



1Q 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 of the largest and fastest growing cross-border and private label e-commerce businesses in China and provides comprehensive internet services including online advertising, email and other services.

As of March 31, 2018, NetEase had over 18,000 employees, with offices in Beijing, Shanghai, Hangzhou, Guangzhou, Hong Kong, Seoul, Tokyo, Frankfurt, Milan, San Francisco, and Sydney.

MARKET SNAPSHOT

In USD

\$34.9
billion

Market Cap
(5/15/18)

132.3
million

ADS Outstanding,
diluted
(1Q18)

\$0.91

Earnings per ADS,
diluted
(1Q18)

\$2,260
million

Net Revenue
(1Q18)

\$120
million

Net income attributable to
the Company's shareholders
(1Q18)

\$6.9
billion

Cash, time deposits
and short-term investment
(03/31/18)

BUSINESS SEGMENTS



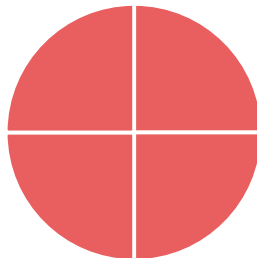
PC & Mobile Games

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.com 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.



E-mail Services & Others

One of the largest providers of free e-mail services in China, a leading provider of online music application, online education and online video broadcasting services.

