



4Q 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. (NASDAQ: NTES) is a leading China-based internet technology company that develops and operates some of China's most popular online PC and mobile games, and offers other innovative services, including online education, music streaming and its private label e-commerce platform.

Our online education business Youdao has been listed on NYSE since October 2019 (NYSE: DAO).

As of December 31, 2019, NetEase had over 21,000 employees, with offices globally.

MARKET SNAPSHOT

In USD

\$43.2
billion

Market Cap
(02/25/20)

131
million

ADS Outstanding,
diluted
(4Q19)

\$3.36

Earnings per ADS (GAAP)
(4Q19)

\$2.3
billion

Net Revenue
(4Q19)

\$439
million

Net income attributable to
the Company's shareholders
(GAAP) (4Q19)

\$10.7
billion

Cash, time deposits
and short-term investment
(12/31/19)

BUSINESS SEGMENTS



PC & Mobile Games

Leading developer and operator of self-developed PC and mobile games to internet users in China; Operator of licensed games from Blizzard Entertainment and Mojang AB (a Microsoft subsidiary) in China.



Cloud Music

Leading interactive music streaming service providers in China with more than 800 million users and one of China's most popular music platforms in terms of user retention rate, user time spent on the platform and the level of user-generated content.



Online Education

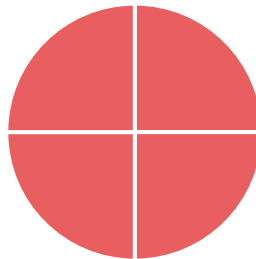
Leading online education service provider through Youdao, our majority-controlled subsidiary dedicated to developing and using technologies to provide learning content, applications and solutions to users of all ages.



E-commerce and Others

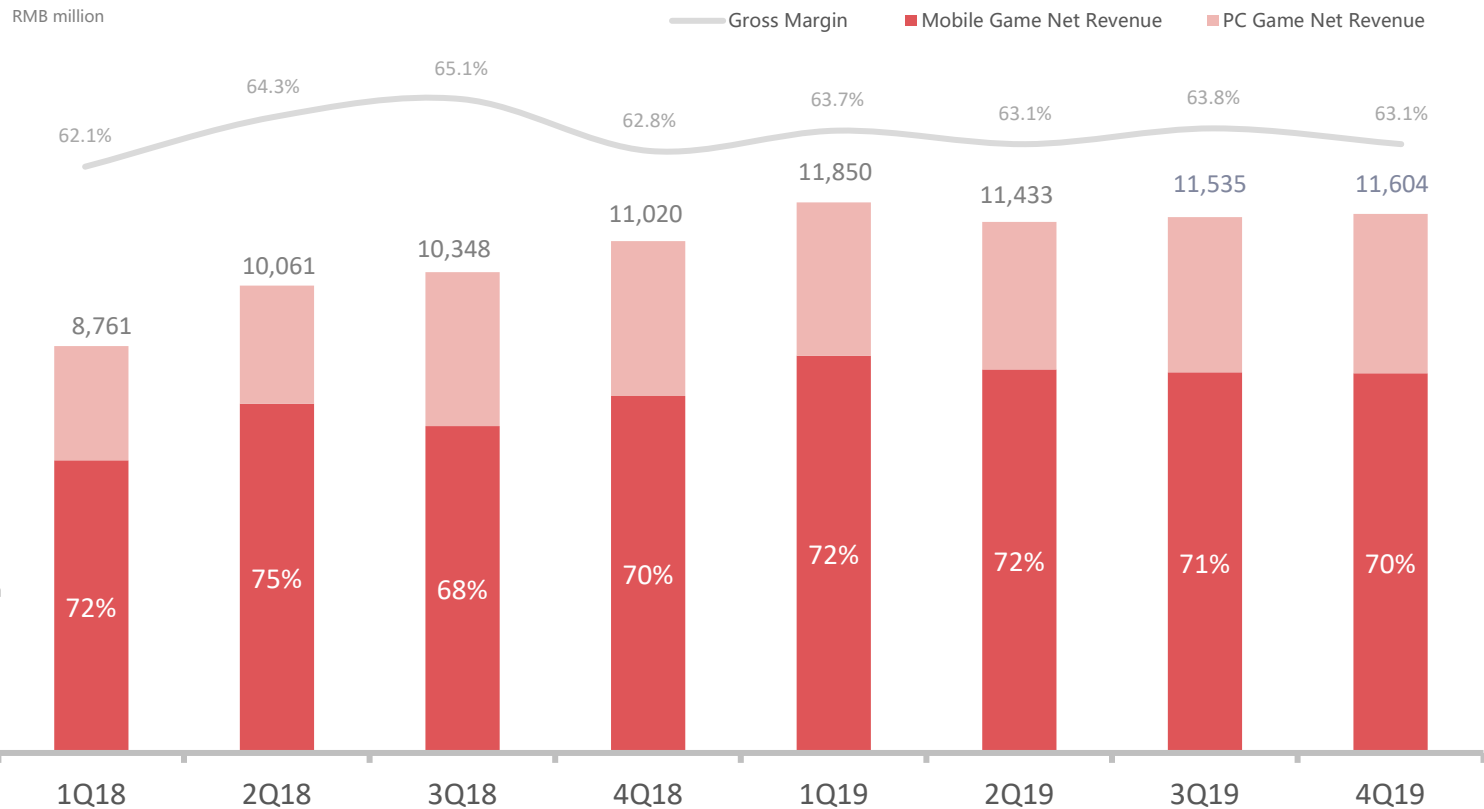
Leading service provider of private label e-commerce through Yanxuan, a platform offers access to cost effective and high-quality products in China;

