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网聚人的力量

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INVESTOR PRESENTATION
September 2009

技术领先的网络门户

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Market Snapshot

- Recent price (09/01/09) : \$41.40
- ADS outstanding, basic: 128.8 million
- Market capitalization : \$5.3 billion
- Institutional ownership : 46%
- Insider and 5%+ owners : 44%
- Cash and time deposits (06/30/09) : \$909.4 million
- Cash per ADS, basic : \$7.06

Businesses

“A leading China-based Internet technology and online game services company that pioneered the development of applications, services and other technologies for the Internet in China.”

- **Online Games:** The leading provider of self-developed massively multi-player online role-playing games, or MMORPG, to Internet users in China.
- **Internet Portal:** Provides Chinese Internet users with online services centered around content, community and communication, and commerce.
- **Advertising Services:** Enables advertisers to reach one of the largest user bases in China.
- **Email and Blog Services:** The largest provider of free email services in China, which has great marketing value for advertisers who wish to reach our audience of consumers.
- **Search Engine:** Youdao.com reflects a 3-year investment in creating a comprehensive Chinese search technology.
- **Wireless VAS:** Offers a wide-range of services which allows users to receive news and other information on their mobile phones.

A Massive Marketing Platform

- NetEase family of websites provide a massive interactive marketing platform for advertisers:
 - 937 million average daily page views for the month of June 2009.
 - Access to an extremely large and loyal user base who are young trendsetters.
- The Company's strategy is to leverage its market-leading position in free email service and blogs with advertisers and provide them access to its user base
- Sino-monitor's China Marketing and Media Study named NetEase as the number one media for university students among all traditional and online media in China

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NetEase Online Game Platform

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Online Games

● Self-developed MMORPG in commercial mode:

Fantasy Westward Journey	梦幻西游	2D (time-based)
Westward Journey Online II	大话西游II	2D (time-based)
Westward Journey Online III	大话西游3	2D (time-based)
Datang	大唐豪侠	2.5 Dimensional, martial-arts themed game
Tianxia II	天下贰	3D item-based game
New Fly for Fun	新飞飞	Item-based game
BiuBiu	魔法火枪团	Casual item-based game
TF Online	百变金刚	3D item-based game

Online Games

- **Fantasy Westward Journey - 梦幻西游 - 2D (time-based)**
 - #1 MMORPG game in China; 2Q PCUs of 1.5 million
 - Launched in Jan 2004; it still accounts for >70% of revenue due to timely updates and expansion packs
 - Record PCU of 2.6 million on August 2, 2009



Online Games

- **Westward Journey Online II - [大话西游II](#) - 2D (time-based)**
 - Launched in August 2002
 - Latest expansion pack released in August 2009
 - New registered users increased 15% QOQ for 2Q09
 - Q2 PCUs of 591,000 and ACUs of 207,000



Online Games

- **Westward Journey Online III - [大话西游3](#) - 2D (time-based)**
 - New, improved version of Westward Journey Online II
 - Commercialized in September 2007



Online Games

- **Datang** - [大唐豪侠](#) - 2.5 Dimensional, martial-arts themed game
 - Commercialized in July 2006
 - Strong new user statistics for 2Q09
- **Tianxia II** - [天下贰](#) - 3D item-based game
 - New expansion pack and grand scale open beta marketing plan to be released in 3Q09
- **New Fly For Fun** - [新飞飞](#) - Item-based game



Newest Self-Developed Online Games

- **BiuBiu - [魔法火枪团](#) - Casual item-based game**
- **TF Online - [百变金刚](#) - 3D item-based game**



