



**4Q 2018**

# 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 in 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 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 December 31, 2018, 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*

\$30.0  
billion

Market Cap  
(02/20/19)

129  
million

ADS Outstanding,  
diluted  
(4Q18)

\$1.92

Earnings per ADS,  
Diluted (GAAP)  
(4Q18)

\$2.9  
billion

Net Revenue  
(4Q18)

\$247  
million

Net income attributable to  
the Company's shareholders  
(4Q18)

\$7.3  
billion

Cash, time deposits  
and short-term investment  
(12/31/18)

# BUSINESS SEGMENTS



## PC & Mobile Games

Leading provider and operator of self-developed PC and mobile games to internet users in China; licensee of leading games by Blizzard Entertainment 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.



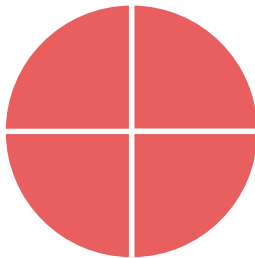
## E-commerce

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 reflect our heightened focus on developing key incubated businesses, including live video streaming, cloud music, online education, and other cloud application services, among others.



# 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 12/31/2018 in China

## Self-Developed Mobile Games

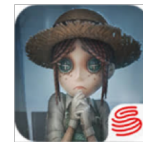


## Licensed Mobile Games From Overseas Developers



# ONLINE GAMES - MOBILE GAMES

## Launching Mobile Games in Overseas Markets



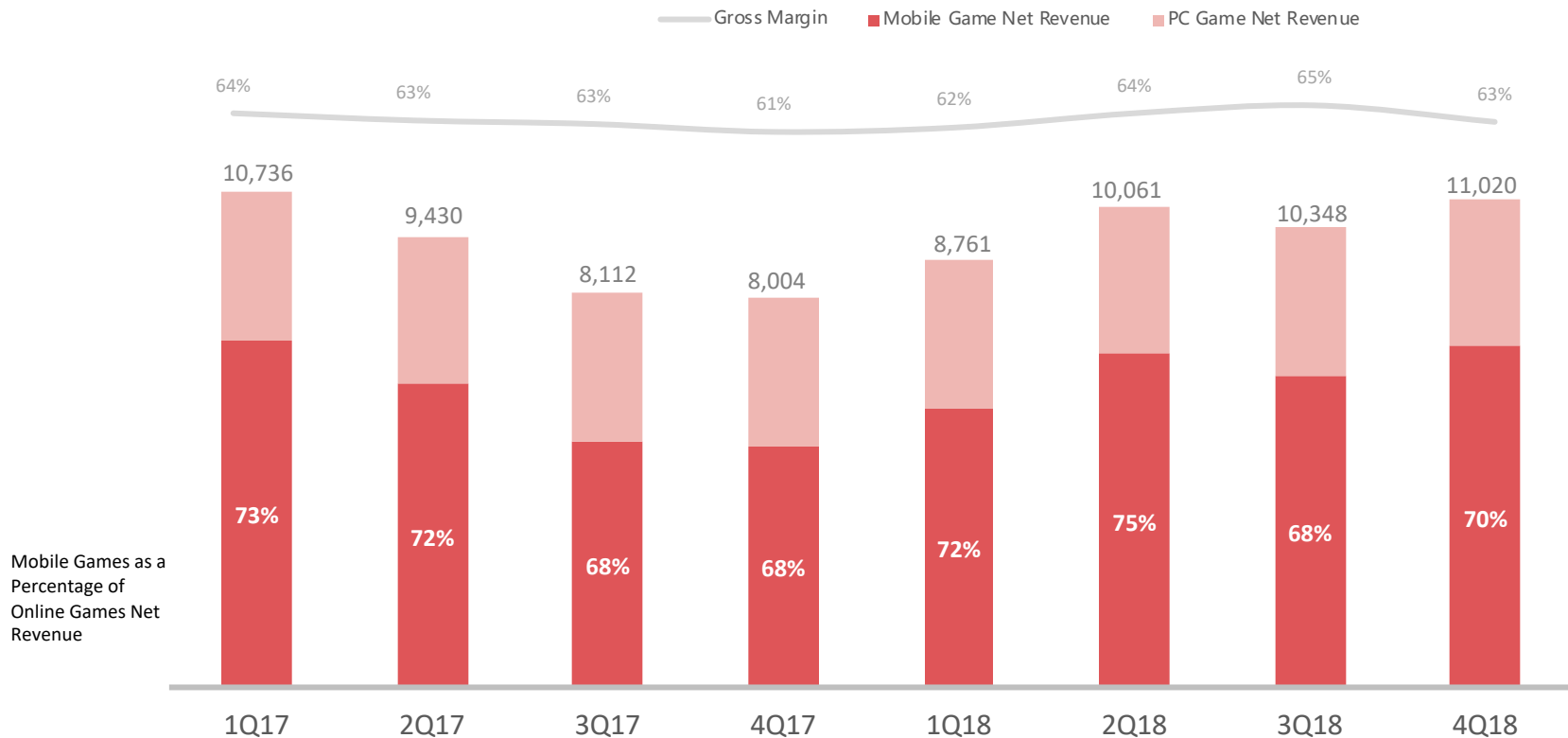
- Overseas games net revenue accounted for more than 10% of total online games net revenue in 4Q18
- *Knives Out* remained one of Japan's leading grossing games since March 2018, and has been China's top grossing mobile game in overseas markets for five consecutive months from August to December 2018, according to Sensor Tower
- We have brought a number of other distinctive new titles to Asian markets, including *Rule of Survival*, *Identity V* and *QwQ*, each of which opened new doors for us in their respective markets
- Plan to bring our popular hit *Night Falls: Survival* to Japan and the U.S. in the first half of 2019



