
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 OF THE SECURITIES EXCHANGE ACT OF 1934

For the month of August 2012

Commission File Number: 000-30666

NETEASE, INC.

26/F, SP Tower D
Tsinghua Science Park Building 8
No. 1 Zhongguancun East Road, Haidian District
Beijing 100084, People's Republic of China
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-N.A.

NETEASE, INC.

Form 6-K

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NETEASE, INC.

By: /s/ Onward Choi
Name: Onward Choi
Title: Acting Chief Financial Officer

Date: August 16, 2012

**Press Release****Contact for Media and Investors:**

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**NetEase Reports Second Quarter 2012
Unaudited Financial Results**

(Beijing — August 15, 2012) — NetEase, Inc. (NASDAQ: NTESS), one of China’s leading Internet and online game services providers, today announced its unaudited financial results for the second quarter ended June 30, 2012.

William Ding, Chief Executive Officer and Director of NetEase, stated, “We place great emphasis on setting standards of excellence for China’s Internet audience. The merits of this strategy can be found in our continued growth and loyalty in our user base. For the second quarter of 2012, our total revenues increased 12.7% year-over-year, with online games growing by 10.8% and advertising services increasing by 20.4%.”

“In the second quarter, we continued to advance our self-developed games with certain standout performances. Ghost achieved record revenue in May, gaining traction from its open beta testing launch in April. Fantasy Westward Journey demonstrated a stable increase in revenue driven by positive user response to new content for this game. During the second quarter, we also launched open beta testing for Tianxia III, as well as releasing new expansion packs for Warsong of Westward Journey in April, Heroes of Tang Dynasty in May and Westward Journey Online II at the end of June. We expect the effect from the new launches for our self-developed games to be reflected in upcoming periods.”

“Although playing time for Blizzard Entertainment’s World of Warcraft® declined during the second quarter, leading to a quarter-over-quarter decrease of online game revenues, World of Warcraft continues to have a very enthusiastic community of players in China. We look forward to releasing Blizzard’s Mists of Pandaria™, the fourth expansion pack for World of Warcraft, as soon as possible to build on the game’s large and passionate player base in China.”

“In the second half of the year, we will focus on launching several new games and introducing expansion packs to existing games such as Fantasy Westward Journey, Tianxia III, Ghost and Westward Journey Online III. Our newest games under development are progressing well. In response to growing market demand for action games, we launched initial closed beta testing for two such games in July: Kung Fu Master, formerly called Wu Hun, as well as Soul of the Fighter, formerly called Soul of Warrior. Early feedback for both games has been encouraging, and we are preparing for their commercial launch in the second half of the year. In addition, our next generation 3D MMORPG Dragon Sword and 3D action real-time strategy game Heroes of Three Kingdoms are being developed to the highest standards of quality, and we will be performing technical tests this year to obtain user feedback on those games.”

“Content innovation, new product development as well as service integration among mobile platforms continues to attract new advertising customers. Revenues from advertising services grew 42.3% quarter-over-quarter, led by the automobile, fast moving consumer goods and financial services sectors. Our recent focus has been on high profile sporting events, such as Euro Cup 2012 and the London Olympics. In the second quarter, we were pleased to secure a strategic partnership with China Network Television to broadcast the London Olympic Games as well as the opening and closing ceremonies on our portal and our top-ranking mobile news application.”

“Mobile access and the introduction of new attractive content are contributing to continued user growth in our portal and e-mail business. In the second quarter, the registered number of users for our micro-blogging service increased by 48.8% sequentially to 180 million. Mailbox services also increased to 495 million registered users as of June 30, 2012. We continue to advance both services by introducing new content and enhancing the user experience to broaden our existing community.”

“Our robust games portfolio, industry leading portal and growing search business are built on the success of providing a highly differentiated platform that caters to quality and optimizing user experience. We continue to build our products and services to meet customers’ demands for new content with a robust pipeline of games and activities planned for the second half of the year,” Mr. Ding concluded.