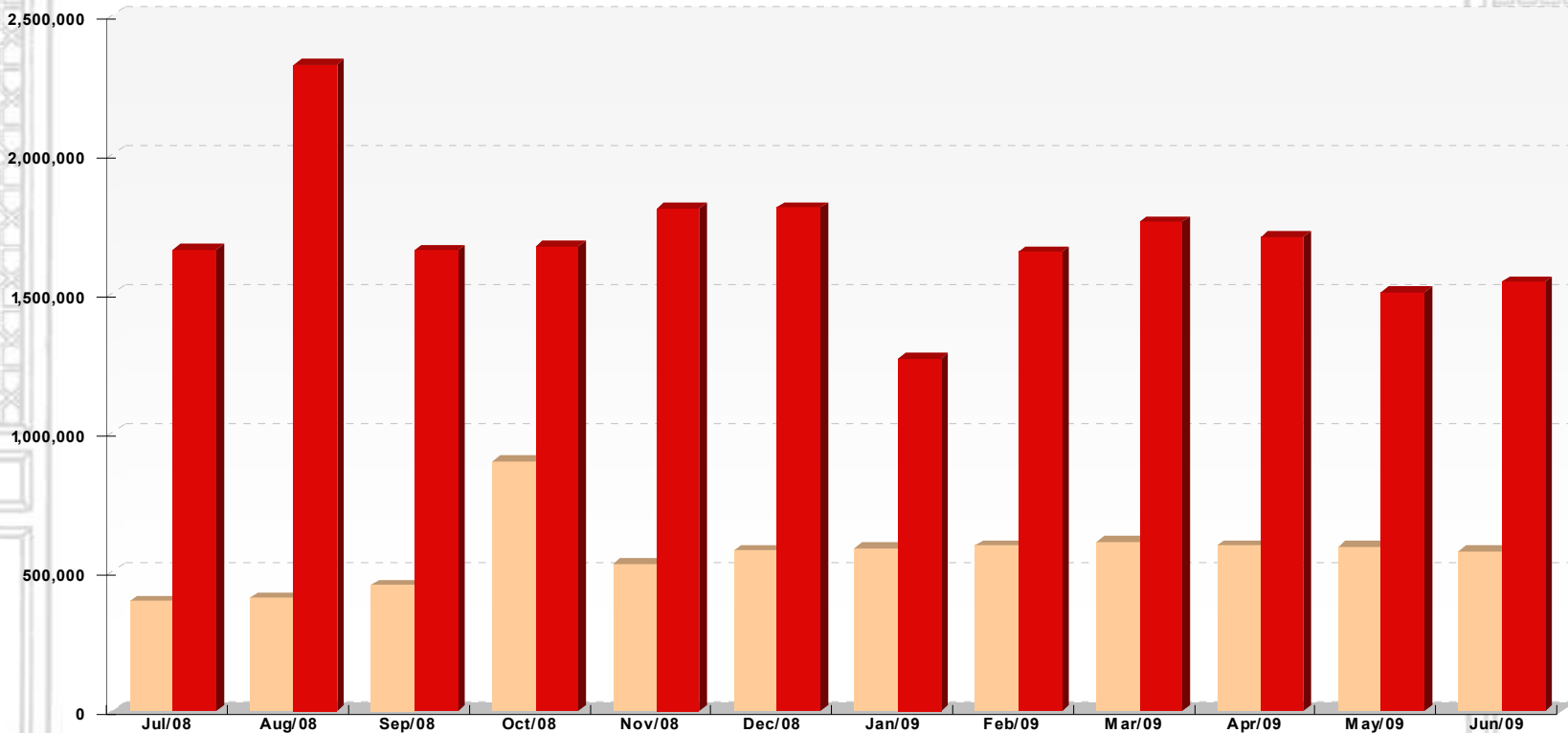
Licensed Online Games


◆ **Blizzard Entertainment®**


- Partnership for World of Warcraft® for 3-year term following expiration of current license agreement
- Warcraft® III, StarCraft® II, and Battle.net® gaming platforms



