

NETEASE.COM, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

| | December 31, 2010 | June 30, 2011 | June 30, 2011 |
|---|------------------------------|--------------------------|--------------------------|
| | RMB | RMB | USD (Note 1) |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalent | 1,285,137 | 1,844,492 | 285,370 |
| Time deposits | 8,193,972 | 9,222,928 | 1,426,925 |
| Restricted cash | 140,599 | 175,599 | 27,168 |
| Accounts receivable, net | 256,335 | 190,143 | 29,418 |
| Prepayments and other current assets | 678,793 | 610,904 | 94,515 |
| Held-to-maturity investments | - | 168,856 | 26,125 |
| Deferred tax assets | 72,059 | 111,535 | 17,256 |
| Total current assets | <u>10,626,895</u> | <u>12,324,457</u> | <u>1,906,777</u> |
| Non-current assets: | | | |
| Property, equipment and software, net | 755,778 | 777,085 | 120,227 |
| Land use right, net | 12,046 | 11,917 | 1,844 |
| License right, net | 144,637 | 144,873 | 22,414 |
| Deferred tax assets | 1,530 | 2,738 | 424 |
| Other long-term assets | 45,776 | 66,459 | 10,282 |
| Total non-current assets | <u>959,767</u> | <u>1,003,072</u> | <u>155,191</u> |
| Total assets | <u>11,586,662</u> | <u>13,327,529</u> | <u>2,061,968</u> |
| Liabilities and Shareholders' Equity | | | |
| Current liabilities: | | | |
| Accounts payable | 130,558 | 123,366 | 19,086 |
| Salary and welfare payables | 181,973 | 157,673 | 24,394 |
| Taxes payable | 289,332 | 303,727 | 46,991 |
| Deferred revenue | 773,952 | 925,028 | 143,116 |
| Accrued liabilities and other payables | 452,412 | 468,356 | 72,462 |
| Total current liabilities | <u>1,828,227</u> | <u>1,978,150</u> | <u>306,049</u> |
| Long-term payable: | | | |
| Other long-term payable | 33,342 | 28,239 | 4,369 |
| Deferred tax liabilities | 1,455 | 309 | 48 |
| Total long-term payable | <u>34,797</u> | <u>28,548</u> | <u>4,417</u> |
| Total liabilities | <u>1,863,024</u> | <u>2,006,698</u> | <u>310,466</u> |
| Total NetEase.com, Inc.'s equity | 9,740,811 | 11,355,168 | 1,756,814 |
| Non-controlling interests | (17,173) | (34,337) | (5,312) |
| Total shareholders' equity | <u>9,723,638</u> | <u>11,320,831</u> | <u>1,751,502</u> |
| Total liabilities and shareholders' equity | <u>11,586,662</u> | <u>13,327,529</u> | <u>2,061,968</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

| | June 30, | March 31, | June 30, | June 30, |
|--|------------------|------------------|------------------|-----------------|
| | 2010 | 2011 | 2011 | 2011 |
| | RMB | RMB | RMB | USD (Note 1) |
| Revenues: | | | | |
| Online game services | 1,180,787 | 1,385,643 | 1,577,810 | 244,111 |
| Advertising services | 145,948 | 126,828 | 169,644 | 26,246 |
| Wireless value-added services and others | 19,913 | 25,680 | 30,669 | 4,745 |
| Total revenues | 1,346,648 | 1,538,151 | 1,778,123 | 275,102 |
| Business taxes | (37,653) | (38,200) | (44,507) | (6,886) |
| Total net revenues | 1,308,995 | 1,499,951 | 1,733,616 | 268,216 |
| Total cost of revenues | (438,048) | (514,990) | (580,756) | (89,852) |
| Gross profit | 870,947 | 984,961 | 1,152,860 | 178,364 |
| Operating expenses: | | | | |
| Selling and marketing expenses | (127,351) | (130,345) | (212,898) | (32,939) |
| General and administrative expenses | (58,287) | (63,332) | (49,845) | (7,712) |
| Research and development expenses | (75,661) | (98,306) | (103,008) | (15,937) |
| Total operating expenses | (261,299) | (291,983) | (365,751) | (56,588) |
| Operating profit | 609,648 | 692,978 | 787,109 | 121,776 |
| Other income (expenses): | | | | |
| Investment income | 73 | 82 | 399 | 62 |
| Interest income | 32,795 | 51,363 | 59,419 | 9,193 |
| Exchange gains (losses) | (67,836) | 25,274 | (2,961) | (458) |
| Other, net | (13,087) | 2,084 | 6,381 | 987 |
| Net income before tax | 561,593 | 771,781 | 850,347 | 131,560 |
| Income tax | (75,481) | (37,208) | (92,428) | (14,300) |
| Net income | 486,112 | 734,573 | 757,919 | 117,260 |
| Net loss (income) attributable to non-controlling interests | (438) | 2,814 | 14,577 | 2,255 |
| Net income attributable to the NetEase.com, Inc.'s shareholders | 485,674 | 737,387 | 772,496 | 119,515 |
| Earnings per share, basic | 0.15 | 0.23 | 0.24 | 0.04 |
| Earnings per ADS, basic | 3.74 | 5.66 | 5.92 | 0.92 |
| Earnings per share, diluted | 0.15 | 0.23 | 0.24 | 0.04 |
| Earnings per ADS, diluted | 3.73 | 5.63 | 5.90 | 0.91 |
| Weighted average number of ordinary shares outstanding, basic | 3,245,756 | 3,255,764 | 3,264,927 | 3,264,927 |
| Weighted average number of ADS outstanding, basic | 129,830 | 130,231 | 130,597 | 130,597 |
| Weighted average number of ordinary shares outstanding, diluted | 3,258,015 | 3,273,909 | 3,275,651 | 3,275,651 |
| Weighted average number of ADS outstanding, diluted | 130,321 | 130,956 | 131,026 | 131,026 |