ONLINE GAMES - PC GAMES

Flagship Self-Developed PC titles



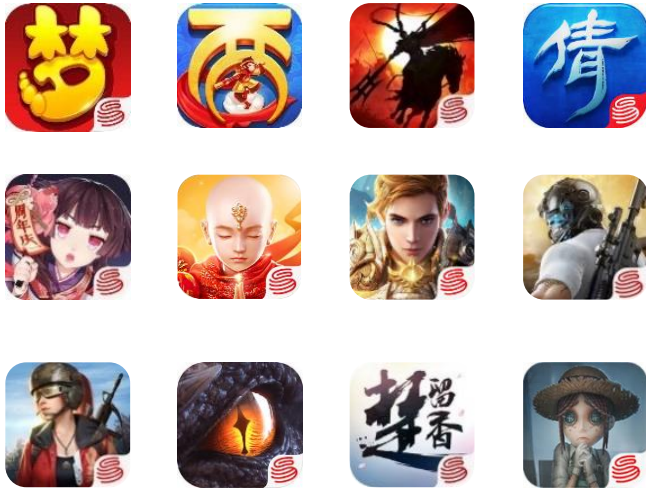
Flagship Licensed PC titles



ONLINE GAMES - MOBILE GAMES

- We had offered over 100 mobile games as of 3/31/2018

Self-Developed Mobile Games



Licensed Mobile Games From Overseas Developers



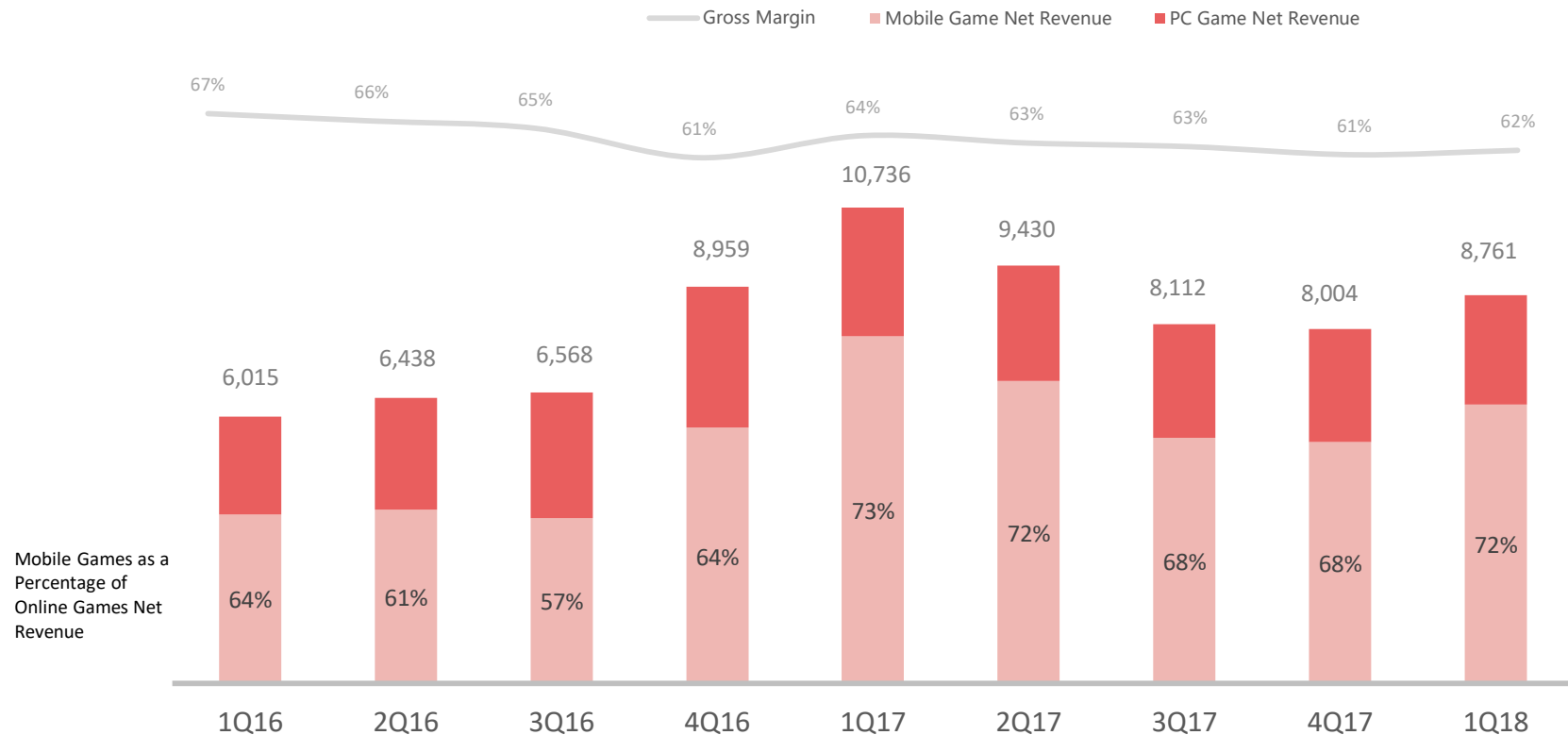
Launching Mobile Games in Overseas Markets



ONLINE GAMES

Online Games Net Revenue and Gross Margin

RMB million



E-COMMERCE

- Continue to lead the market with strong triple digit growth
- Both platforms offer access to cost effective, high-quality and trustworthy products
- As Chinese consumers become more concerned with the quality and authenticity of products, the addressable market for quality e-commerce continues to expand and Kaola.com and Yanxuan have become their go-to platforms to find these products

