



**1Q 2019**

**Investor Presentation**



# SAFE HARBOR STATEMENT

This presentation 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. These forward-looking statements are based on the current assumptions, expectations and projections of the Company's management about future events. Although the assumptions, expectations and projections reflected in these forward-looking statements represent management's best judgment at the time of this presentation, the Company can give no assurance that they will prove to be correct. Numerous factors, including those related to market conditions and those detailed from time-to-time in the Company's filings with the Securities Exchange Commission, may cause results of the Company to differ materially from those anticipated in these forward-looking statements. Many of the factors that will determine the Company's future results are beyond the ability of the Company to control or predict. These forward-looking statements are subject to risks and uncertainties and, therefore, actual results may differ materially. The Company cautions you not to place undue reliance on these forward-looking statements. The Company undertakes no obligation to revise or update any forward-looking statements, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise. All references to "Company" and "NetEase" as used throughout this presentation refer to NetEase, Inc. and its subsidiaries.

## COMPANY OVERVIEW



Founded in 1997 and listed on NASDAQ since 2000, NetEase, Inc. is a leading China-based internet technology company that develops and operates some of China's most popular online PC and mobile games, runs one of the largest and fastest growing cross-border and private label e-commerce businesses in China and provides comprehensive internet services including online advertising, innovative businesses and others.

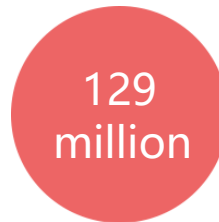
As of March 31, 2019, NetEase had over 22,000 employees, with offices in Beijing, Shanghai, Hangzhou, Guangzhou, Hong Kong, Seoul, Tokyo, Frankfurt, Milan, San Francisco, and Sydney.

# MARKET SNAPSHOT

*In USD*



Market Cap  
(05/14/19)



ADS Outstanding,  
diluted  
(1Q19)



Earnings per ADS,  
Diluted (GAAP)  
(1Q19)



Net Revenue  
(1Q19)



Net income attributable to  
the Company's shareholders  
(1Q19)



Cash, time deposits  
and short-term investment  
(03/31/19)

# BUSINESS SEGMENTS



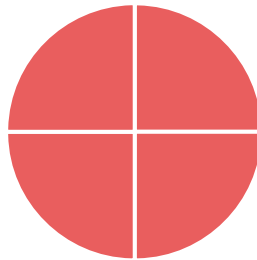
## PC & Mobile Games

- Leading provider and operator of self-developed PC and mobile games to internet users in China
- Licensing, publishing and co-development of leading games by world-renowned companies including Blizzard and Mojang AB (a Microsoft subsidiary)



## Internet Media

- Through NetEase News App and other NetEase mobile and PC products, our internet media services provide not only content, but also social communities to our users, creating a massive interactive marketing platform for NetEase's advertising clients



## E-commerce

- Leading service provider of cross-border and private label e-commerce through Kaola and Yanxuan. Both platforms offer access to cost effective, high-quality and trustworthy products and they are the go-to platforms for the rising middle-class consumers in China

