

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

	<u>December 31, 2009</u> RMB	<u>December 31, 2010</u> RMB	<u>December 31, 2010</u> USD (Note 1)
Assets			
Current assets:			
Cash	1,041,290	1,285,137	194,718
Time deposits	5,975,378	8,193,972	1,241,511
Restricted cash	123,864	140,599	21,303
Accounts receivable, net	187,340	256,335	38,839
Prepayments and other current assets	568,125	654,417	99,154
Deferred tax assets	76,565	72,059	10,918
Total current assets	<u>7,972,562</u>	<u>10,602,519</u>	<u>1,606,443</u>
Non-current assets:			
Property, equipment and software, net	557,756	755,778	114,512
Land use right, net	12,305	12,046	1,825
License right, net	212,847	144,637	21,915
Deferred tax assets	4,188	1,530	232
Other long-term assets	43,811	45,776	6,935
Total non-current assets	<u>830,907</u>	<u>959,767</u>	<u>145,419</u>
Total assets	<u><u>8,803,469</u></u>	<u><u>11,562,286</u></u>	<u><u>1,751,862</u></u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable	238,435	130,558	19,782
Salary and welfare payables	129,493	181,973	27,572
Taxes payable	213,727	264,956	40,145
Deferred revenue	583,470	773,952	117,265
Accrued liabilities and other payables	212,800	452,412	68,547
Total current liabilities	<u>1,377,925</u>	<u>1,803,851</u>	<u>273,311</u>
Long-term payable:			
Other long-term payable	200	33,342	5,052
Deferred tax liabilities	-	1,455	221
Total long-term payable	<u>200</u>	<u>34,797</u>	<u>5,273</u>
Total liabilities	1,378,125	1,838,648	278,584
Total NetEase.com, Inc.'s equity	7,438,778	9,740,811	1,475,880
Non-controlling interests	(13,434)	(17,173)	(2,602)
Total shareholders' equity	<u>7,425,344</u>	<u>9,723,638</u>	<u>1,473,278</u>
Total liabilities and shareholders' equity	<u><u>8,803,469</u></u>	<u><u>11,562,286</u></u>	<u><u>1,751,862</u></u>

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

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

	Quarter Ended				Year Ended		
	December 31, 2009	September 30, 2010	December 31, 2010	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2010
	RMB Revised (Note 3)	RMB Revised (Note 3)	RMB	USD (Note 1)	RMB Revised (Note 3)	RMB	USD (Note 1)
Revenues:							
Online game services	1,088,041	1,255,922	1,422,408	215,516	3,368,689	4,944,439	749,157
Advertising services	183,679	162,012	233,701	35,409	383,560	633,209	95,941
Wireless value-added services and others	18,480	20,867	23,301	3,530	71,202	82,141	12,446
Total revenues	1,290,200	1,438,801	1,679,410	254,455	3,823,451	5,659,789	857,544
Business taxes	(40,291)	(38,354)	(45,671)	(6,919)	(66,504)	(152,120)	(23,048)
Total net revenues	1,249,909	1,400,447	1,633,739	247,536	3,756,947	5,507,669	834,496
Total cost of revenues	(411,520)	(448,428)	(520,325)	(78,837)	(972,374)	(1,798,841)	(272,552)
Gross profit	838,389	952,019	1,113,414	168,699	2,784,573	3,708,828	561,944
Operating expenses:							
Selling and marketing expenses	(123,800)	(241,158)	(180,789)	(27,392)	(351,661)	(656,976)	(99,542)
General and administrative expenses	(40,608)	(38,338)	(53,805)	(8,152)	(165,205)	(189,621)	(28,730)
Research and development expenses	(66,852)	(85,551)	(86,151)	(13,053)	(244,272)	(317,929)	(48,171)
Total operating expenses	(231,260)	(365,047)	(320,745)	(48,597)	(761,138)	(1,164,526)	(176,443)
Operating profit	607,129	586,972	792,669	120,102	2,023,435	2,544,302	385,501
Other income (expenses):							
Investment income	83	65	76	12	354	290	44
Interest income	29,746	36,248	41,173	6,238	128,168	141,001	21,364
Exchange gains (losses)	(15,335)	54,260	(36,432)	(5,520)	9,617	(89,488)	(13,560)
Other, net	7,764	(10,155)	6,358	963	(10,934)	(19,634)	(2,975)
Net income before tax	629,387	667,390	803,844	121,795	2,150,640	2,576,471	390,374
Income tax	(71,194)	(91,268)	(83,182)	(12,603)	(313,861)	(344,446)	(52,189)
Net income after tax	558,193	576,122	720,662	109,192	1,836,779	2,232,025	338,185
Add: Net loss (income) attributable to non-controlling interests	13,574	9,195	(8,139)	(1,233)	13,657	3,747	568
Net income attributable to the NetEase.com Inc.'s shareholders	571,767	585,317	712,523	107,959	1,850,436	2,235,772	338,753
Earnings per share, basic	0.18	0.18	0.22	0.03	0.57	0.69	0.10
Earnings per ADS, basic	4.42	4.50	5.48	0.83	14.34	17.22	2.61
Earnings per share, diluted	0.18	0.18	0.22	0.03	0.57	0.69	0.10
Earnings per ADS, diluted	4.39	4.48	5.45	0.83	14.24	17.14	2.60
Weighted average number of ordinary shares outstanding, basic	3,237,488	3,248,176	3,251,764	3,251,764	3,225,250	3,246,426	3,246,426
Weighted average number of ADS outstanding, basic	129,500	129,927	130,071	130,071	129,010	129,857	129,857
Weighted average number of ordinary shares outstanding, diluted	3,259,644	3,264,036	3,265,856	3,265,856	3,248,983	3,261,886	3,261,886
Weighted average number of ADS outstanding, diluted	130,386	130,561	130,634	130,634	129,959	130,475	130,475