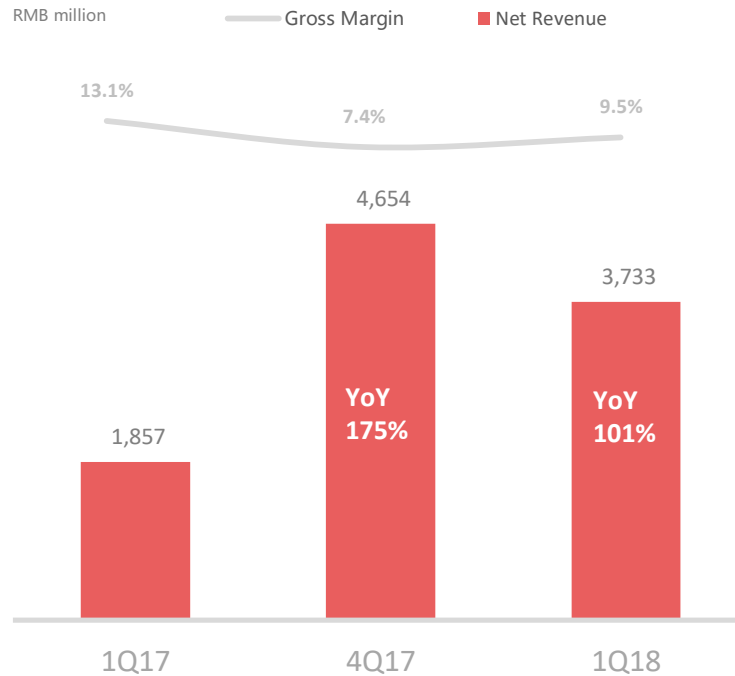


NetEase Kaola.com
(Cross-border)



NetEase Yanxuan
(Private Label)

E-commerce Net Revenue and Gross Margin



INTERNET MEDIA

Information



- 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

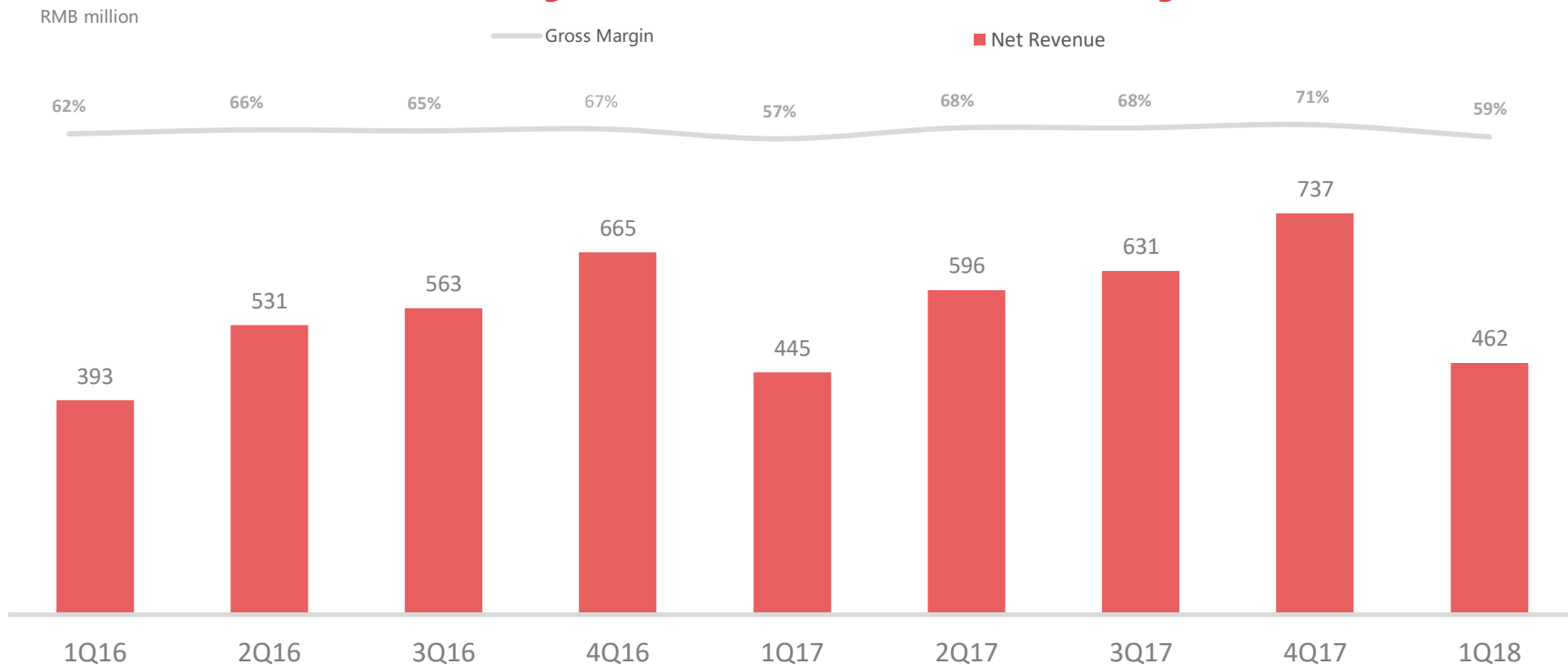
- Focus on enriching mobile platform services such as online dictionary and cloud note-taking services