Others include one of the largest providers of free e-mail services in China, one of the most popular internet media service providers in China, as well as our CC live-streaming platform.



ONLINE GAMES

Online Games Net Revenue and Gross Margin



Mobile Games as a Percentage of Online Games Net Revenue

ONLINE GAMES - PC GAMES

Flagship Self-Developed PC titles



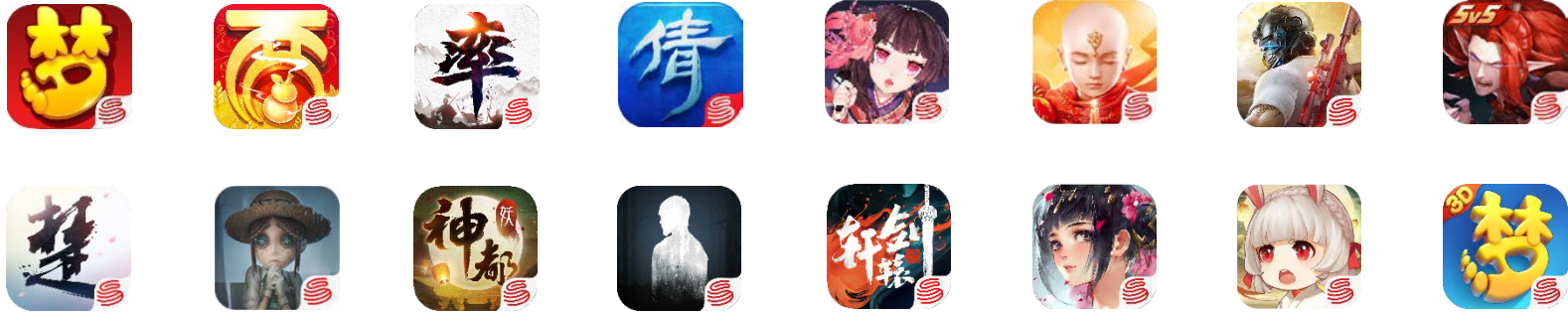
Flagship Licensed PC titles



ONLINE GAMES - MOBILE GAMES

- Over 100 mobile games offered in China

Self-Developed Mobile Games

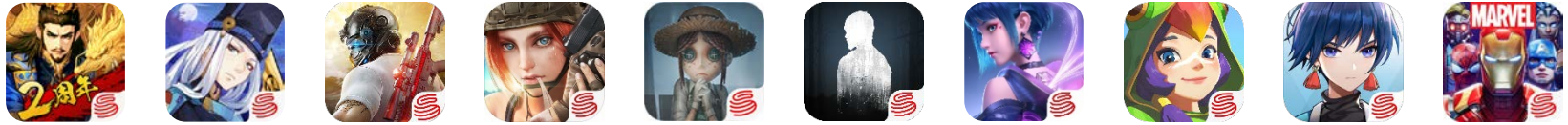


Licensed Mobile Games From Overseas Developers



ONLINE GAMES - MOBILE GAMES

Launching Mobile Games in Overseas Markets

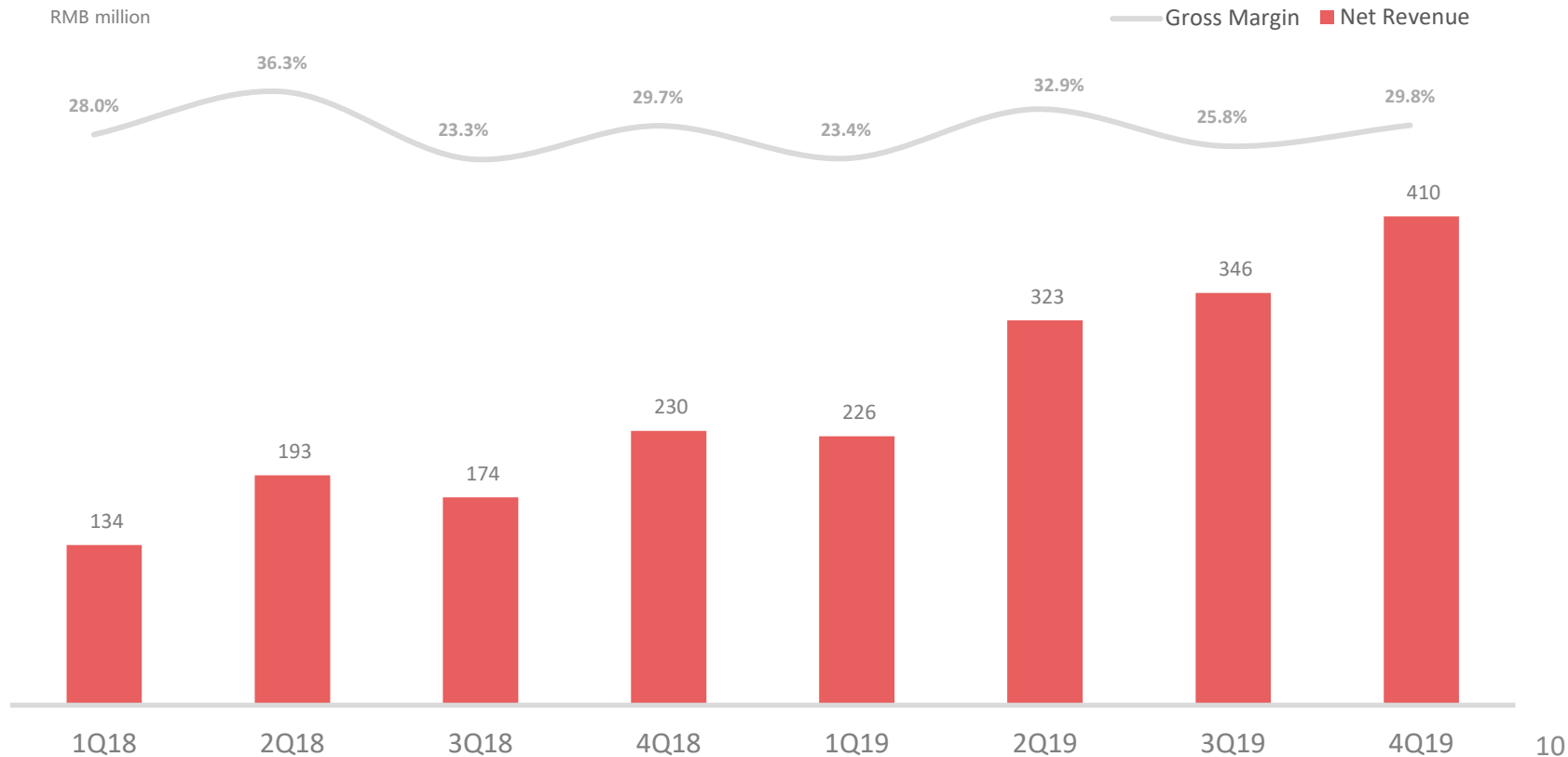