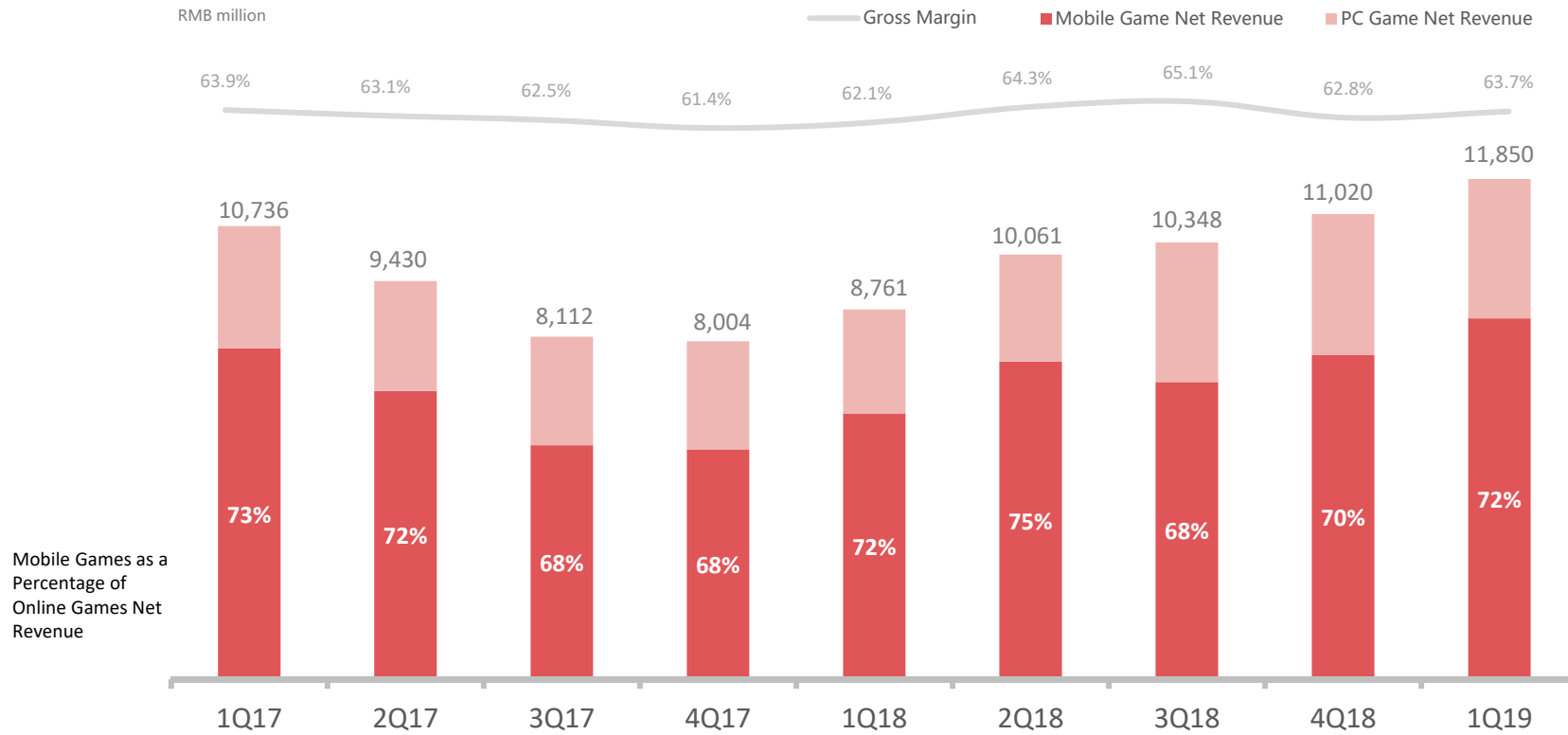


## Innovative businesses and others

- This segment reflects our heightened focus on developing incubated businesses, including live video streaming, cloud music, online education, and other cloud application services, among others