Second Quarter 2012 Financial Results

Revenues

Total revenues for the second quarter of 2012 were RMB2.0 billion (US\$315.5 million), compared to RMB2.0 billion and RMB1.8 billion for the preceding quarter and the second quarter of 2011, respectively.

Revenues from online games were RMB1.7 billion (US\$275.3 million) for the second quarter of 2012, compared to RMB1.8 billion and RMB1.6 billion for the preceding quarter and the second quarter of 2011, respectively.

Revenues from advertising services were RMB204.2 million (US\$32.1 million) for the second quarter of 2012, compared to RMB143.5 million and RMB169.6 million for the preceding quarter and the second quarter of 2011, respectively.

Revenues from e-mail, wireless value-added services and others (“E-mail, WVAS and others”) were RMB51.4 million (US\$8.1 million) for the second quarter of 2012, compared to RMB39.6 million and RMB30.7 million for the preceding quarter and the second quarter of 2011, respectively.

Gross Profit

Gross profit for the second quarter of 2012 was RMB1.3 billion (US\$208.0 million), compared to RMB1.3 billion and RMB1.2 billion for the preceding quarter and the second quarter of 2011, respectively.

The year-over-year increase in gross profit was primarily attributable to increased revenues from NetEase’s online game business. The year-over-year increase in online game revenues was primarily driven by increased revenues from the Company’s self-developed games, Ghost, Fantasy Westward Journey and Tianxia III, which was partially offset by a decline in revenue from Blizzard Entertainment’s World of Warcraft.

Gross Profit (Loss) Margin

Gross profit margin for the online game business for the second quarter of 2012 was 73.3%, compared to 73.0% and 70.2% for the preceding quarter and the second quarter of 2011, respectively.

Gross profit margin for the advertising business for the second quarter of 2012 was 33.0%, compared to 19.8% and 43.9% for the preceding quarter and the second quarter of 2011, respectively. The quarter-over-quarter increase in gross profit margin was primarily due to an increase in advertising revenues. The year-over-year decrease in gross profit margin was primarily due to increased headcount-related costs and video content costs incurred in the second quarter of 2012.

Gross loss margin for the E-mail, WVAS and others business for the second quarter of 2012 was 11.6%, compared to 18.0% and 7.8% for the preceding quarter and the second quarter of 2011, respectively. The quarter-over-quarter change was mainly due to improved performance from NetEase’s e-commerce business in the second quarter of 2012.

Operating Expenses

Total operating expenses for the second quarter of 2012 were RMB437.7 million (US\$68.9 million), compared to RMB355.7 million and RMB365.8 million for the preceding quarter and the second quarter of 2011, respectively. The quarter-over-quarter increase in operating expenses was mainly due to increased selling and marketing promotional activities related to open beta testing launched in the second quarter of 2012 for Ghost and Tianxia III, and increased research and development expenses related to product development. The year-over-year increase in operating expenses was primarily due to increased headcount-related costs included in general and administrative expenses and research and development expenses.

Net Profit

Net profit for the second quarter of 2012 totaled RMB875.3 million (US\$137.8 million), compared to RMB941.7 million and RMB772.5 million for the preceding quarter and the second quarter of 2011, respectively.

During the second quarter of 2012, the Company reported a net foreign exchange loss of RMB36.0 million (US\$5.7 million), compared to a net foreign exchange gain of RMB17.6 million and a net foreign exchange loss of RMB3.0 million for the preceding quarter and the second quarter of 2011, respectively. The quarter-over-quarter and year-over-year changes in foreign exchange gains and losses were mainly due to the translation gains and losses arising from the Company's Euro-denominated bank deposit balances as of June 30, 2012 as the exchange rate of the Euro against the RMB fluctuated over the periods.

NetEase reported basic and diluted earnings per ADS of US\$1.05 each for the second quarter of 2012. The Company reported basic and diluted earnings per ADS of US\$1.13 each for the preceding quarter, and reported basic and diluted earnings per ADS of US\$0.93 each for the second quarter of 2011.