Fantasy Westward Journey & Westward Journey II Peak Concurrent Users

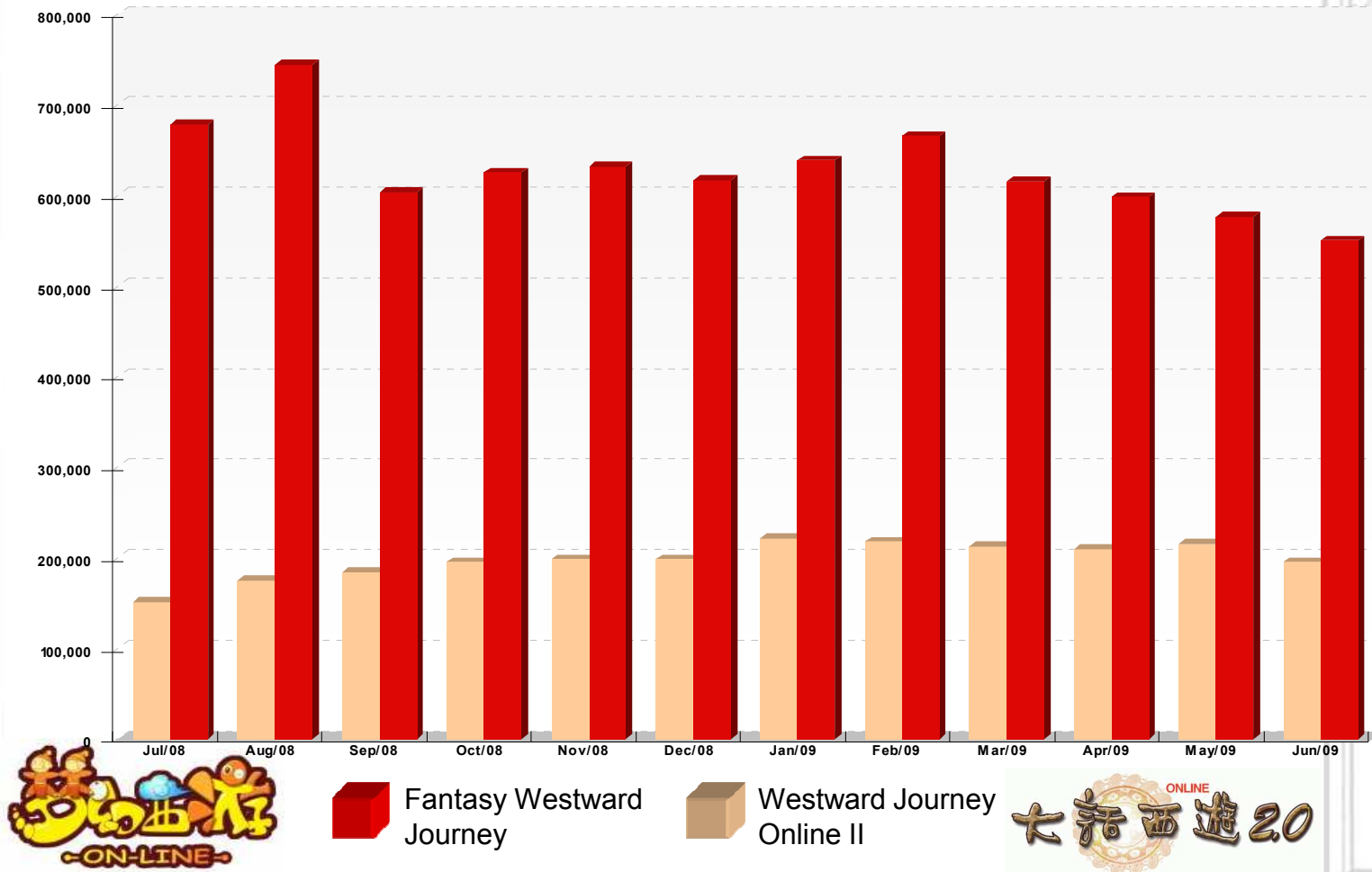


 Fantasy Westward Journey

 Westward Journey Online II



Fantasy Westward Journey & Westward Journey II Daily Average Concurrent User Growth



Casual Games



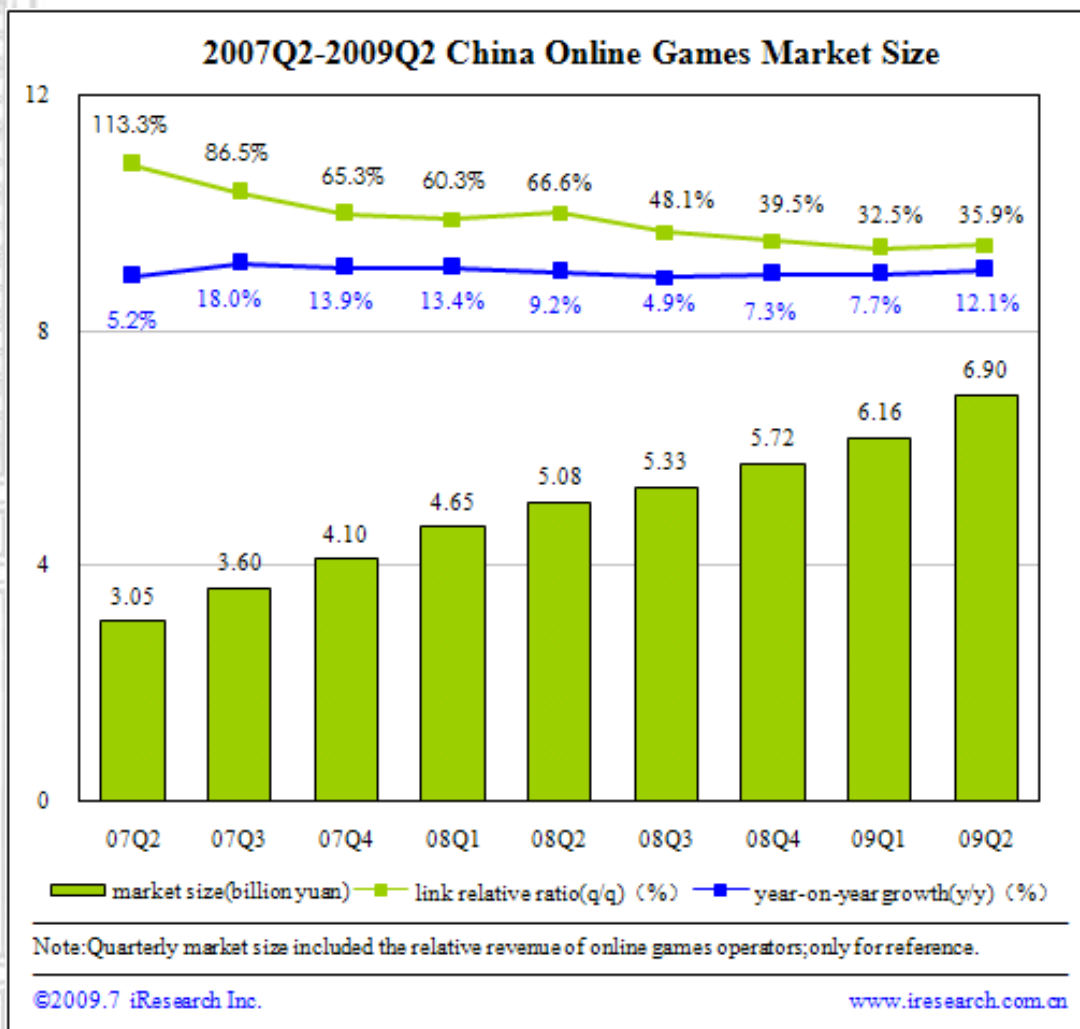
- Released to date: 28 mini and 7 advanced casual games.
- Our goal is to offer the most user-friendly and attractive casual-game platform in China.
- Our casual games are easy to access, and are targeted for busy individuals with limited time for entertainment.
- We anticipate sales of virtual items via NetEase point cards to diversify casual game revenues.