NetEase Cloud Note

INTERNET MEDIA

Advertising Services Net Revenue and Gross Margin



E-MAIL SERVICES AND OTHERS

E-mail Services

126 网易免费邮
www.126.com

163 网易免费邮
mail.163.com



网易 企业邮箱
qiye.163.com

VIP 尊贵邮
VIP.163.COM

- China's leading e-mail service provider since 1997
- 990 m registered e-mail users as of Mar 31, 2018

Others



NetEase
Cloud Music



NetEase
Open Class



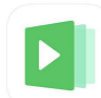
NetEase
Cloud Class



EaseRead



NetEase Snail
Reading



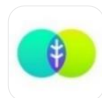
NetEase
Youdao Courses



NetEase
CC



NetEase
BoBo



NetEase
Mint



NetEase
Cartoon



NetEase
Pay

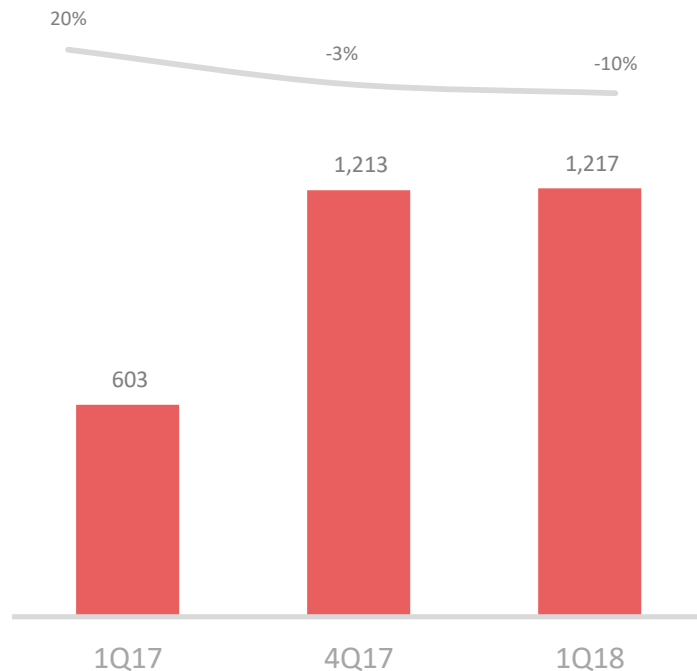


NetEase
Wei Yang

E-mail Services and Others Net Revenue and Gross Margin

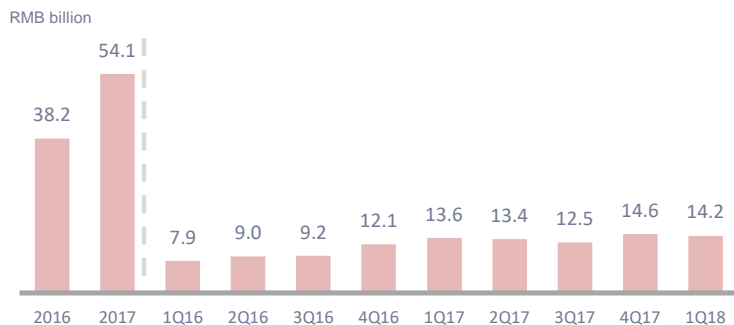
RMB
million

— Gross Margin ■ Net Revenue

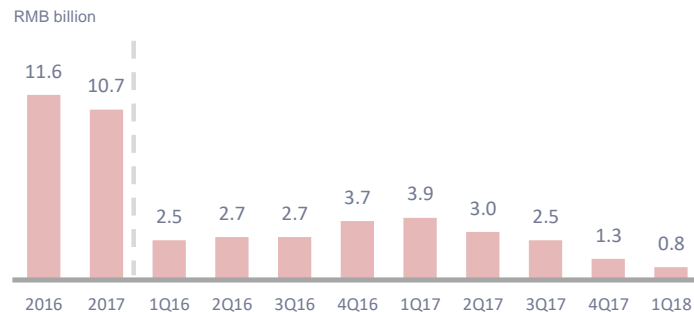


FINANCIAL HIGHLIGHTS

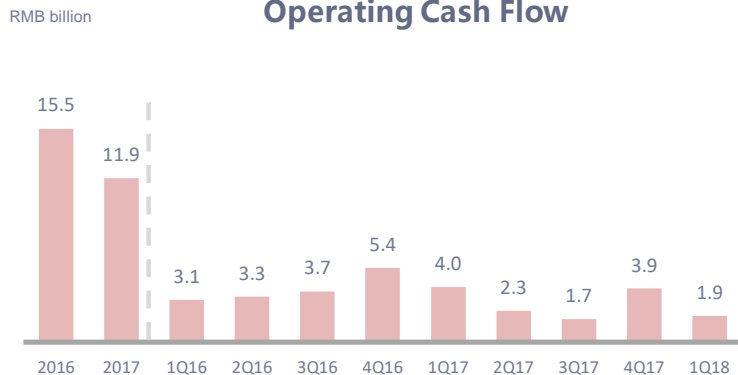
Net Revenues



Net Income



Operating Cash Flow



Value Returned to Shareholders

US\$	2017FY	2Q17	3Q17	4Q17	1Q18
Dividend per ADS	\$3.01	\$0.83	\$0.72	\$0.38	\$0.23
Share Buyback	\$306.1m	\$76.6m	\$149.4m	\$56.4m	\$376.0m

BALANCE SHEET SUMMARY

in millions	2017	2018	
	Dec 31, RMB	Mar 31, RMB (Unaudited)	Mar 31, USD (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	2,764	3,727	594
Time deposits	30,603	28,510	4,545
Other current assets	28,581	31,146	4,966
Total current assets	61,948	63,383	10,105
Property, equipment and software	3,769	4,262	679