Income Taxes

The Company recorded a net income tax charge of RMB149.5 million (US\$23.5 million) for the second quarter of 2012, compared to RMB163.1 million and RMB92.4 million for the preceding quarter and the second quarter of 2011, respectively. The effective tax rate for the second quarter of 2012 was 14.8%, compared to 14.9% and 10.9% for the preceding quarter and the second quarter of 2011, respectively.

The Company's various principal subsidiaries renewed their qualifications as High and New Technology Enterprises in 2011, and enjoy the preferential enterprise income tax rate of 15% from 2011 to 2013, subject to annual review by the relevant tax authorities in China.

The year-over-year increase in effective tax rate was primarily due to the expiration of the enterprise income tax exemption period for certain subsidiaries that were qualified as Software Enterprises, which resulted in an increase in their applicable tax rate from 0% to 12.5%.

Other Information

As of June 30, 2012, the Company's total cash and time deposits balance was RMB13.8 billion (US\$2.2 billion), compared to RMB11.9 billion as of December 31, 2011. Cash flow generated from operating activities was RMB880.9 million (US\$138.7 million) for the second quarter of 2012, compared to RMB1.3 billion and RMB995.0 million for the preceding quarter and the second quarter of 2011, respectively.

** The United States dollar (US\$) amounts disclosed in this press release are presented solely for the convenience of the reader. Translations of amounts from RMB into US\$ were calculated at the noon buying rate of US\$1.00 = RMB6.3530 on the last trading day of June 2012 (June 29, 2012) as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at that rate on June 29, 2012, or at any other certain date. The percentages stated are calculated based on RMB.

Conference Call

NetEase's management team will host a conference call at 9:00 p.m. Eastern Time on Wednesday, August 15, 2012 (Beijing/Hong Kong Time: 9:00 a.m., Thursday, August 16, 2012). NetEase's management will be on the call to discuss the quarterly results and answer questions.

Interested parties may participate in the conference call by dialing 1-877-941-2068 (international: 1-480-629-9712), 10-15 minutes prior to the initiation of the call. A replay of the call will be available by dialing 1-800-406-7325 (international: 1-303-590-3030), and entering passcode 4556534#. The replay will be available through August 29, 2012.

This call is being webcast live and the replay will be available for 12 months. Both will be available on NetEase's Investor Relations website at <http://ir.netease.com>.

About NetEase, Inc.

NetEase, Inc. is a leading China-based Internet technology company that pioneered the development of applications, services and other technologies for the Internet in China. NetEase's online communities and personalized premium services have established a large and stable user base for the NetEase websites, which are operated by its affiliates. In particular, NetEase provides online game services to Internet users through the in-house development or licensing of massively multi-player online role-playing games, including Fantasy Westward Journey, Westward Journey Online II, Westward Journey Online III, Tianxia III, Heroes of Tang Dynasty, Datang and Ghost, as well as the licensed games, World of Warcraft® and StarCraft® II from Blizzard Entertainment.

NetEase also offers online advertising on its websites, which enables advertisers to reach its substantial user base. In addition, NetEase has paid listings on its search engine and web directory and classified advertising services, as well as an online mall, which provides opportunities for e-commerce and traditional businesses to establish their own storefront on the Internet. NetEase also offers wireless value-added services such as news and information content, matchmaking services, music and photos from the web that are sent over SMS, MMS, WAP, IVR and Color Ring-back Tone technologies.

Other community services that the NetEase websites offer include instant messaging, online personal advertisements, matchmaking, alumni clubs and community forums. The Company believes that it is also the largest provider of free e-mail services in China. Furthermore, the NetEase websites as well as its micro-blogging services provide various channels of content. NetEase aggregates news content on world events, sports, science and technology, and financial markets, as well as entertainment content such as cartoons, games, astrology and jokes, from over one hundred international and domestic content providers.

