

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

	<u>December 31, 2010</u>	<u>September 30, 2011</u>	<u>September 30, 2011</u>
	RMB	RMB	USD (Note 1)
Assets			
Current assets:			
Cash and cash equivalent	1,285,137	1,943,529	304,724
Time deposits	8,193,972	9,361,447	1,467,772
Restricted cash	140,599	273,799	42,929
Accounts receivable, net	256,335	231,167	36,244
Prepayments and other current assets	678,793	963,896	151,128
Held-to-maturity investments	-	596,471	93,520
Deferred tax assets	72,059	133,733	20,968
Total current assets	<u>10,626,895</u>	<u>13,504,042</u>	<u>2,117,285</u>
Non-current assets:			
Property, equipment and software, net	755,778	756,165	118,558
Land use right, net	12,046	11,852	1,858
License right, net	144,637	122,075	19,140
Deferred tax assets	1,530	2,897	454
Other long-term assets	45,776	65,729	10,306
Total non-current assets	<u>959,767</u>	<u>958,718</u>	<u>150,316</u>
Total assets	<u>11,586,662</u>	<u>14,462,760</u>	<u>2,267,601</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable	130,558	127,466	19,984
Salary and welfare payables	181,973	195,823	30,703
Taxes payable	289,332	377,350	59,165
Deferred revenue	773,952	1,017,850	159,588
Accrued liabilities and other payables	452,412	539,618	84,606
Total current liabilities	<u>1,828,227</u>	<u>2,258,107</u>	<u>354,046</u>
Long-term payable:			
Other long-term payable	33,342	33,293	5,220
Deferred tax liabilities	1,455	-	-
Total long-term payable	<u>34,797</u>	<u>33,293</u>	<u>5,220</u>
Total liabilities	<u>1,863,024</u>	<u>2,291,400</u>	<u>359,266</u>
Total NetEase.com, Inc.'s equity	9,740,811	12,217,195	1,915,521
Non-controlling interests	<u>(17,173)</u>	<u>(45,835)</u>	<u>(7,186)</u>
Total shareholders' equity	<u>9,723,638</u>	<u>12,171,360</u>	<u>1,908,335</u>
Total liabilities and shareholders' equity	<u>11,586,662</u>	<u>14,462,760</u>	<u>2,267,601</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			
	September 30, 2010 RMB	June 30, 2011 RMB	September 30, 2011 RMB	September 30, 2011 USD (Note 1)
Revenues:				
Online game services	1,255,922	1,577,810	1,755,709	275,276
Advertising services	162,012	169,644	220,476	34,568
Wireless value-added services and others	20,867	30,669	31,300	4,907
Total revenues	1,438,801	1,778,123	2,007,485	314,751
Business taxes	(38,354)	(44,507)	(49,583)	(7,774)
Total net revenues	1,400,447	1,733,616	1,957,902	306,977
Total cost of revenues	(448,428)	(580,756)	(630,456)	(98,849)
Gross profit	952,019	1,152,860	1,327,446	208,128
Operating expenses:				
Selling and marketing expenses	(241,158)	(212,898)	(225,282)	(35,321)
General and administrative expenses	(38,338)	(49,845)	(61,263)	(9,605)
Research and development expenses	(85,551)	(103,008)	(121,662)	(19,075)
Total operating expenses	(365,047)	(365,751)	(408,207)	(64,001)
Operating profit	586,972	787,109	919,239	144,127
Other income (expenses):				
Investment income	65	399	3,693	579
Interest income	36,248	59,419	68,647	10,763
Exchange gains (losses)	54,260	(2,961)	(64,977)	(10,188)
Other, net	(10,155)	6,381	28,155	4,414
Net income before tax	667,390	850,347	954,757	149,695
Income tax	(91,268)	(92,428)	(140,499)	(22,029)
Net income	576,122	757,919	814,258	127,666
Net loss (income) attributable to non-controlling interests	9,195	14,577	11,498	1,803
Net income attributable to the NetEase.com, Inc.'s shareholders	585,317	772,496	825,756	129,469
Earnings per share, basic	0.18	0.24	0.25	0.04
Earnings per ADS, basic	4.50	5.92	6.32	0.99
Earnings per share, diluted	0.18	0.24	0.25	0.04
Earnings per ADS, diluted	4.48	5.90	6.30	0.99
Weighted average number of ordinary shares outstanding, basic	3,248,176	3,264,927	3,268,673	3,268,673
Weighted average number of ADS outstanding, basic	129,927	130,597	130,747	130,747
Weighted average number of ordinary shares outstanding, diluted	3,264,036	3,275,651	3,277,636	3,277,636
Weighted average number of ADS outstanding, diluted	130,561	131,026	131,105	131,105