NETEASE.COM, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

| | Quarter Ended | | | |
|---|-------------------------|--------------------------|-------------------------|----------------------------------|
| | June 30, 2010 RMB | March 31, 2011 RMB | June 30, 2011 RMB | June 30, 2011 USD (Note 1) |
| Cash flows from operating activities: | | | | |
| Net income | 486,112 | 734,573 | 757,919 | 117,260 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 58,803 | 65,706 | 75,895 | 11,742 |
| Share-based compensation cost | 31,370 | 38,238 | 15,710 | 2,431 |
| Allowance for (reversal of) provision for doubtful debts | 6,587 | (1,366) | 1,788 | 277 |
| Losses/(gains) on disposal of property, equipment and software | 426 | 4 | (49) | (8) |
| Unrealized exchange losses/(gains) | 72,049 | (31,077) | (1,238) | (192) |
| Deferred income taxes | (48,787) | (8,401) | (33,430) | (5,172) |
| Net equity share of losses/(gains) from associated companies | (1,225) | 330 | (778) | (120) |
| Others | - | (162) | 162 | 25 |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | (73,075) | 75,613 | (20,211) | (3,127) |
| Prepayments and other current assets | 170,066 | 54,987 | 125,434 | 19,407 |
| Accounts payable | 16,505 | (18,560) | (2,429) | (376) |
| Salary and welfare payables | 21,175 | (64,934) | 40,634 | 6,287 |
| Taxes payable | 22,158 | (30,719) | 4,201 | 650 |
| Deferred revenue | 9,620 | 91,107 | 59,969 | 9,278 |
| Accrued liabilities and other payables | (27,515) | 63,976 | (28,574) | (4,421) |
| Net cash provided by operating activities | 744,269 | 969,315 | 995,003 | 153,941 |
| Cash flows from investing activities: | | | | |
| Purchase of property, equipment and software | (78,715) | (141,157) | (36,130) | (5,590) |
| Proceeds from sale of property, equipment and software | 19 | 1 | 49 | 8 |
| Purchase of held-to-maturity investments | - | - | (170,000) | (26,302) |
| Purchase of license right | - | - | (39,300) | (6,080) |
| Transfer to restricted cash | - | - | (35,000) | (5,415) |
| Net change in time deposits with terms of three months | (21,792) | 231,682 | 12,928 | 2,000 |
| Placement/rollover of matured time deposits | (1,008,906) | (2,863,899) | (1,551,500) | (240,040) |
| Uplift of matured time deposits | 1,006,381 | 2,157,008 | 1,002,444 | 155,093 |
| Net change in other assets | (1,396) | (5,844) | (14,115) | (2,184) |
| Net cash used in investing activities | (104,409) | (622,209) | (830,624) | (128,510) |
| Cash flows from financing activities: | | | | |
| Capital contribution from non-controlling interests | - | - | 226 | 35 |
| Proceeds from employees exercising stock options | 8,895 | 30,252 | 10,728 | 1,660 |
| Payment of other long-term payable | - | (10) | - | - |
| Net cash provided by financing activities | 8,895 | 30,242 | 10,954 | 1,695 |
| Effect of exchange rate changes on cash held in foreign currencies | (6,973) | 7,112 | (438) | (68) |
| Net increase in cash | 641,782 | 384,460 | 174,895 | 27,058 |
| Cash, beginning of the period | 1,443,105 | 1,285,137 | 1,669,597 | 258,312 |
| Cash, end of the period | 2,084,887 | 1,669,597 | 1,844,492 | 285,370 |
| Supplemental disclosures of cash flow information: | | | | |
| Cash paid for income tax, net of tax refund | 102,065 | 91,682 | 78,818 | 12,194 |
| Supplemental schedule of non-cash investing and financing activities | | | | |
| Fixed asset purchases financed by accounts payable | 129,863 | 64,347 | 91,811 | 14,205 |