# ONLINE GAMES

## Online Games Net Revenue and Gross Margin



# ONLINE GAMES - PC GAMES

## Flagship Self-Developed PC titles



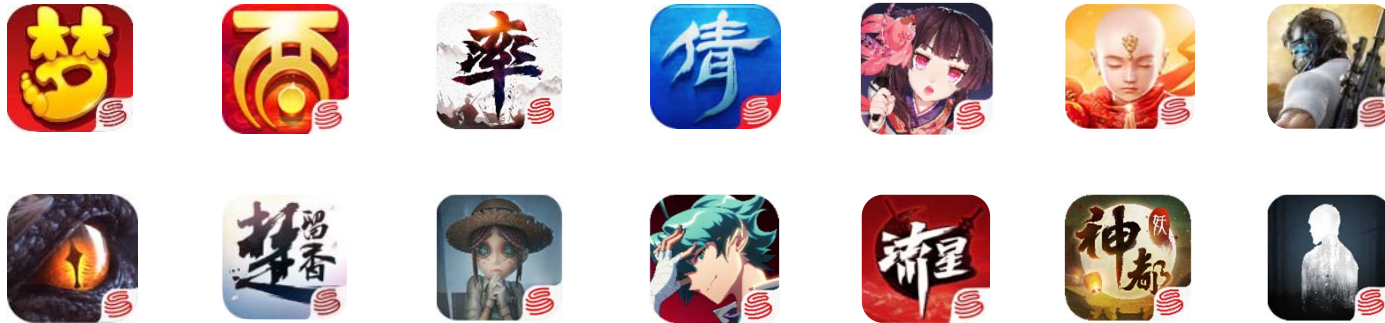
## Flagship Licensed PC titles



# ONLINE GAMES - MOBILE GAMES

- We had offered over 100 mobile games as of 03/31/2019 in China

## Self-Developed Mobile Games



## Licensed Mobile Games From Overseas Developers





# ONLINE GAMES - MOBILE GAMES

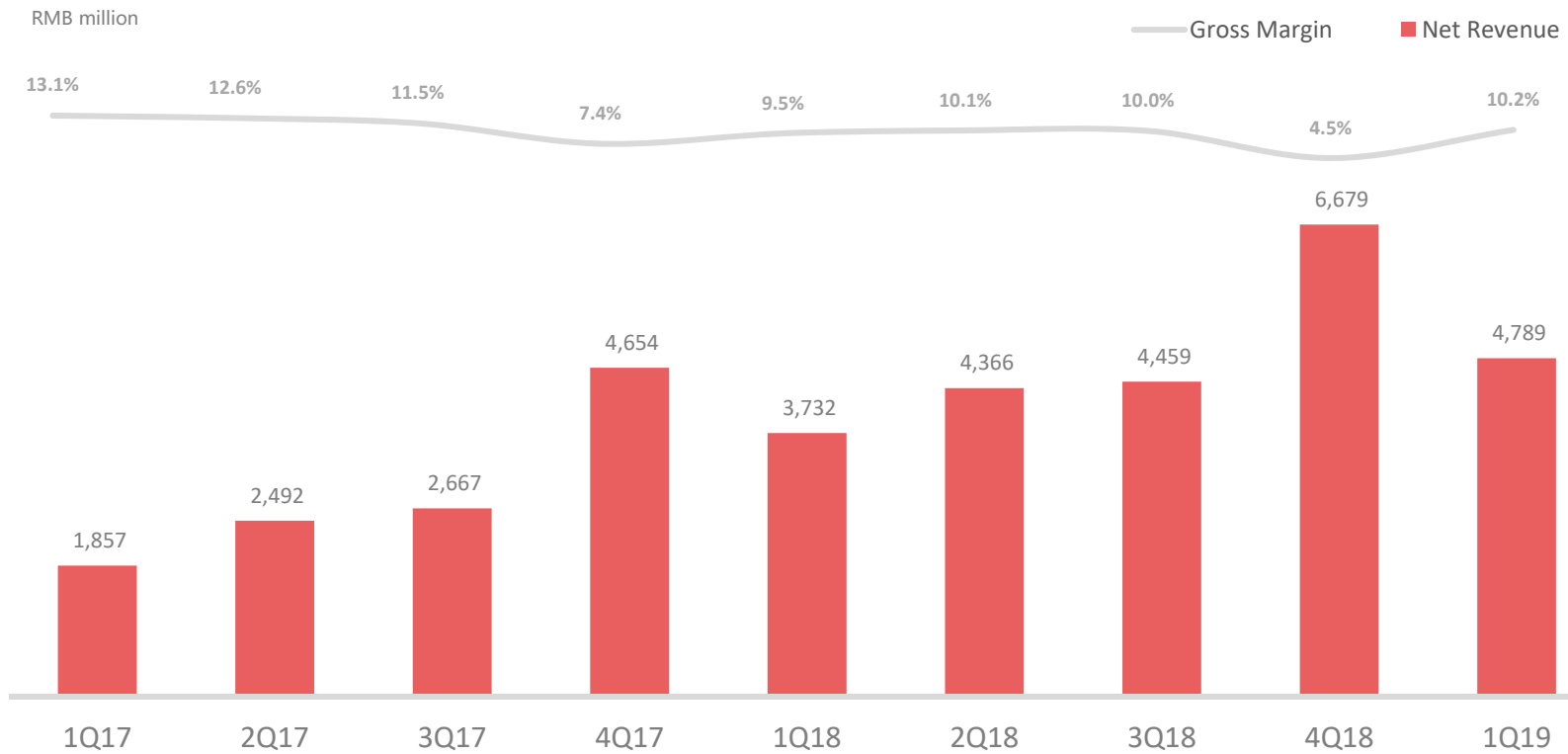
## Launching Mobile Games in Overseas Markets



- *Knives Out* remains a household for game players in Japan, frequently topping the charts
- *Identity V* made Japan's top 5 iOS grossing chart for the first time in April
- New launches in April both reached No.1 on Japan's download chart :
  - *Night Falls: Survival*
  - *Cyber Hunter*