Overseas games revenue accounts for more than 10% of total online games revenue in 2019.

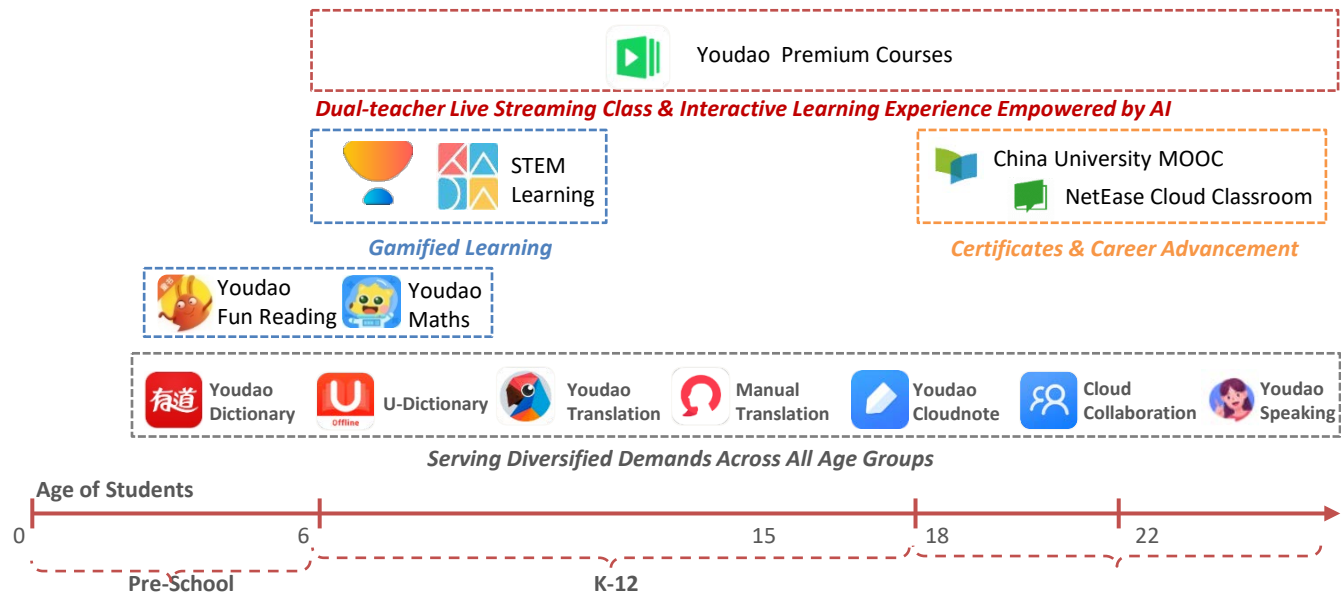
- Knives Out led Japan's iOS top grossing chart multiple times throughout 2019*
- Identity V led Japan's iOS top grossing chart for the first time in September*
- Marvel Super War gained popularity and topped many iOS download charts in Southeast Asia*