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

NETEASE.COM, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Quarter Ended				
	September 30, 2010	March 31, 2011	June 30, 2011	September 30, 2011	September 30, 2011
	RMB	RMB	RMB	RMB	USD (Note 1)
Cash flows from operating activities:					
Net income	576,122	734,573	757,919	814,258	127,666
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	57,003	65,706	75,895	75,315	11,809
Share-based compensation cost	40,667	38,238	15,710	22,941	3,597
Allowance for (reversal of) provision for doubtful debts	(18,721)	(1,366)	1,788	6,206	973
Loss/(gain) on disposal of property, equipment and software	2,867	4	(49)	6	1
Unrealized exchange losses/(gains)	(56,091)	(31,077)	(1,238)	67,314	10,554
Deferred income taxes	28,970	(8,401)	(33,430)	(22,665)	(3,554)
Net equity share of losses/(gains) from associated companies	246	330	(778)	633	99
Others	-	(162)	162	(3,308)	(519)
Changes in operating assets and liabilities:					
Accounts receivable	9,588	75,613	(20,211)	(51,205)	(8,028)
Prepayments and other current assets	(303,527)	54,987	125,434	(343,763)	(53,898)
Accounts payable	11,352	(18,560)	(2,429)	29,222	4,582
Salary and welfare payables	(16,203)	(64,934)	40,634	38,150	5,981
Taxes payable	(1,232)	(30,719)	4,201	62,553	9,808
Deferred revenue	100,420	91,107	59,969	92,822	14,553
Accrued liabilities and other payables	101,182	63,976	(28,574)	76,458	11,988
Net cash provided by operating activities	<u>532,643</u>	<u>969,315</u>	<u>995,003</u>	<u>864,937</u>	<u>135,612</u>
Cash flows from investing activities:					
Purchase of property, equipment and software	(95,931)	(141,157)	(36,130)	(61,411)	(9,629)
Proceeds from sale of property, equipment and software	219	1	49	170	27
Purchase of held-to-maturity investments	-	-	(170,000)	(423,163)	(66,347)
Purchase of license right	-	-	(39,300)	-	-
Transfer to restricted cash	-	-	(35,000)	(98,200)	(15,397)
Net change in time deposits with terms of three months	(727,576)	231,682	12,928	(438,342)	(68,727)
Placement/rollover of matured time deposits	(2,231,621)	(2,863,899)	(1,551,500)	(2,702,844)	(423,776)
Uplift of matured time deposits	2,097,921	2,157,008	1,002,444	2,941,207	461,149
Net change in other assets	(4,099)	(5,844)	(14,115)	(1,673)	(262)
Net cash used in investing activities	<u>(961,087)</u>	<u>(622,209)</u>	<u>(830,624)</u>	<u>(784,256)</u>	<u>(122,962)</u>
Cash flows from financing activities:					
Capital contribution from non-controlling interests	-	-	226	-	-
Proceeds from employees exercising stock options	10,047	30,252	10,728	22,480	3,525
Payment of other long-term payable	-	(10)	-	-	-
Net cash provided by financing activities	<u>10,047</u>	<u>30,242</u>	<u>10,954</u>	<u>22,480</u>	<u>3,525</u>
Effect of exchange rate changes on cash held in foreign currencies	(2,380)	7,112	(438)	(4,124)	(647)
Net increase/(decrease) in cash	(420,777)	384,460	174,895	99,037	15,528
Cash, beginning of the period	<u>2,084,887</u>	<u>1,285,137</u>	<u>1,669,597</u>	<u>1,844,492</u>	<u>289,196</u>
Cash, end of the period	<u><u>1,664,110</u></u>	<u><u>1,669,597</u></u>	<u><u>1,844,492</u></u>	<u><u>1,943,529</u></u>	<u><u>304,724</u></u>
Supplemental disclosures of cash flow information:					
Cash paid for income tax, net of tax refund	56,534	91,682	78,818	71,301	11,179
Supplemental schedule of non-cash investing and financing activities					
Fixed asset purchases financed by accounts payable	105,574	64,347	91,811	63,254	9,918

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

NETEASE.COM, INC.
UNAUDITED SEGMENT INFORMATION
(in thousands, except percentages)

	Quarter Ended			
	September 30,	June 30,	September 30,	September 30,
	2010	2011	2011	2011
	RMB	RMB	RMB	USD (Note 1)
Revenues:				
Online game services	1,255,922	1,577,810	1,755,709	275,276
Advertising services	162,012	169,644	220,476	34,568
Wireless value-added services and others	20,867	30,669	31,300	4,907
Total revenues	1,438,801	1,778,123	2,007,485	314,751
Business taxes:				
Online game services	(22,639)	(27,567)	(27,704)	(4,344)
Advertising services	(15,326)	(16,261)	(21,040)	(3,299)
Wireless value-added services and others	(389)	(679)	(839)	(131)
Total business taxes	(38,354)	(44,507)	(49,583)	(7,774)
Net revenues:				
Online game services	1,233,283	1,550,243	1,728,005	270,932
Advertising services	146,686	153,383	199,436	31,269
Wireless value-added services and others	20,478	29,990	30,461	4,776
Total net revenues	1,400,447	1,733,616	1,957,902	306,977
Cost of revenues:				
Online game services	(348,165)	(462,444)	(493,025)	(77,301)
Advertising services	(71,105)	(85,978)	(102,958)	(16,143)
Wireless value-added services and others	(29,158)	(32,334)	(34,473)	(5,405)
Total cost of revenues	(448,428)	(580,756)	(630,456)	(98,849)
Gross profit (loss):				
Online game services	885,118	1,087,799	1,234,980	193,631
Advertising services	75,581	67,405	96,478	15,126
Wireless value-added services and others	(8,680)	(2,344)	(4,012)	(629)
Total gross profit	952,019	1,152,860	1,327,446	208,128
Gross profit (loss) margin:				
Online game services	71.8%	70.2%	71.5%	71.5%
Advertising services	51.5%	43.9%	48.4%	48.4%
Wireless value-added services and others	(42.4%)	(7.8%)	(13.2%)	(13.2%)

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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 = RMB6.3780 on September 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			
	September 30, 2010	June 30, 2011	September 30, 2011	September 30, 2011
	RMB	RMB	RMB	USD (Note 1)
Share-based compensation cost included in:				
Cost of revenue	14,044	11,565	11,121	1,744
Operating expenses				
- Selling and marketing expenses	3,210	2,217	1,989	312
- General and administrative expenses	13,515	(4,517)	3,514	551
- Research and development expenses	9,898	6,445	6,317	990

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.