)	(103,812)	(15,210)
General and administrative expenses	(52,296)	(54,159)	(54,879)	(8,040)
Research and development expenses	(50,789)	(63,054)	(66,996)	(9,815)
Total operating expenses	(150,596)	(236,993)	(225,687)	(33,065)
<b>Operating profit</b>	491,098	607,129	555,013	81,311
Other income (expenses):				
Investment income	103	83	76	11
Interest income	35,560	29,746	30,785	4,510
Other, net	(48,319)	(7,571)	(42,230)	(6,187)
<b>Net income before tax</b>	478,442	629,387	543,644	79,645
Income tax	(61,739)	(71,194)	(94,515)	(13,847)
<b>Net income after tax</b>	416,703	558,193	449,129	65,798
Net loss attributable to noncontrolling interests	18	13,574	3,129	458
<b>Net income attributable to the Company's shareholders</b>	416,721	571,767	452,258	66,256
Earnings per share, basic	0.13	0.18	0.14	0.02
Earnings per ADS, basic	3.25	4.42	3.49	0.51
Earnings per share, diluted	0.13	0.18	0.14	0.02
Earnings per ADS, diluted	3.23	4.39	3.47	0.51
Weighted average number of ordinary shares outstanding, basic	3,207,760	3,237,488	3,239,858	3,239,858
Weighted average number of ADS outstanding, basic	128,310	129,500	129,594	129,594
Weighted average number of ordinary shares outstanding, diluted	3,224,599	3,259,644	3,259,490	3,259,490
Weighted average number of ADS outstanding, diluted	128,984	130,386	130,380	130,380

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

NETEASE.COM, INC.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(RMB and USD in thousands)

	<b>Quarter Ended</b>			
	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>	<b>March 31,</b>
	<b>2009</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>
	RMB	RMB	RMB	USD (Note 1)
<b>Cash flows from operating activities:</b>				
Net income	416,703	558,193	449,129	65,798
Adjustments to reconcile net profit to net cash provided by operating activities:				
Depreciation and amortization	21,979	58,657	58,839	8,620
Share-based compensation cost	10,815	5,774	5,861	859
Allowance for (reversal of) provision for doubtful debts	6,135	1,508	(9,361)	(1,371)
Loss on disposal of property, equipment and software	17	667	10,538	1,544
Unrealized exchange losses	47,547	13,305	50,301	7,369
Net equity share of loss (profit) from associated companies	1,051	(168)	132	19
Changes in operating assets and liabilities:				
Accounts receivable	111,878	(71,358)	53,622	7,856
Prepayments and other current assets	(31,374)	(116,969)	110,172	16,142
Deferred tax assets	(17,350)	(16,698)	11,949	1,750
Accounts payable	(35,769)	65,450	(109,712)	(16,073)
Salary and welfare payables	(37,516)	65,651	(40,940)	(5,998)
Taxes payable	29,203	51,631	(20,875)	(3,058)
Deferred revenue	7,047	16,959	73,145	10,716
Accrued liabilities and other payables	37,418	79,764	33,730	4,942
Net cash provided by operating activities	<u>567,784</u>	<u>712,366</u>	<u>676,530</u>	<u>99,115</u>
<b>Cash flows from investing activities:</b>				
Purchase of property, equipment and software	(23,031)	(54,091)	(60,135)	(8,810)
Proceeds from sale of property, equipment and software	16	10	-	-
Transfer from/(to) restricted cash	(82,000)	(41,863)	91,864	13,458
Net change in time deposits with terms of three months	913,789	(39,622)	(76,782)	(11,249)
Placement/rollover of matured time deposits	(2,099,024)	(2,646,827)	(2,771,650)	(406,055)
Uplift of matured time deposits	718,163	1,752,281	2,540,391	372,175
Net change in other assets	(634)	50	(1,977)	(290)
Net cash used in investing activities	<u>(572,721)</u>	<u>(1,030,062)</u>	<u>(278,289)</u>	<u>(40,771)</u>
<b>Cash flows from financing activities:</b>				
Capital contribution from noncontrolling interests	2,525	16	-	-
Proceeds from employees exercising stock options	-	2,965	5,182	759
Net cash provided by financing activities	<u>2,525</u>	<u>2,981</u>	<u>5,182</u>	<u>759</u>
Effect of exchange rate changes on cash held in foreign currencies	1,201	(300)	(1,608)	(236)
Net increase (decrease) in cash	(1,211)	(315,015)	401,815	58,867
<b>Cash, beginning of the period</b>	<u>793,408</u>	<u>1,356,305</u>	<u>1,041,290</u>	<u>152,552</u>
<b>Cash, end of the period</b>	<u><u>792,197</u></u>	<u><u>1,041,290</u></u>	<u><u>1,443,105</u></u>	<u><u>211,419</u></u>
<b>Supplemental disclosures of cash flow information:</b>				
Cash paid for income tax, net of tax refund	45,080	80,044	62,264	9,122
<b>Supplemental schedule of non-cash investing and financing activities:</b>				
Fixed asset purchases financed by accounts payable and accrued liabilities	35,955	47,427	39,625	5,805