* * *

Forward Looking Statements

This press release contains statements of a forward-looking nature. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates” and similar statements. The accuracy of these statements may be impacted by a number of business risks and uncertainties that could cause actual results to differ materially from those projected or anticipated, including risks related to: the risk that the online game market will not continue to grow or that NetEase will not be able to maintain its leading position in that market, which could occur if, for example, its new online games such as Ghost, Tianxia III, Kung Fu Master and Soul of the Fighter or expansion packs and other improvements to its existing games, including its current and planned expansion packs for Heroes of Tang Dynasty, Warsong of Westward Journey, Westward Journey Online II and other games, do not become as popular as management anticipates; the ability of NetEase to effectively market its games and other services and achieve a positive return on its marketing expenditures; the risk that Shanghai EaseNet will not be able to continue operating World of Warcraft, StarCraft II or other games licensed by it for a period of time or permanently due to possible governmental actions or the risk that such games will not be popular with game players in China; the risk that changes in Chinese government regulation of the online game market may limit future growth of NetEase’s revenue or cause revenue to decline; competition in the online advertising business and the risk that investments by NetEase in its content and services may not increase the appeal of the NetEase websites among Internet users or result in increased advertising revenue; the risk that NetEase may not be able to continuously develop new and creative online services, including its ability to maintain and enhance the popularity of its micro-blogging services; the risk that NetEase will not be able to control its expenses in future periods; competition in NetEase’s existing and potential markets; governmental uncertainties (including possible changes in the effective tax rates applicable to NetEase and its subsidiaries and affiliates and the ability of NetEase to receive and maintain approvals of the preferential tax treatments and general competition and price pressures in the marketplace); the risk that fluctuations in the value of the Renminbi with respect to other currencies could adversely affect NetEase’s business and financial results; and other risks out lined in NetEase’s filings with the Securities and Exchange Commission. NetEase does not undertake any obligation to update this forward-looking information, except as required under the applicable law.

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

| | December 31, 2011 | June 30, 2012 | June 30, 2012 |
|---|----------------------|-------------------|------------------|
| | RMB | RMB | USD (Note 1) |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | 2,214,618 | 1,075,734 | 169,327 |
| Time deposits | 9,704,777 | 12,227,426 | 1,924,670 |
| Restricted cash | 318,684 | 521,083 | 82,022 |
| Accounts receivable, net | 230,047 | 274,174 | 43,156 |
| Prepayments and other current assets | 900,464 | 856,354 | 134,795 |
| Short-term investments | 993,606 | 1,049,456 | 165,191 |
| Deferred tax assets | 111,990 | 144,793 | 22,791 |
| Total current assets | <u>14,474,186</u> | <u>16,149,020</u> | <u>2,541,952</u> |
| Non-current assets: | | | |
| Property, equipment and software, net | 848,469 | 791,541 | 124,593 |
| Land use right, net | 11,788 | 11,658 | 1,835 |
| License right, net | 48,962 | 14,950 | 2,353 |
| Deferred tax assets | 2,586 | 2,576 | 405 |
| Time deposits | — | 478,000 | 75,240 |
| Other long-term assets | 58,940 | 71,982 | 11,330 |
| Total non-current assets | <u>970,745</u> | <u>1,370,707</u> | <u>215,756</u> |
| Total assets | <u>15,444,931</u> | <u>17,519,727</u> | <u>2,757,708</u> |
| Liabilities and Shareholders' Equity | | | |
| Current liabilities: | | | |
| Accounts payable | 134,217 | 104,062 | 16,380 |
| Salary and welfare payables | 244,398 | 207,961 | 32,734 |
| Taxes payable | 391,769 | 367,774 | 57,890 |
| Deferred revenue | 1,014,073 | 1,139,312 | 179,334 |
| Accrued liabilities and other payables | 498,120 | 614,363 | 96,704 |
| Total current liabilities | <u>2,282,577</u> | <u>2,433,472</u> | <u>383,042</u> |
| Long-term payable: | | | |
| Other long-term payable | 63,890 | 74,511 | 11,728 |
| Total liabilities | <u>2,346,467</u> | <u>2,507,983</u> | <u>394,770</u> |
| Total NetEase, Inc.'s equity | 13,126,701 | 15,066,675 | 2,371,584 |
| Noncontrolling interests | (28,237) | (54,931) | (8,646) |
| Total shareholders' equity | <u>13,098,464</u> | <u>15,011,744</u> | <u>2,362,938</u> |
| Total liabilities and shareholders' equity | <u>15,444,931</u> | <u>17,519,727</u> | <u>2,757,708</u> |