ONLINE EDUCATION

Youdao Net Revenue and Gross Margin



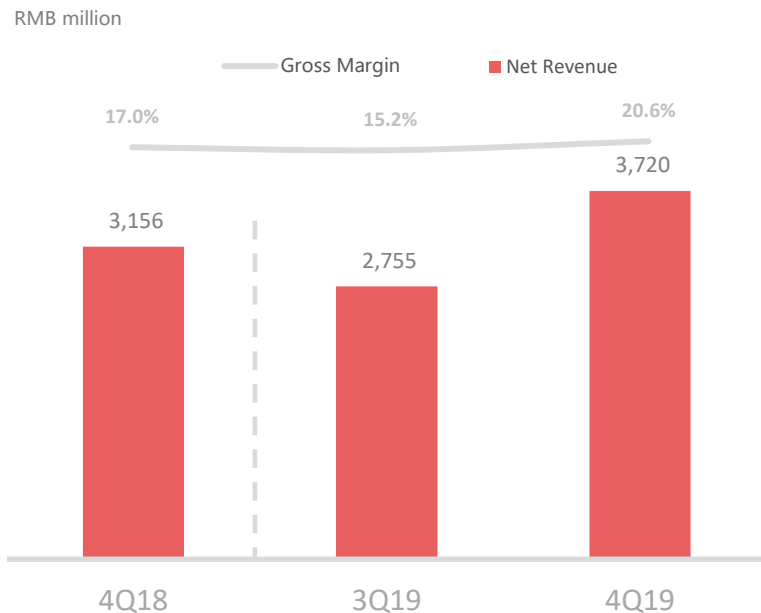
ONLINE EDUCATION



- Youdao is the leading intelligent learning company in China with over 100 million average total MAUs
- Online course business progressed significantly with gross billings increased 211% year-over-year in the fourth quarter

INNOVATIVE BUSINESS AND OTHERS

Innovative Business and Others Net Revenue and Gross Margin



Cloud Music



NetEase Yanxuan



NetEase E-mail



NetEase Media



NetEase CC



INNOVATIVE BUSINESS AND OTHERS



NetEase Cloud Music

- Launched in April 2013. NetEase Cloud Music is one of the largest online music streaming platforms in China with more than 800 million users
- China's most active music platform, with more than 100,000 independent artists, and their songs were played back more than 270 billion times in 2019
- Continues to ramp up the monetization efforts, Cloud Music reached a new record high revenue in the fourth quarter of 2019



NetEase Yanxuan

- Our popular private label business, targeting middle-class consumers in China with a strong emphasis on quality of life
- We work with a selection of quality manufactures, providing them with valuable market research gained from customer-end and helping build online data systems to boost manufacturing processes
- Continue to improve our supply chain management and operating efficiency, effectively reducing our inventory and positive feedback rate from users

INNOVATIVE BUSINESS AND OTHERS

Internet Media



- www.163.com is one of China's most visited internet portals, with strong user diversity, reach and stickiness
- Mobile News App is one of the most popular news apps in China

Live Streaming



- CC live streaming platform offers various live streaming content with a primary focus on games

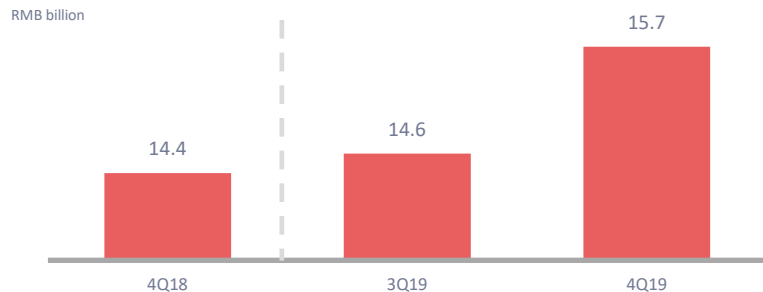
E-mail Services



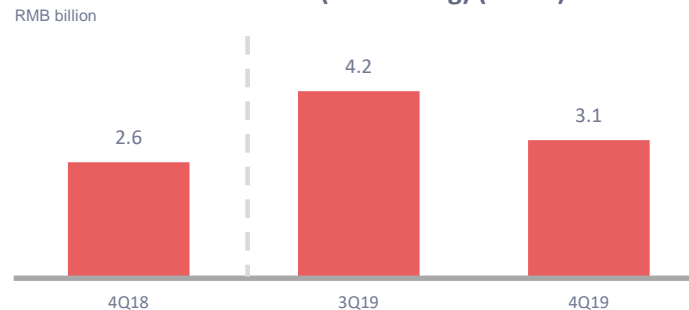
- China's leading e-mail service provider since 1997
- Over 1 billion registered e-mail users as of Dec 31, 2019