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

NETEASE.COM, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Quarter Ended				Year Ended		
	December 31, 2009	September 30, 2010	December 31, 2010	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2010
	RMB	RMB	RMB	USD (Note 1)	RMB	RMB	USD (Note 1)
Cash flows from operating activities:							
Net income	558,193	576,122	720,662	109,192	1,836,779	2,232,025	338,185
Adjustments to reconcile net income to net cash provided by operating activities:							
Depreciation and amortization	58,657	57,003	57,526	8,716	143,580	232,171	35,177
Share-based compensation cost	5,774	40,667	24,508	3,713	31,385	102,406	15,516
Allowance for (reversal of) provision for doubtful debts	1,508	(18,721)	1,466	222	15,982	(20,029)	(3,035)
Loss on disposal of property, equipment and software	667	2,867	154	23	3,988	13,985	2,119
Unrealized exchange losses/(gains)	13,305	(56,091)	33,960	5,145	(11,688)	100,219	15,185
Deferred income taxes	(16,698)	28,970	16,487	2,498	(43,061)	8,619	1,306
Net equity share of losses (gains) from associated companies	(168)	246	(246)	(37)	4,104	(1,093)	(166)
Others	-	-	-	-	13	-	-
Changes in operating assets and liabilities:							
Accounts receivable	(78,816)	9,588	(75,353)	(11,417)	(7,139)	(89,997)	(13,635)
Prepayments and other current assets	(116,969)	(303,527)	26,335	3,990	(453,045)	3,046	462
Accounts payable	72,908	11,352	39,519	5,988	154,463	(37,557)	(5,690)
Salary and welfare payables	65,651	(16,203)	88,448	13,401	34,571	52,480	7,952
Taxes payable	51,631	(1,232)	12,541	1,900	108,973	12,592	1,908
Deferred revenue	16,959	100,420	7,297	1,106	135,744	190,482	28,861
Accrued liabilities and other payables	79,764	101,182	(51,794)	(7,847)	139,846	55,604	8,424
Net cash provided by operating activities	712,366	532,643	901,510	136,593	2,094,495	2,854,953	432,569
Cash flows from investing activities:							
Purchase of property, equipment and software	(54,091)	(95,931)	(63,199)	(9,576)	(407,727)	(297,980)	(45,148)
Proceeds from sale of property, equipment and software	10	219	121	18	120	359	54
Purchase of license right	-	-	-	-	(204,819)	-	-
Investment in associated companies	-	-	-	-	(4,207)	-	-
Transfer to restricted cash	(41,863)	-	(108,600)	(16,455)	(123,863)	(16,736)	(2,536)
Net change in time deposits with terms of three months	(39,622)	(727,576)	487,580	73,876	1,105,918	(338,570)	(51,298)
Placement/rollover of matured time deposits	(2,646,827)	(2,231,621)	(4,390,645)	(665,249)	(6,406,601)	(10,402,822)	(1,576,185)
Uplift of matured time deposits	1,752,281	2,097,921	2,799,112	424,108	4,136,425	8,443,805	1,279,364
Net change in other assets	50	(4,099)	(1,746)	(264)	(2,830)	(9,218)	(1,397)
Net cash used in investing activities	(1,030,062)	(961,087)	(1,277,377)	(193,542)	(1,907,584)	(2,621,162)	(397,146)
Cash flows from financing activities:							
Capital contribution from non-controlling interests	16	-	16	2	19	16	2
Proceeds from employees exercising stock options	2,965	10,047	1	-	40,514	24,124	3,656
Net cash provided by financing activities	2,981	10,047	17	2	40,533	24,140	3,658
Effect of exchange rate changes on cash held in foreign currencies	(300)	(2,380)	(3,123)	(473)	20,438	(14,084)	(2,134)
Net increase (decrease) in cash	(315,015)	(420,777)	(378,973)	(57,420)	247,882	243,847	36,947
Cash, beginning of the period	1,356,305	2,084,887	1,664,110	252,138	793,408	1,041,290	157,771
Cash, end of the period	1,041,290	1,664,110	1,285,137	194,718	1,041,290	1,285,137	194,718
Supplemental disclosures of cash flow information:							
Cash paid for income tax, net of tax refund	80,044	56,534	31,177	4,724	294,273	252,040	38,188
Supplemental schedule of non-cash investing and financing activities:							
Fixed asset purchases financed by accounts payable and accrued liabilities	47,427	105,574	146,523	22,200	47,427	146,523	22,200

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

NETEASE.COM, INC.