# E-COMMERCE

## E-commerce Net Revenue and Gross Margin



## E-COMMERCE



NetEase Kaola

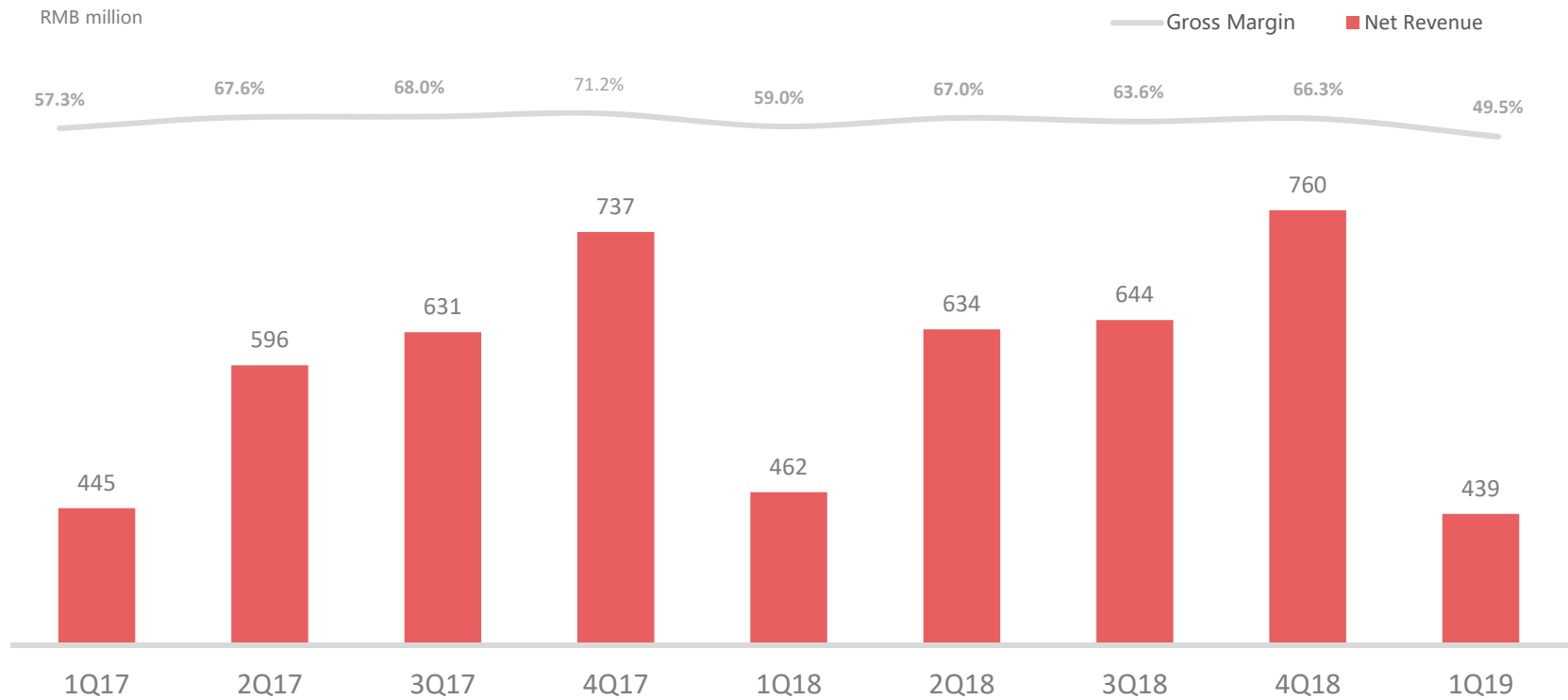


NetEase Yanxuan

- Kaola and Yanxuan are synergistic components of our e-commerce business, Kaola is our platform, and Yanxuan is our private-label brand
- Both sites offer access to cost effective, high-quality and trustworthy products tailored towards the rising middle class consumers in China, enabled by our 1P business model
- During the quarter, we made a number of changes to our operational structure which led to an immediate improvement in our operating efficiencies

# INTERNET MEDIA

## Advertising Services Net Revenue and Gross Margin



# INTERNET MEDIA

## Media



- www.163.com is one of China's most visited internet portals, with strong user diversity, reach and stickiness