FINANCIAL HIGHLIGHTS

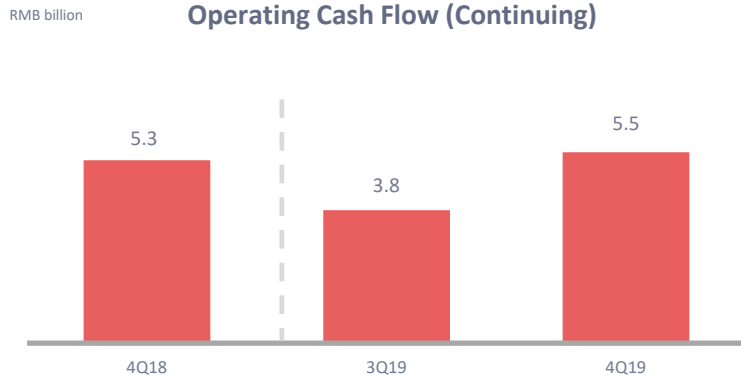
Net Revenues



Net Income (Continuing) (GAAP)



Operating Cash Flow (Continuing)



Value Returned to Shareholders

US\$	2019FY	1Q19	2Q19	3Q19	4Q19
Dividend per ADS	\$10.34	\$0.69	\$1.04	\$7.59	\$1.02
Dividend paid (during the period)	\$8,840 m	\$414 m	\$613 m	\$923 m	\$6,890 m
Share Buyback (during the period)	\$0.2 m	\$0	\$0	\$0.2m	\$0

BALANCE SHEET SUMMARY

in millions	2018	2019	
	Dec 31, RMB	Dec 31, RMB (Unaudited)	Dec 31, USD (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	4,977	3,246	466
Time deposits	32,900	53,487	7,683
Other current assets	30,839	28,372	4,076
Total current assets	68,716	85,105	12,226
Property, equipment and software	4,672	4,622	664
Other non-current assets	13,580	22,397	3,217
Total assets	86,968	112,124	16,106
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS & SHAREHOLDERS' EQUITY			
Current liabilities:			
Deferred revenue	7,718	8,602	1,236
Other current liabilities	27,391	29,641	4,257
Total current liabilities	35,109	38,243	5,493
Total liabilities	35,556	39,083	5,614
Redeemable Noncontrolling Interests	5,386	10,448	1,501
Total shareholders' equity	46,026	62,593	8,991
Total liabilities and shareholders' equity	86,968	112,124	16,106

INCOME STATEMENT SUMMARY

	4Q18	3Q19	4Q19	4Q19	QoQ	YoY
	RMB	RMB	RMB	USD	Change	Change
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total net revenues:	14,405	14,636	15,735	2,260	7.5%	9.2%
<i>Online game services</i>	11,020	11,535	11,605	1,667	0.6%	5.3%
<i>Youdao</i>	230	346	410	59	18.5%	78.4%
<i>Innovative businesses and others</i>	3,155	2,755	3,720	534	35.0%	17.9%
Gross profit	7,531	7,870	8,210	1,179	4.3%	9.0%
Gross profit margin	52.3%	53.8%	52.2%	52.2%		
Operating profit	3,075	3,335	2,976	428	-10.8%	-3.2%
Operating profit margin	21.3%	22.8%	18.9%	18.9%		
Net income attributable to the Company's shareholders	1,698	12,730	3,054	439	-76.0%	79.9%
Diluted earnings per ADS	¥13.18	¥97.80	¥23.37	\$3.36	-76.1%	77.3%
Diluted earnings per ADS (Continuing operations)	¥19.69	¥31.76	¥23.37	\$3.36	-26.4%	18.7%

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THANK YOU