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

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

| | Quarter Ended | | | |
|--|-------------------------|--------------------------|-------------------------|----------------------------------|
| | June 30, 2011 RMB | March 31, 2012 RMB | June 30, 2012 RMB | June 30, 2012 USD (Note 1) |
| Revenues: | | | | |
| Online game services | 1,577,810 | 1,821,029 | 1,748,695 | 275,255 |
| Advertising services | 169,644 | 143,451 | 204,179 | 32,139 |
| E-mail, WVAS and others | 30,669 | 39,630 | 51,396 | 8,090 |
| Total revenues | 1,778,123 | 2,004,110 | 2,004,270 | 315,484 |
| Business taxes | (44,507) | (38,481) | (41,781) | (6,577) |
| Total net revenues | 1,733,616 | 1,965,629 | 1,962,489 | 308,907 |
| Total cost of revenues | (580,756) | (634,407) | (641,011) | (100,899) |
| Gross profit | 1,152,860 | 1,331,222 | 1,321,478 | 208,008 |
| Operating expenses: | | | | |
| Selling and marketing expenses | (212,898) | (130,497) | (194,679) | (30,644) |
| General and administrative expenses | (49,845) | (70,284) | (70,636) | (11,118) |
| Research and development expenses | (103,008) | (154,961) | (172,348) | (27,129) |
| Total operating expenses | (365,751) | (355,742) | (437,663) | (68,891) |
| Operating profit | 787,109 | 975,480 | 883,815 | 139,117 |
| Other income: | | | | |
| Investment income | 399 | 13,926 | 12,968 | 2,041 |
| Interest income | 59,419 | 86,490 | 106,155 | 16,710 |
| Exchange (losses) gains | (2,961) | 17,597 | (36,028) | (5,671) |
| Other, net | 6,381 | 1,298 | 41,194 | 6,484 |
| Net income before tax | 850,347 | 1,094,791 | 1,008,104 | 158,681 |
| Income tax | (92,428) | (163,063) | (149,544) | (23,539) |
| Net income after tax | 757,919 | 931,728 | 858,560 | 135,142 |
| Net loss attributable to noncontrolling interests | 14,577 | 9,952 | 16,742 | 2,635 |
| Net income attributable to the Company's shareholders | 772,496 | 941,680 | 875,302 | 137,777 |
| Comprehensive income | 757,919 | 931,728 | 858,560 | 135,142 |
| Comprehensive loss attributable to noncontrolling interests | 14,577 | 9,952 | 16,742 | 2,635 |
| Comprehensive income attributable to the Company's shareholders | 772,496 | 941,680 | 875,302 | 137,777 |
| Earnings per share, basic | 0.24 | 0.29 | 0.27 | 0.04 |
| Earnings per ADS, basic | 5.92 | 7.18 | 6.66 | 1.05 |
| Earnings per share, diluted | 0.24 | 0.29 | 0.27 | 0.04 |
| Earnings per ADS, diluted | 5.90 | 7.17 | 6.65 | 1.05 |
| Weighted average number of ordinary shares outstanding, basic | 3,264,927 | 3,278,157 | 3,286,239 | 3,286,239 |
| Weighted average number of ADS outstanding, basic | 130,597 | 131,126 | 131,450 | 131,450 |
| Weighted average number of ordinary shares outstanding, diluted | 3,275,651 | 3,284,428 | 3,292,518 | 3,292,518 |
| Weighted average number of ADS outstanding, diluted | 131,026 | 131,377 | 131,701 | 131,701 |