# ONLINE GAMES

## Online Games Net Revenue and Gross Margin

RMB million



# E-COMMERCE



NetEase Kaola

- 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, supported by 1P business model

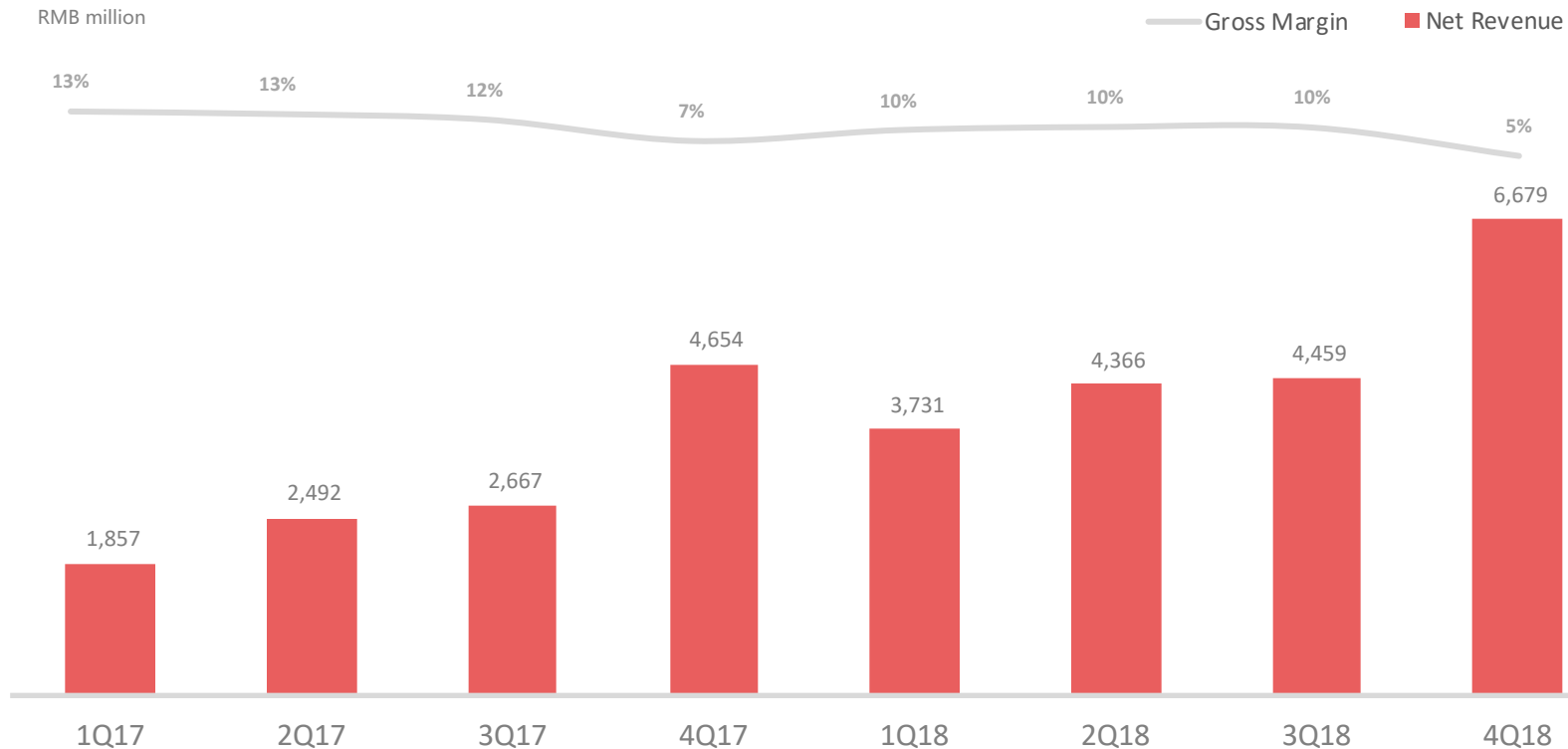


NetEase Yanxuan

- Both sites cater towards the rising middle class in China who are increasingly concerned with the quality and authenticity of products
- Our e-commerce business continues to lead the market with strong growth, while maintaining a disciplined approach to spending