NetEase News

- Mobile News App is one of the most popular news apps in China

## Tools



Youdao Dictionary

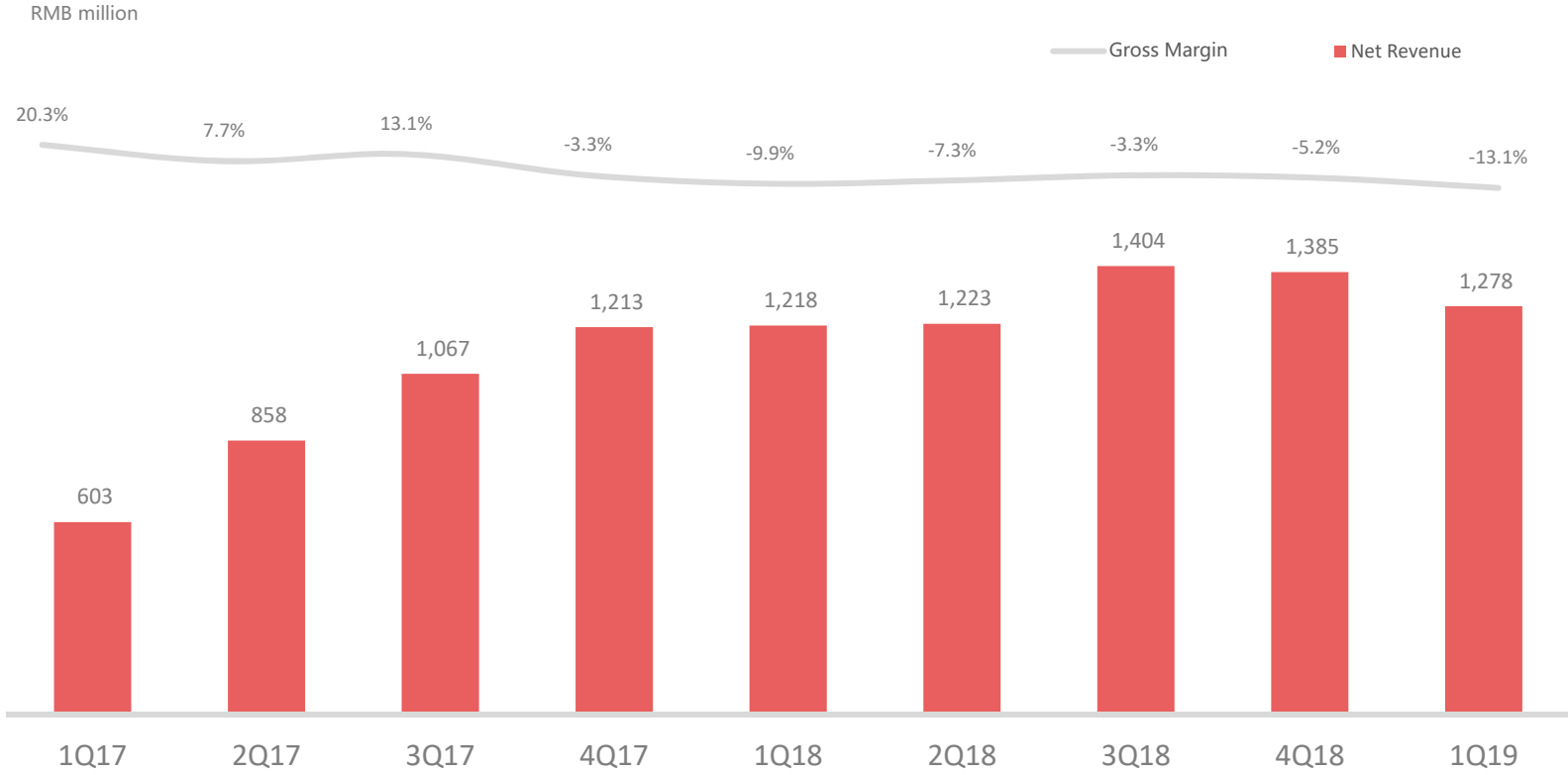


Cloud Note

- Internet products that provide enriching services to NetEase users such as online dictionary and cloud note-taking services