Game Development Pipeline

- Approximately 1,000 game developers as of June 30, 2009
- Upcoming Commercial Launches in 2H09
 - Ghost
 - Heroes of Tang Dynasty
 - Two self-developed item-based webgames
 - One self-developed item-based casual game



Chinese Online Game Market Growth Q1 2006 - Q4 2008E



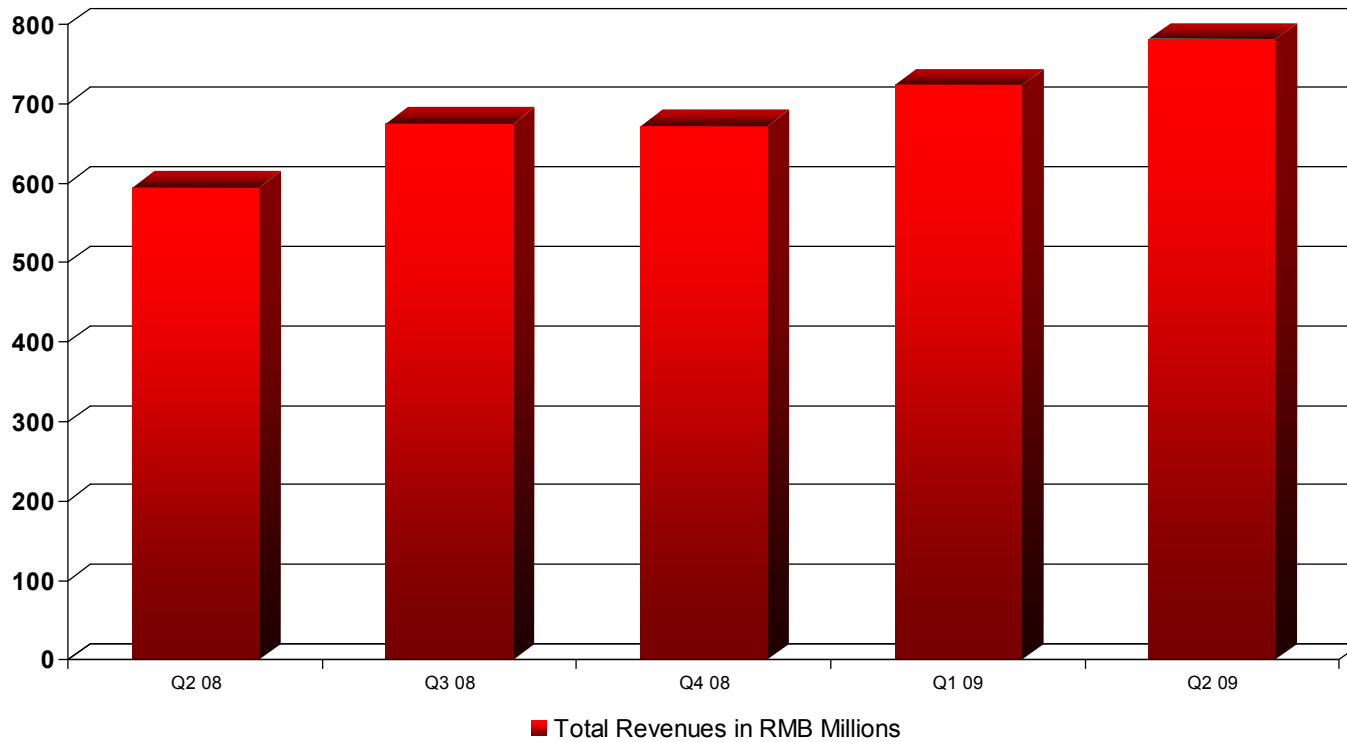
China online games market growth rates as of 2Q09:

+ 35.9% YOY

12.1% QOQ

Source: iResearch's China Online Games Industry Development Research Report, August 31, 2009

NetEase Quarterly Online Games Revenue



** China's online game market expected to grow to over \$3B USD by 2010, according to Research and Market's "Games Market in China" report.*

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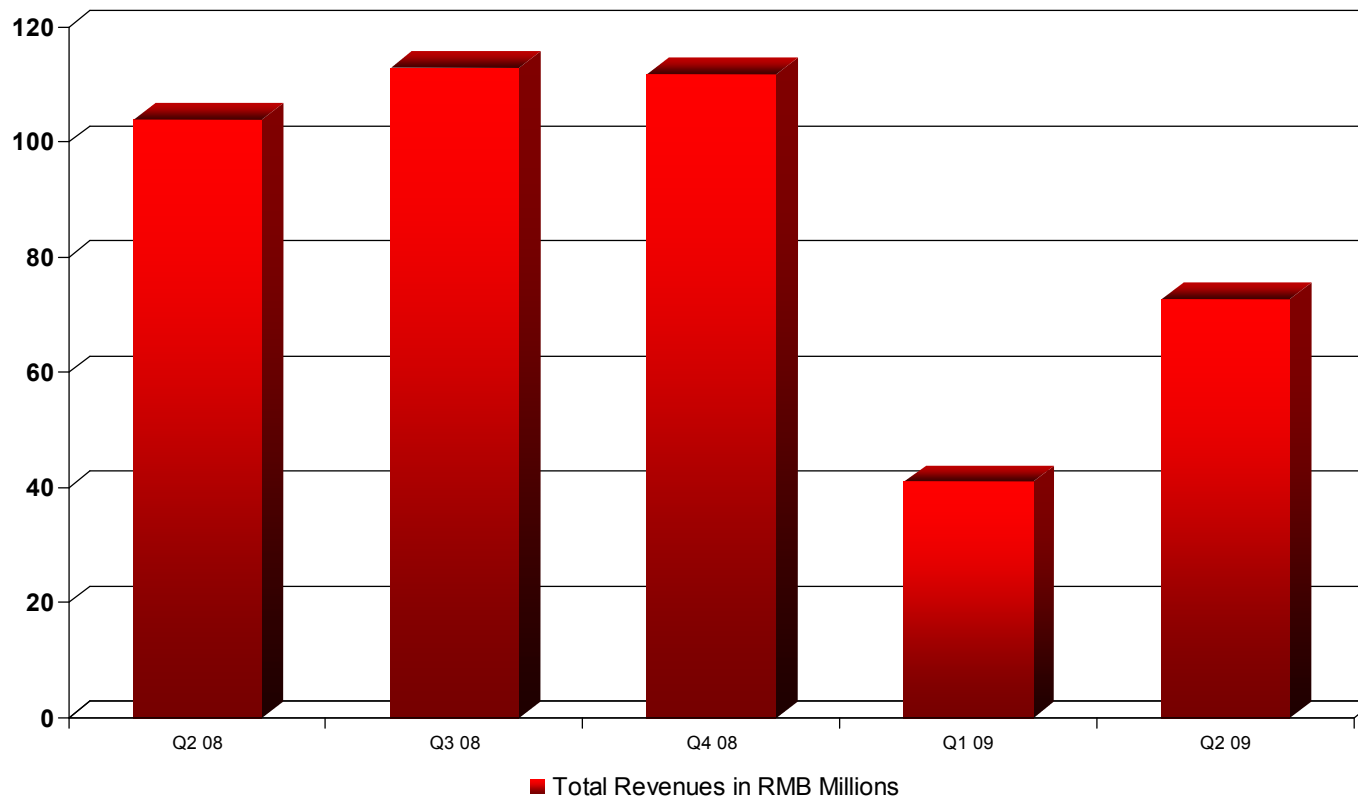
NetEase Internet Portal