# E-COMMERCE

## E-commerce Net Revenue and Gross Margin



# INTERNET MEDIA

## Media



- [www.163.com](http://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

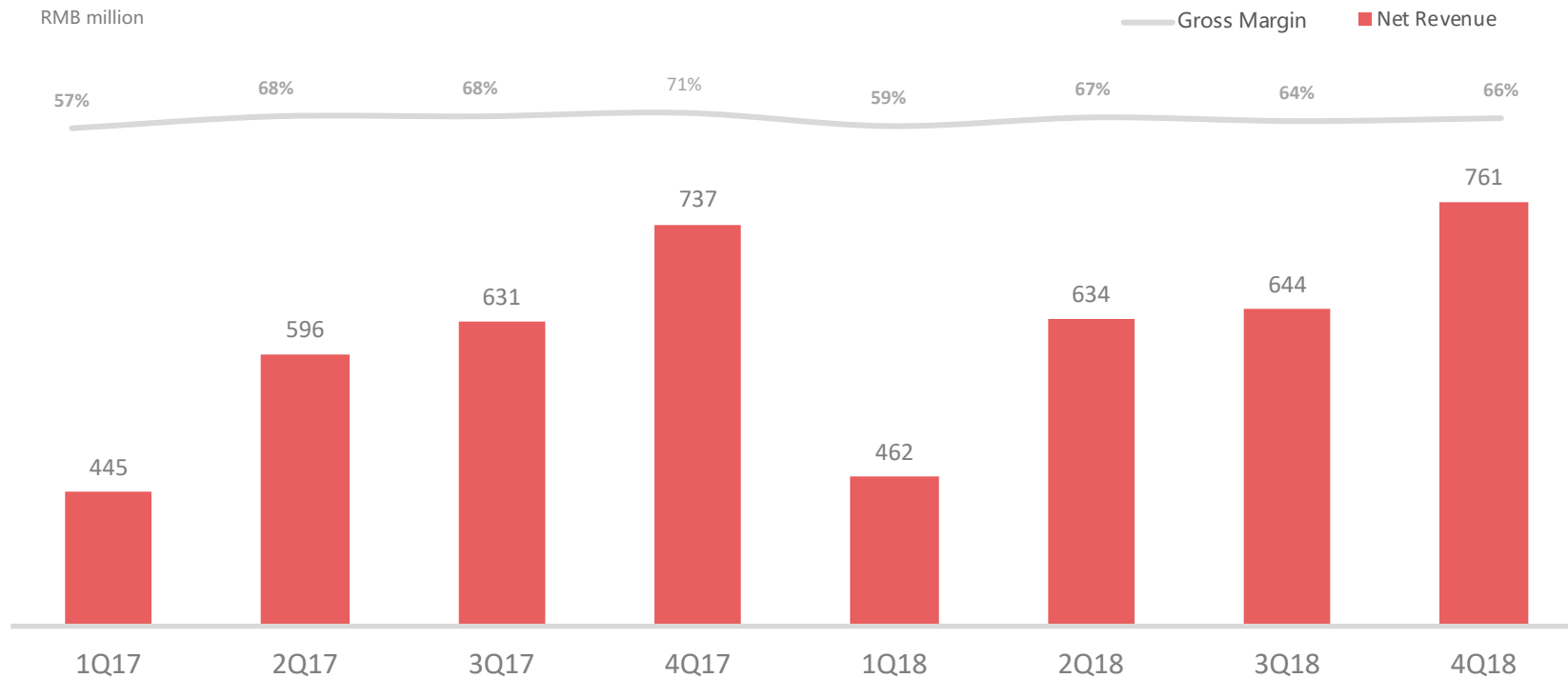


NetEase Youdao  
Cloud Note

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

# INTERNET MEDIA

## Advertising Services Net Revenue and Gross Margin



# Innovative Businesses and Others



NetEase CC



NetEase Cloud Music



NetEase E-mail



NetEase Youdao Courses



NetEase Open Class



NetEase Cloud Class



NetEase Kada

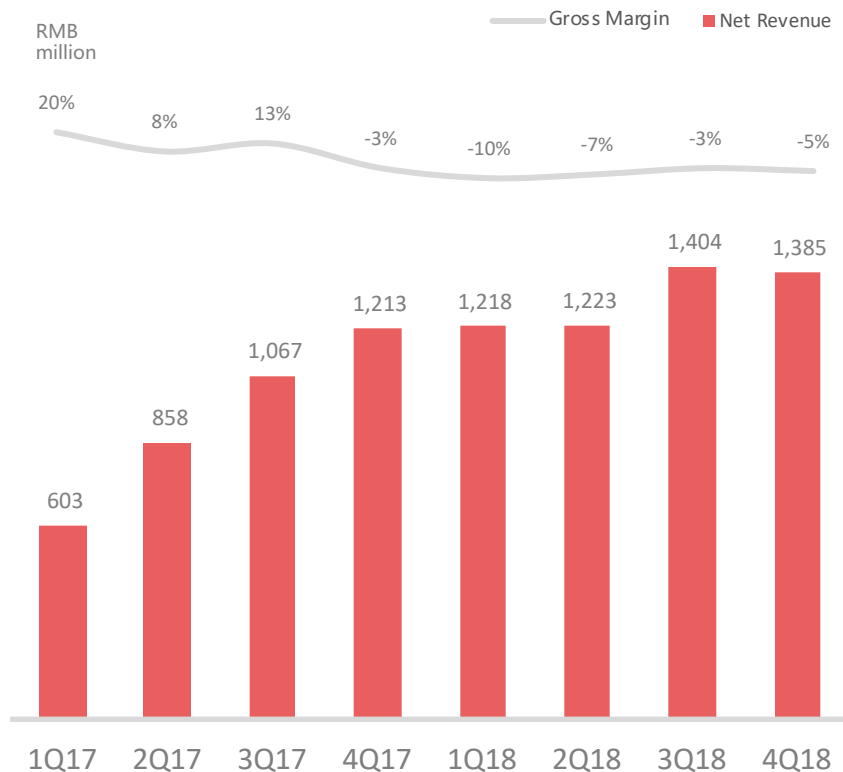


EaseRead



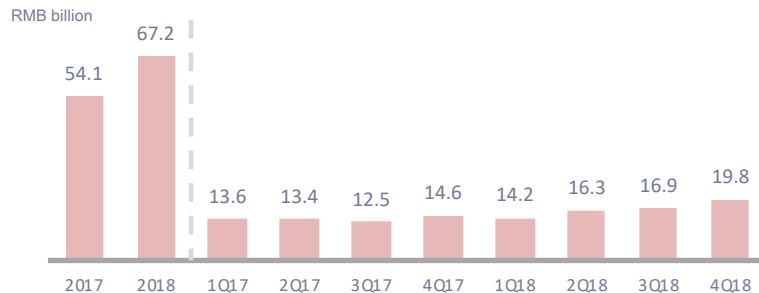
NetEase Snail Reading

## Innovative Businesses and Others Net Revenue and Gross Margin

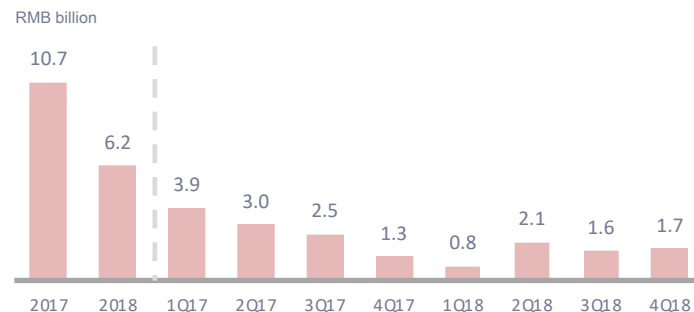


# FINANCIAL HIGHLIGHTS

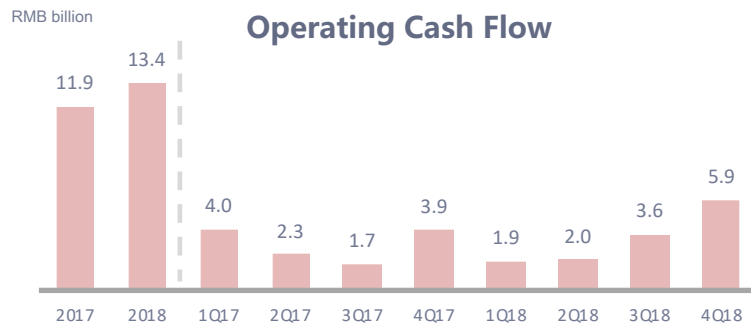
## Net Revenues



## Net Income (GAAP)



## Operating Cash Flow



## Value Returned to Shareholders

US\$	2018FY	1Q18	2Q18	3Q18	4Q18
Dividend per ADS	\$1.77	\$0.23	\$0.61	\$0.45	\$0.48