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

NETEASE.COM, INC.  
UNAUDITED SEGMENT INFORMATION  
(RMB and USD in thousands)

	Quarter Ended			
	March 31, 2009 RMB	December 31, 2009 RMB	March 31, 2010 RMB	March 31, 2010 USD (Note 1)
<b>Revenues:</b>				
Online game services	724,024	1,088,041	1,085,322	159,003
Advertising services	41,030	183,679	91,548	13,412
Wireless value-added services and others	16,641	18,480	18,060	2,646
Total revenues	<u>781,695</u>	<u>1,290,200</u>	<u>1,194,930</u>	<u>175,061</u>
<b>Business taxes:</b>				
Online game services	(1,457)	(22,466)	(21,108)	(3,092)
Advertising services	(4,162)	(17,574)	(8,979)	(1,315)
Wireless value-added services and others	(153)	(251)	(355)	(52)
Total business taxes	<u>(5,772)</u>	<u>(40,291)</u>	<u>(30,442)</u>	<u>(4,459)</u>
<b>Net revenues:</b>				
Online game services	722,567	1,065,575	1,064,214	155,911
Advertising services	36,868	166,105	82,569	12,097
Wireless value-added services and others	16,488	18,229	17,705	2,594
Total net revenues	<u>775,923</u>	<u>1,249,909</u>	<u>1,164,488</u>	<u>170,602</u>
<b>Cost of revenues:</b>				
Online game services	(72,364)	(311,402)	(296,436)	(43,430)
Advertising services	(41,708)	(69,143)	(63,626)	(9,321)
Wireless value-added services and others	(20,157)	(25,242)	(23,726)	(3,475)
Total cost of revenues	<u>(134,229)</u>	<u>(405,787)</u>	<u>(383,788)</u>	<u>(56,226)</u>
<b>Gross profit (loss):</b>				
Online game services	650,203	754,173	767,778	112,481
Advertising services	(4,840)	96,962	18,943	2,776
Wireless value-added services and others	(3,669)	(7,013)	(6,021)	(881)
Total gross profit	<u>641,694</u>	<u>844,122</u>	<u>780,700</u>	<u>114,376</u>
<b>Gross profit (loss) margin:</b>				
Online game services	90.0%	70.8%	72.1%	72.1%
Advertising services	(13.1%)	58.4%	22.9%	22.9%
Wireless value-added services and others	(22.3%)	(38.5%)	(34.0%)	(34.0%)

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 = RMB6.8258 on March 31, 2010 as set forth in the H.10 statistical release of the U.S. Federal Reserve Board.

Note 2: Share-based compensation cost reported in the Company's unaudited condensed consolidated statements of operations is set out as follows in RMB and USD (in thousands):

	<b>Quarter Ended</b>			
	<b>March 31, 2009</b>	<b>December 31, 2009</b>	<b>March 31, 2010</b>	<b>March 31, 2010</b>
	RMB	RMB	RMB	USD (Note 1)
Share-based compensation cost included in:				
Cost of revenue	2,872	1,811	1,670	245
Operating expenses				
- Selling and marketing expenses	952	342	320	47
- General and administrative expenses	3,810	1,607	1,823	267
- Research and development expenses	3,181	2,014	2,048	300