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

NETEASE.COM, INC.

UNAUDITED SEGMENT INFORMATION

(in thousands, except percentages)

| | Quarter Ended | | | |
|--|-------------------------|--------------------------|-------------------------|----------------------------------|
| | June 30, 2010 RMB | March 31, 2011 RMB | June 30, 2011 RMB | June 30, 2011 USD (Note 1) |
| Revenues: | | | | |
| Online game services | 1,180,787 | 1,385,643 | 1,577,810 | 244,111 |
| Advertising services | 145,948 | 126,828 | 169,644 | 26,246 |
| Wireless value-added services and others | 19,913 | 25,680 | 30,669 | 4,745 |
| Total revenues | 1,346,648 | 1,538,151 | 1,778,123 | 275,102 |
| Business taxes: | | | | |
| Online game services | (23,418) | (25,392) | (27,567) | (4,265) |
| Advertising services | (13,917) | (12,198) | (16,261) | (2,516) |
| Wireless value-added services and others | (318) | (610) | (679) | (105) |
| Total business taxes | (37,653) | (38,200) | (44,507) | (6,886) |
| Net revenues: | | | | |
| Online game services | 1,157,369 | 1,360,251 | 1,550,243 | 239,846 |
| Advertising services | 132,031 | 114,630 | 153,383 | 23,730 |
| Wireless value-added services and others | 19,595 | 25,070 | 29,990 | 4,640 |
| Total net revenues | 1,308,995 | 1,499,951 | 1,733,616 | 268,216 |
| Cost of revenues: | | | | |
| Online game services | (335,752) | (408,201) | (462,444) | (71,547) |
| Advertising services | (74,825) | (76,316) | (85,978) | (13,302) |
| Wireless value-added services and others | (27,471) | (30,473) | (32,334) | (5,003) |
| Total cost of revenues | (438,048) | (514,990) | (580,756) | (89,852) |
| Gross profit (loss): | | | | |
| Online game services | 821,617 | 952,050 | 1,087,799 | 168,299 |
| Advertising services | 57,206 | 38,314 | 67,405 | 10,428 |
| Wireless value-added services and others | (7,876) | (5,403) | (2,344) | (363) |
| Total gross profit | 870,947 | 984,961 | 1,152,860 | 178,364 |
| Gross profit (loss) margin: | | | | |
| Online game services | 71.0% | 70.0% | 70.2% | 70.2% |
| Advertising services | 43.3% | 33.4% | 43.9% | 43.9% |
| Wireless value-added services and others | (40.2%) | (21.6%) | (7.8%) | (7.8%) |

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 = RMB6.4635 on June 30, 2011 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 | | | |
|--|-------------------------|--------------------------|-------------------------|----------------------------------|
| | June 30, 2010 RMB | March 31, 2011 RMB | June 30, 2011 RMB | June 30, 2011 USD (Note 1) |
| Share-based compensation cost included in: | | | | |
| Cost of revenue | 13,549 | 13,602 | 11,565 | 1,789 |
| Operating expenses | | | | |
| - Selling and marketing expenses | 2,723 | 3,255 | 2,217 | 343 |
| - General and administrative expenses | 8,326 | 11,237 | (4,517) | (699) |
| - Research and development expenses | 6,772 | 10,144 | 6,445 | 998 |

In the second quarter of 2011, share-based compensation cost of RMB9.4 million which had been previously recorded was reversed due to the resignation of certain staff and members of management in that quarter.

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 to the respective functions based on headcount 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 the relevant prior period in order to conform to the current period's presentation. There is no change to the condensed consolidated balance sheets and the condensed consolidated statements of cash flows.