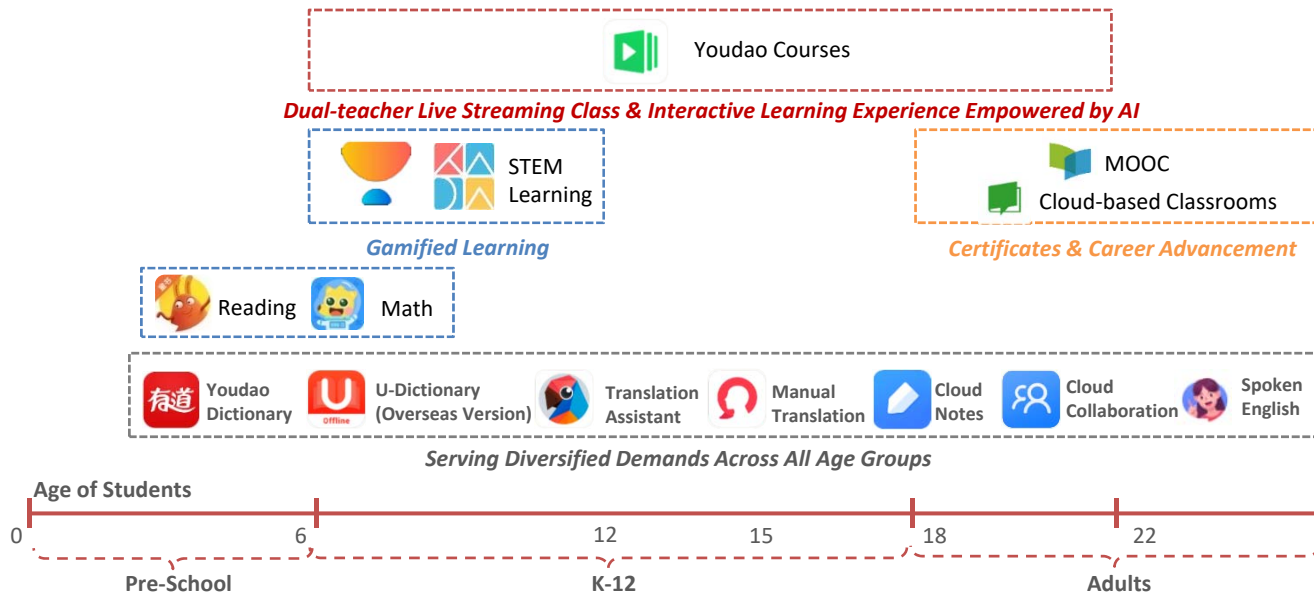
# INNOVATIVE BUSINESSES AND OTHERS

## Innovative Businesses and Others Net Revenue and Gross Margin



# INNOVATIVE BUSINESSES AND OTHERS

## Youdao Online Education



- Youdao has attracted over 800 million users by offering a suite of technology-driven learning and education products and services
- K-12 continues to be the primary growth engine for Youdao where we offer online courses via after-school curriculum tutorials and extra-curriculum courses in STEAM subjects

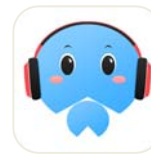
# INNOVATIVE BUSINESSES AND OTHERS II

## Cloud Music



- One of the largest and fastest-growing music applications in China, with over 600 million registered users
- With excellent operational capabilities and the unparalleled music community atmosphere, we have helped create a great deal of popular original music which has been played billions of times on our platform
- We are committed to bringing more diversified music to listeners. For example, we partnered with Nippon Columbia in April, further consolidating our advantages in Japanese music in China

## Others



CC



E-mail



EaseRead



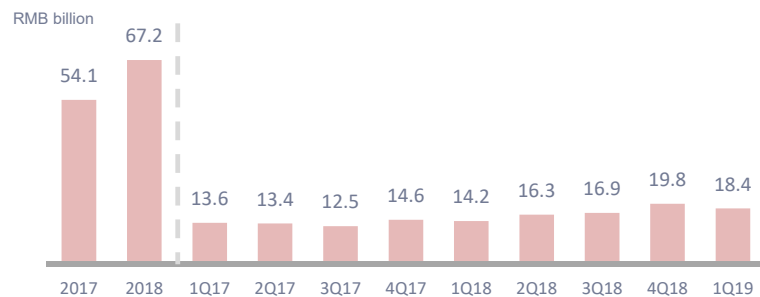
Snail Reading

- CC live streaming platform offers various live streaming content with a primary focus on games
- NetEase e-mail, China's leading e-mail service provider had over 103 million registered e-mail users as of Mar 31, 2019