Other non-current assets	5,314	6,130	978
Total assets	71,031	73,775	11,762
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS & SHAREHOLDERS' EQUITY			
Current liabilities:			
Deferred revenue	6,238	7,091	1,131
Other current liabilities	17,512	20,788	3,314
Total current liabilities	23,750	27,879	4,445
Total liabilities	23,981	28,301	4,512
Redeemable Noncontrolling Interests	615	410	66
Total shareholders' equity	46,435	45,064	7,184
Total liabilities and shareholders' equity	71,031	73,775	11,762

INCOME STATEMENT SUMMARY

	FY 17	FY 17	1Q17	4Q17	1Q18	1Q18	QoQ	YoY
	RMB	USD	RMB	RMB	RMB	USD	Change	Change
					(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total net revenues:	54,102	8,315	13,641	14,608	14,173	2,260	-3.0%	3.9%
<i>Online game services</i>	36,282	5,576	10,735	8,004	8,761	1,397	9.5%	-18.4%
<i>E-commerce</i>	11,670	1,794	1,858	4,654	3,733	595	-19.8%	100.9%
<i>Advertising services</i>	2,409	370	445	737	462	74	-37.3%	3.8%
<i>E-mail and others</i>	3,741	575	603	1,213	1,217	194	0.3%	101.8%
Gross profit	25,913	3,983	7,484	5,745	5,954	949	3.6%	-20.4%
Gross profit margin	47.9%	47.9%	54.9%	39.3%	42.0%	42.0%		
Operating profit	12,154	1,868	4,772	1,427	1,207	192	-15.4%	-74.7%
Operating profit margin	22.5%	22.5%	35.0%	9.8%	8.5%	8.5%		
Net profit attributable to the Company's shareholders	10,708	1,646	3,923	1,286	752	120	-41.5%	-80.8%
Diluted earnings per ADS	¥80.74	\$12.41	¥29.55	¥9.71	¥5.68	\$0.91	-41.5%	-80.8%

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THANK YOU