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

NETEASE, INC.
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (RMB and USD in thousands)

| | Quarter Ended | | | |
|---|-------------------------|--------------------------|-------------------------|----------------------------------|
| | June 30, 2011 RMB | March 31, 2012 RMB | June 30, 2012 RMB | June 30, 2012 USD (Note 1) |
| Cash flows from operating activities: | | | | |
| Net income | 757,919 | 931,728 | 858,560 | 135,142 |
| Adjustments to reconcile net profit to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 75,895 | 71,677 | 71,875 | 11,314 |
| Share-based compensation cost | 15,710 | 68,273 | 57,907 | 9,115 |
| Allowance for provision for doubtful debts | 1,788 | 921 | 3,823 | 602 |
| (Gain) loss on disposal of property, equipment and software | (49) | (122) | 1 | — |
| Unrealized exchange (gains) losses | (1,238) | (18,719) | 35,893 | 5,650 |
| Deferred income taxes | (33,430) | (16,170) | (16,624) | (2,617) |
| Net equity share of (gain) loss from associated companies | (778) | 256 | (622) | (98) |
| Others | 162 | 2,894 | 5,532 | 871 |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | (20,211) | 20,720 | (79,010) | (12,437) |
| Prepayments and other current assets | 125,434 | 180,825 | (8,557) | (1,347) |
| Accounts payable | (2,429) | 14,857 | (40,641) | (6,397) |
| Salary and welfare payables | 40,634 | (64,930) | 28,478 | 4,483 |
| Taxes payable | 4,201 | (19,620) | (49,830) | (7,844) |
| Deferred revenue | 59,969 | 71,378 | 53,862 | 8,478 |
| Accrued liabilities and other payables | (28,574) | 92,897 | (39,741) | (6,255) |
| Net cash provided by operating activities | 995,003 | 1,336,865 | 880,906 | 138,660 |
| Cash flows from investing activities: | | | | |
| Purchase of property, equipment and software | (36,130) | (23,280) | (48,915) | (7,700) |
| Proceeds from sale of property, equipment and software | 49 | 182 | 6 | 1 |
| Net change in short-term investments with terms of three months or less | (170,000) | (500,000) | (200,000) | (31,481) |
| Purchase of short-term investments | — | (154,277) | — | — |
| Proceeds from maturities of short-term investments | — | 430,000 | 360,000 | 56,666 |
| Purchase of license right | (39,300) | — | — | — |
| Transfer (to) from restricted cash | (35,000) | 79,346 | (281,745) | (44,348) |
| Net change in time deposits with terms of three months | 12,928 | 117,997 | (86,538) | (13,622) |
| Placement/rollover of matured time deposits | (1,551,500) | (4,429,917) | (2,989,388) | (470,547) |
| Proceeds from maturities of time deposits | 1,002,444 | 2,933,775 | 1,437,523 | 226,275 |
| Net change in other assets | (14,115) | (14,158) | (5,565) | (876) |
| Net cash used in investing activities | (830,624) | (1,560,332) | (1,814,622) | (285,632) |
| Cash flows from financing activities: | | | | |
| Capital contribution from noncontrolling interests | 226 | — | — | — |
| Proceeds from employees exercising stock options | 10,728 | 21,033 | 3,679 | 579 |
| Net cash provided by financing activities | 10,954 | 21,033 | 3,679 | 579 |
| Effect of exchange rate changes on cash held in foreign currencies | (438) | 265 | (6,678) | (1,051) |
| Net increase (decrease) in cash and cash equivalents | 174,895 | (202,169) | (936,715) | (147,444) |
| Cash and cash equivalents, beginning of the period | 1,669,597 | 2,214,618 | 2,012,449 | 316,771 |
| Cash and cash equivalents, end of the period | 1,844,492 | 2,012,449 | 1,075,734 | 169,327 |
| Supplemental disclosures of cash flow information: | | | | |
| Cash paid for income tax, net of tax refund | 78,818 | 145,625 | 194,080 | 30,549 |
| Supplemental schedule of non-cash investing and financing activities: | | | | |
| Fixed asset purchases financed by accounts payable and accrued liabilities | 91,811 | 35,393 | 17,920 | 2,821 |