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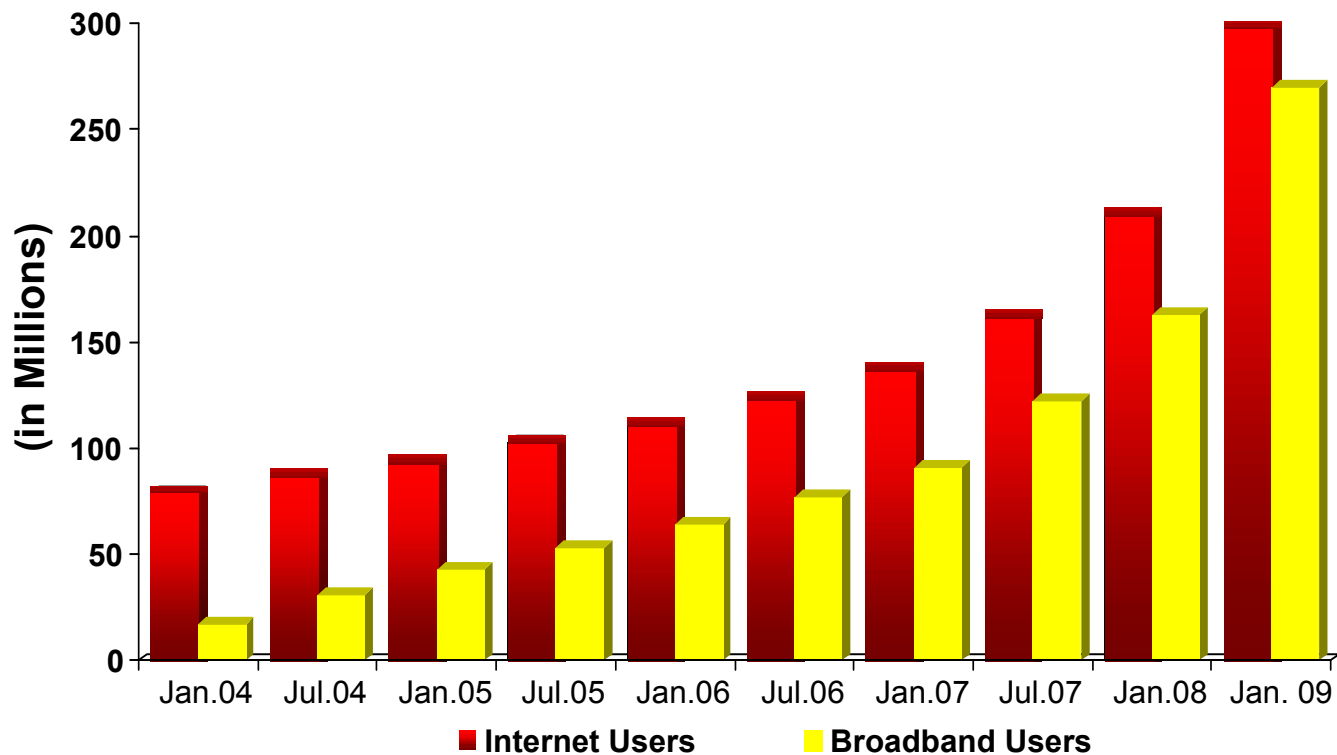
Advertising Services

- NetEase portal and large email base provides an ideal platform for acquiring gamers economically
- NetEase continues to emphasize raising the level of experience of its users and incorporating more online functions
- NetEase email ad space is a premium ad tool for many advertisers who want to reach NetEase consumers, especially the young consumer with discretionary income
- NetEase blog services are designed to serve both as a platform for distributing personal information and as a community service and social networking platform
- NetEase is capitalizing on shift in advertising revenue to the Internet from traditional media advertising
- NetEase continually adds new portal content and viewer channels

NetEase Quarterly Advertising Services Revenue



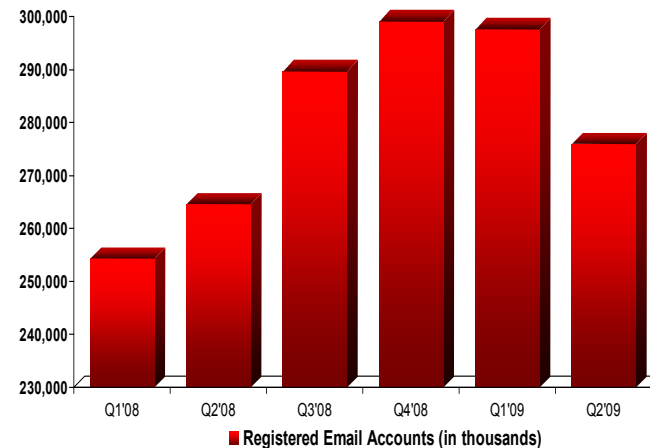
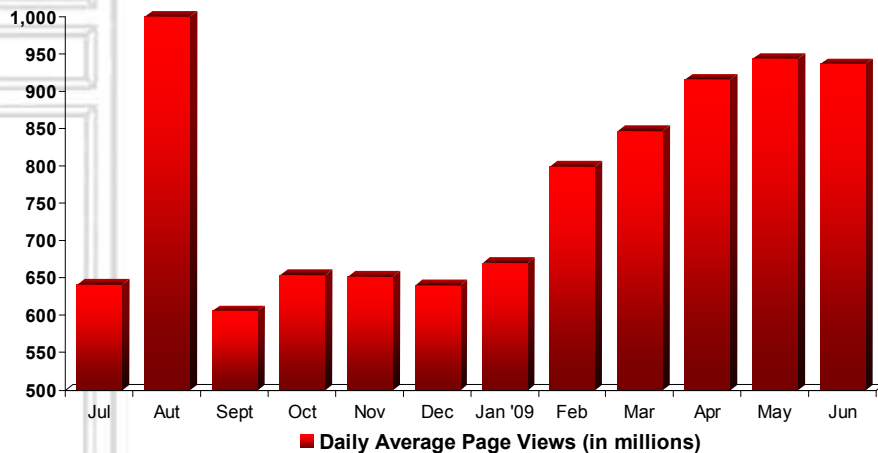
China has the World's Largest Population of Internet Users, with nearly 300 Million and 91% Broadband Penetration