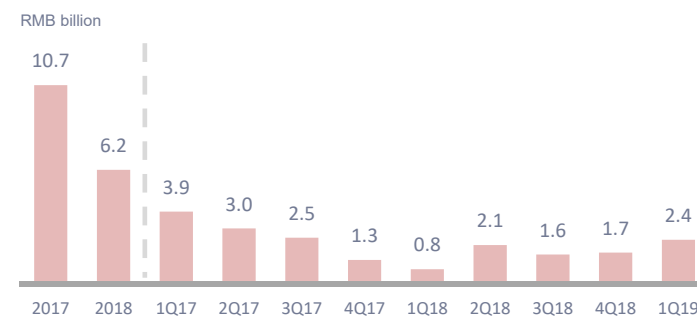


# FINANCIAL HIGHLIGHTS

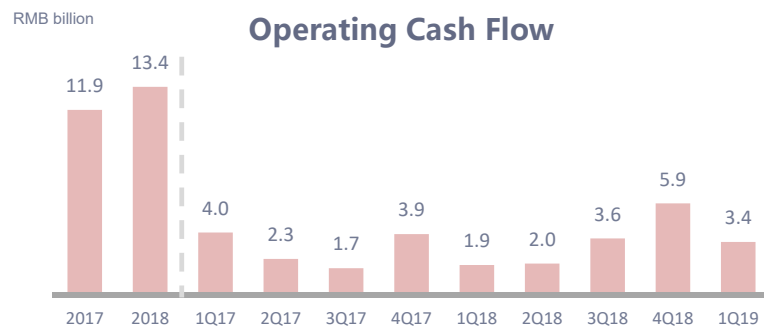
## Net Revenues



## Net Income (GAAP)



## Operating Cash Flow



## Value Returned to Shareholders

US\$	2018FY	1Q18	2Q18	3Q18	4Q18	1Q19
<b>Dividend per ADS</b>	\$1.77	\$0.23	\$0.61	\$0.45	\$0.48	\$0.69
<b>Share Buyback (during the period)</b>	\$1,178.5m	\$376.0m	\$536.0m	\$255.7m	\$10.8m	\$0

# BALANCE SHEET SUMMARY

in millions	2018	2019	
	Dec 31, RMB	Mar 31, RMB (Unaudited)	Mar 31, USD (Unaudited)
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	5,389	4,132	616
Time deposits	32,900	33,253	4,955
Other current assets	30,427	34,262	5,105
Total current assets	68,716	71,647	10,676
Property, equipment and software	5,379	5,432	809
Other non-current assets	12,873	14,360	2,140
Total assets	86,968	91,439	13,625
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS &amp; SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Deferred revenue	7,953	8,350	1,244
Other current liabilities	27,156	27,879	4,154
Total current liabilities	35,109	36,229	5,398
Total liabilities	35,556	37,333	5,563
Redeemable Noncontrolling Interests	5,386	5,526	823
Total shareholders' equity	46,026	48,580	7,239
Total liabilities and shareholders' equity	86,968	91,439	13,625

# INCOME STATEMENT SUMMARY

	FY 18	1Q18	4Q18	1Q19	1Q19	QoQ	YoY
	RMB	RMB	RMB	RMB	USD	Change	Change
				(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Total net revenues:</b>	67,156	14,173	19,844	18,356	2,735	-7.5%	29.5%
<i>Online game services</i>	40,190	8,761	11,020	11,850	1,766	7.5%	35.3%
<i>E-commerce</i>	19,235	3,732	6,679	4,789	714	-28.3%	28.3%
<i>Advertising services</i>	2,501	462	760	439	65	-42.3%	-5.1%
<i>Innovative businesses and others</i>	5,230	1,218	1,385	1,278	190	-7.7%	4.9%
<b>Gross profit</b>	28,403	5,954	7,657	8,091	1,206	5.7%	35.9%
<b>Gross profit margin</b>	42.3%	42.0%	38.6%	44.1%	44.1%		
<b>Operating profit</b>	7,893	1,207	2,245	3,409	508	51.8%	182.4%
<b>Operating profit margin</b>	11.8%	8.5%	11.3%	18.6%	18.6%		
<b>Net profit attributable to the Company's shareholders</b>	6,152	752	1,698	2,382	355	40.3%	216.8%
<b>Diluted earnings per ADS</b>	¥47.26	¥5.68	¥13.18	¥18.43	\$2.75	39.8%	224.5%

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**THANK YOU**