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

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

| | Quarter Ended | | | |
|------------------------------------|-------------------------|--------------------------|-------------------------|----------------------------------|
| | June 30, 2011 RMB | March 31, 2012 RMB | June 30, 2012 RMB | June 30, 2012 USD (Note 1) |
| Revenues: | | | | |
| Online game services | 1,577,810 | 1,821,029 | 1,748,695 | 275,255 |
| Advertising services | 169,644 | 143,451 | 204,179 | 32,139 |
| E-mail, WVAS and others | 30,669 | 39,630 | 51,396 | 8,090 |
| Total revenues | <u>1,778,123</u> | <u>2,004,110</u> | <u>2,004,270</u> | <u>315,484</u> |
| Business taxes: | | | | |
| Online game services | (27,567) | (23,566) | (20,689) | (3,257) |
| Advertising services | (16,261) | (14,009) | (19,869) | (3,127) |
| E-mail, WVAS and others | (679) | (906) | (1,223) | (193) |
| Total business taxes | <u>(44,507)</u> | <u>(38,481)</u> | <u>(41,781)</u> | <u>(6,577)</u> |
| Net revenues: | | | | |
| Online game services | 1,550,243 | 1,797,463 | 1,728,006 | 271,998 |
| Advertising services | 153,383 | 129,442 | 184,310 | 29,012 |
| E-mail, WVAS and others | 29,990 | 38,724 | 50,173 | 7,897 |
| Total net revenues | <u>1,733,616</u> | <u>1,965,629</u> | <u>1,962,489</u> | <u>308,907</u> |
| Cost of revenues: | | | | |
| Online game services | (462,444) | (484,894) | (461,538) | (72,649) |
| Advertising services | (85,978) | (103,827) | (123,487) | (19,438) |
| E-mail, WVAS and others | (32,334) | (45,686) | (55,986) | (8,812) |
| Total cost of revenues | <u>(580,756)</u> | <u>(634,407)</u> | <u>(641,011)</u> | <u>(100,899)</u> |
| Gross profit (loss): | | | | |
| Online game services | 1,087,799 | 1,312,569 | 1,266,468 | 199,349 |
| Advertising services | 67,405 | 25,615 | 60,823 | 9,574 |
| E-mail, WVAS and others | (2,344) | (6,962) | (5,813) | (915) |
| Total gross profit | <u>1,152,860</u> | <u>1,331,222</u> | <u>1,321,478</u> | <u>208,008</u> |
| Gross profit (loss) margin: | | | | |
| Online game services | 70.2% | 73.0% | 73.3% | 73.3% |
| Advertising services | 43.9% | 19.8% | 33.0% | 33.0% |
| E-mail, WVAS and others | (7.8)% | (18.0)% | (11.6)% | (11.6)% |

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

NETEASE, 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 = RMB6.3530 on the last trading day of June 2012 (June 29, 2012) 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 comprehensive income is set out as follows in RMB and USD (in thousands):

| | Quarter Ended | | | |
|--|-------------------------|--------------------------|-------------------------|----------------------------------|
| | June 30, 2011 RMB | March 31, 2012 RMB | June 30, 2012 RMB | June 30, 2012 USD (Note 1) |
| Share-based compensation cost included in: | | | | |
| Cost of revenue | 11,565 | 33,215 | 29,305 | 4,613 |
| Operating expenses | | | | |
| - Selling and marketing expenses | 2,217 | 4,680 | 3,356 | 528 |
| - General and administrative expenses | (4,517) | 11,926 | 9,359 | 1,473 |
| - Research and development expenses | 6,445 | 18,452 | 15,887 | 2,501 |