•Source: CNNIC Internet Development Study

NetEase Continues to Expand Content and Services

- NetEase has diverse high-quality content channels and continues to seek new ways to enhance content:
 - Newest channels include education, travel, real estate, and book search and review (Sept. '09)
- NetEase maintains a dominant position as the leading free email provider in China.
- NetEase continues to upgrade its advertising services and tracking systems to capture growth in this nascent online advertising market.



Search Engine Youdao.com

- NetEase's innovative search engine officially launched in December 2007
- RSS/blog reader product - "Youdao Reader" - reached a milestone one million registered users in Q4 08
- Shipped final version of "Youdao Dictionary 2.0" in December 2008
- Launched first shopping search engine in China - "Youdao Product Search" - in January 2009

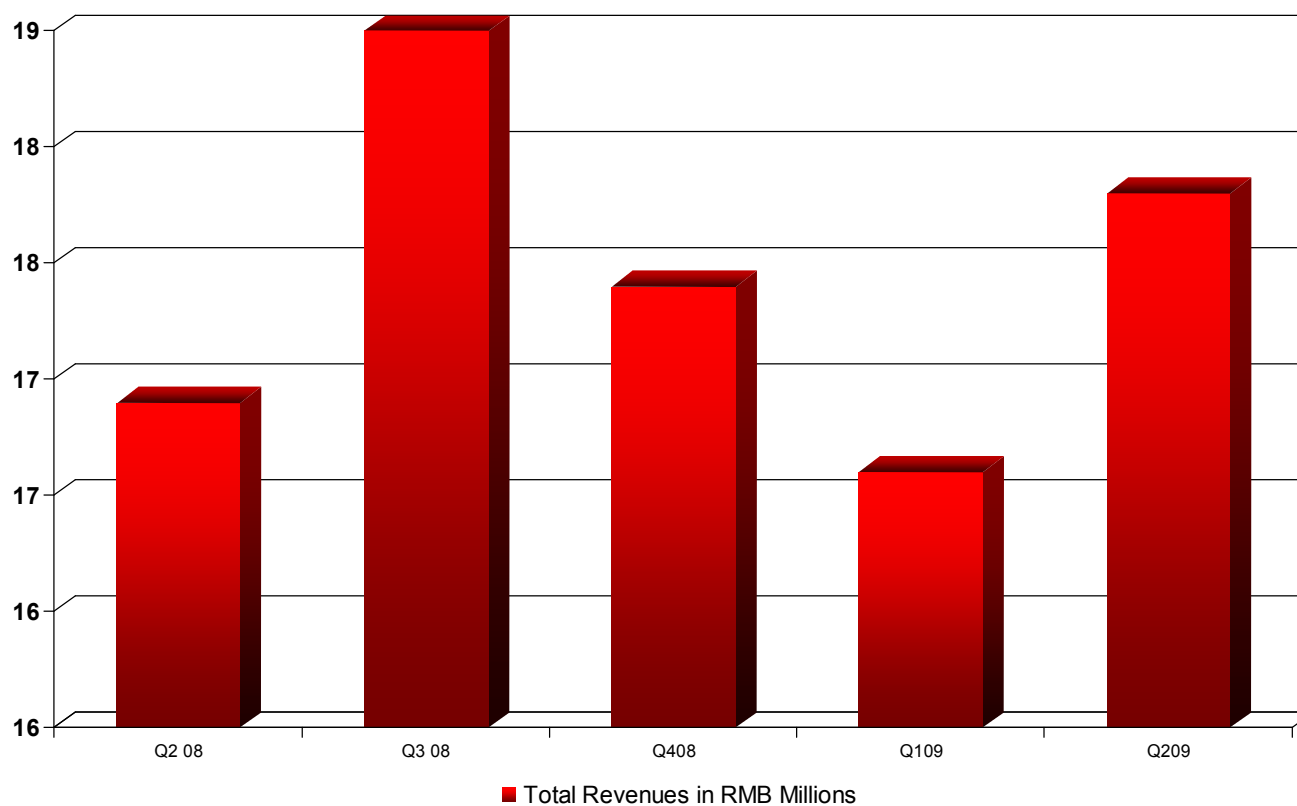


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NetEase Wireless VAS

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NetEase Quarterly WVAS and Other Revenue