UNAUDITED SEGMENT INFORMATION

(in thousands)

	Quarter Ended				Year Ended		
	December 31, 2009	September 2010	December 31, 2010	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2010
	RMB	RMB	RMB	USD (Note 1)	RMB	RMB	USD (Note 1)
	Revised (Note 3)	Revised (Note 3)			Revised (Note 3)		
Revenues:							
Online game services	1,088,041	1,255,922	1,422,408	215,516	3,368,689	4,944,439	749,157
Advertising services	183,679	162,012	233,701	35,409	383,560	633,209	95,941
Wireless value-added services and others	18,480	20,867	23,301	3,530	71,202	82,141	12,446
Total revenues	1,290,200	1,438,801	1,679,410	254,455	3,823,451	5,659,789	857,544
Business taxes:							
Online game services	(22,466)	(22,639)	(22,772)	(3,450)	(28,758)	(89,937)	(13,627)
Advertising services	(17,574)	(15,326)	(22,329)	(3,383)	(36,876)	(60,551)	(9,174)
Wireless value-added services and others	(251)	(389)	(570)	(86)	(870)	(1,632)	(247)
Total business taxes	(40,291)	(38,354)	(45,671)	(6,919)	(66,504)	(152,120)	(23,048)
Net revenues:							
Online game services	1,065,575	1,233,283	1,399,636	212,066	3,339,931	4,854,502	735,530
Advertising services	166,105	146,686	211,372	32,026	346,684	572,658	86,767
Wireless value-added services and others	18,229	20,478	22,731	3,444	70,332	80,509	12,199
Total net revenues	1,249,909	1,400,447	1,633,739	247,536	3,756,947	5,507,669	834,496
Cost of revenues:							
Online game services	(313,873)	(348,165)	(394,764)	(59,813)	(638,473)	(1,378,018)	(208,791)
Advertising services	(72,057)	(71,105)	(98,354)	(14,902)	(235,841)	(312,921)	(47,412)
Wireless value-added services and others	(25,590)	(29,158)	(27,207)	(4,122)	(98,060)	(107,902)	(16,349)
Total cost of revenues	(411,520)	(448,428)	(520,325)	(78,837)	(972,374)	(1,798,841)	(272,552)
Gross profit (loss):							
Online game services	751,702	885,118	1,004,872	152,253	2,701,458	3,476,484	526,739
Advertising services	94,048	75,581	113,018	17,124	110,843	259,737	39,355
Wireless value-added services and others	(7,361)	(8,680)	(4,476)	(678)	(27,728)	(27,393)	(4,150)
Total gross profit	838,389	952,019	1,113,414	168,699	2,784,573	3,708,828	561,944
Gross profit (loss) margin:							
Online game services	70.5%	71.8%	71.8%	71.8%	80.9%	71.6%	71.6%
Advertising services	56.6%	51.5%	53.5%	53.5%	32.0%	45.4%	45.4%
Wireless value-added services and others	(40.4%)	(42.4%)	(19.7%)	(19.7%)	(39.4%)	(34.0%)	(34.0%)

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 = RMB6.6000 on December 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 thousands):

	Quarter Ended				Year Ended		
	December 31, 2009	September 30, 2010	December 31, 2010	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2010
	RMB	RMB	RMB	USD (Note 1)	RMB	RMB	USD (Note 1)
Share-based compensation cost included in:							
Cost of revenue	1,811	14,044	8,081	1,224	9,021	37,342	5,657
Operating expenses							
- Selling and marketing expenses	342	3,210	1,869	283	2,323	8,123	1,231
- General and administrative expenses	1,607	13,515	7,915	1,199	9,861	31,580	4,785
- Research and development expenses	2,014	9,898	6,643	1,007	10,180	25,361	3,843

Note 3: In the fourth quarter of 2010, management of the Company decided to allocate facility costs comprising of office and staff quarter rentals and management fees, building amortization and miscellaneous utility costs previously recorded under general and administration based on headcount in the respective functions under cost of revenue, selling and marketing, research and development and general and administration. The change was implemented to better reflect staff-related operating cost. Reclassifications have been made to cost of revenue and operating expense amounts in the condensed consolidated statements of operations and segment information for prior periods in order to conform to the current period's presentation. There is no change to the condensed consolidated balance sheets and condensed consolidated cash flows statements.