Share Buyback (during the quarter)	\$1,178.5m	\$376.0m	\$536.0m	\$255.7m	\$10.8m

# BALANCE SHEET SUMMARY

	2017	2018	
in millions	Dec 31, RMB	Dec 31, RMB (Unaudited)	Dec 31, USD (Unaudited)
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	2,764	5,389	784
Time deposits	30,603	32,900	4,785
Other current assets	28,581	30,427	4,425
Total current assets	61,948	68,716	9,994
Property, equipment and software	3,769	5,379	782
Other non-current assets	5,314	12,873	1,873
Total assets	71,031	86,968	12,649
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS &amp; SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Deferred revenue	6,238	7,953	1,157
Other current liabilities	17,512	27,156	3,949
Total current liabilities	23,750	35,109	5,106
Total liabilities	23,981	35,556	5,172
Redeemable Noncontrolling Interests	615	5,386	783
Total shareholders' equity	46,435	46,026	6,694
Total liabilities and shareholders' equity	71,031	86,968	12,649



# INCOME STATEMENT SUMMARY

	FY 17	FY 18	YoY	4Q17	3Q18	4Q18	4Q18	QoQ	YoY
	RMB	RMB	Change	RMB	RMB	RMB	USD	Change	Change
		(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Total net revenues:</b>	54,102	67,156	24.1%	14,608	16,855	19,844	2,886	17.7%	35.8%
<i>Online game services</i>	36,282	40,190	10.8%	8,004	10,348	11,019	1,602	6.5%	37.7%
<i>E-commerce</i>	11,670	19,235	64.8%	4,654	4,459	6,678	971	49.8%	43.5%
<i>Advertising services</i>	2,409	2,501	3.8%	737	644	761	111	18.1%	3.3%
<i>Innovative businesses and others</i>	3,741	5,230	39.8%	1,213	1,404	1,386	202	-1.3%	14.2%
<b>Gross profit</b>	25,913	28,403	9.6%	5,745	7,547	7,657	1,114	1.5%	33.3%
<b>Gross profit margin</b>	47.9%	42.3%		39.3%	44.8%	38.6%	38.6%		
<b>Operating profit</b>	12,154	7,893	-35.1%	1,427	2,107	2,245	327	6.5%	57.3%
<b>Operating profit margin</b>	22.5%	11.8%		9.8%	12.5%	11.3%	11.3%		
<b>Net profit attributable to the Company's shareholders</b>	10,708	6,152	-42.5%	1,286	1,596	1,698	247	6.4%	32.0%
<b>Diluted earnings per ADS</b>	¥80.74	¥47.26	-41.5%	¥9.71	¥12.37	¥13.18	\$1.92	6.5%	35.7%

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**THANK YOU**