** NTES has strategically decreased its focus on WVAS as a result of increased regulation from the mobile operators.*



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Financial Highlights

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Summary Financial Results

Total revenues:	2008 Q4 RMB million	2009 Q1 RMB million	2009 Q2 RMB million	2009 Q2 US\$ million	Q1'09-Q2'09 seq. change
Online game services	672	724	781	114	8.0%
Advertising services	112	41	73	11	7.8%
Wireless services and others	17	17	18	3	7.2%
Net Revenues	<u>791</u>	<u>776</u>	<u>863</u>	<u>126</u>	11.3%
Gross profit	<u>639</u>	<u>642</u>	<u>692</u>	<u>101</u>	7.9%
Gross margin	80.8%	82.7%	80.2%	80.2%	
Operating profit	<u>470</u>	<u>491</u>	<u>517</u>	<u>76</u>	5.3%
Net profit	<u>575</u>	<u>417</u>	<u>468</u>	<u>69</u>	12.4%
Diluted EPS (per ADS)	<u>\$4.46</u>	<u>\$3.23</u>	<u>\$3.60</u>	<u>\$0.53</u>	12.8%

● Gross Profit Margin Analysis

Gross Profit Margins	<u>2008 Q4</u>	<u>2009 Q1</u>	<u>2009 Q2</u>
Online game services	88.0%	90.0%	88.3%
Advertising services	51.1%	(13.1%)	16.6%
Wireless services and others	(24.9%)	(22.3%)	(43.0%)
Company overall	80.8%	82.7%	80.2%

● Operating Profit Margins

	<u>2008 Q4</u>	<u>2009 Q1</u>	<u>2009 Q2</u>
Company overall	59.5%	63.3%	59.9%

Balance Sheet Highlights

	March 31, 2009 RMB million	June 30, 2009 RMB million	March 31, 2009 USD million
ASSETS			
Current assets:			
Cash	792	1,282	188
Time deposits	5,293	4,929	722
Other current assets	293	371	54
Total current assets	6,324	6,582	964
Property, equipment and software	260	475	70
Other assets	191	392	57
Total assets	6,775	7,449	1,091
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities:			
Deferred revenue	455	425	62
Other current liabilities	373	565	83
Total current liabilities	828	990	145
Long-term payable	0	0	0
Total shareholders' equity	5,947	6,459	945
Total liabilities and shareholders' equity	6,775	7,449	1,091

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Recent Highlights

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Recent Highlights

- Fantasy Westward Journey continues to demonstrate its robust personality and extensive community of users among time-based online games in China
- License agreement for World of Warcraft®, the world's most popular online game
 - Lays groundwork for continued operation of WoW in mainland China following expiration of current license agreement
- We continue to execute well on our strategy to diversify our self-developed game product offerings
 - Continuing progress on Tianxia II development and performance
 - Two new item-based games, Buibui and TF Online, launched in 2Q09
 - Most extensive game development team of 1,000

Recent Highlights - continued

- Focused on strengthening the quality and content of our portal to attract and retain new users and advertisers to our site
- Continued enhancement of e-mail, blog and search products to raise users' experience and attract and engage new users
 - Enhancement of our email and blog services to draw more users and create premium ad space for advertisers who wish to reach our audience of consumers
 - Creating a market-leading search engine; highly versatile, user-friendly and geared specifically for the Chinese Internet user

Key Takeaways

- Fantasy Westward Journey remains the most popular game in China and achieved record PCUs of 2.6 million in August 2009
- NetEase has strongest in-house development capability, enabling continuous upgrades, expansion packs and new game creation
- NetEase is partnering with Blizzard Entertainment for four game licenses, including world's most popular MMORPG World of Warcraft®
- NetEase portal and large email base provide an ideal platform for acquiring gamers economically
- NetEase has a strong balance sheet with ample cash to fund its growing game pipeline and portal development

Contact Us

● If you would like to request a video trailer or investor kit, please contact:

– **In China:**

Li Jia (Liddy Li)

NetEase.com, Inc.

Email: liddyli@corp.netease.com

Telephone: (8610)82558208

– **In the United States:**

Brandi Piacente

The Piacente Group, Inc.

Email: brandi@corp.netease.com

Telephone: (212) 481-2050

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