



3Q 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 September 30, 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

\$27.7
billion

Market Cap
(11/14/18)

129
million

ADS Outstanding,
diluted
(3Q18)

\$1.80

Earnings per ADS,
Diluted (GAAP)
(3Q18)

\$2,454
million

Net Revenue
(3Q18)

\$232
million

Net income attributable to
the Company's shareholders
(3Q18)

\$6.2
billion

Cash, time deposits
and short-term investment
(09/30/18)

BUSINESS SEGMENTS



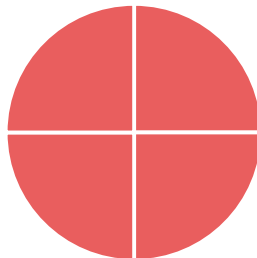
PC & Mobile Games

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.



E-mail & 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



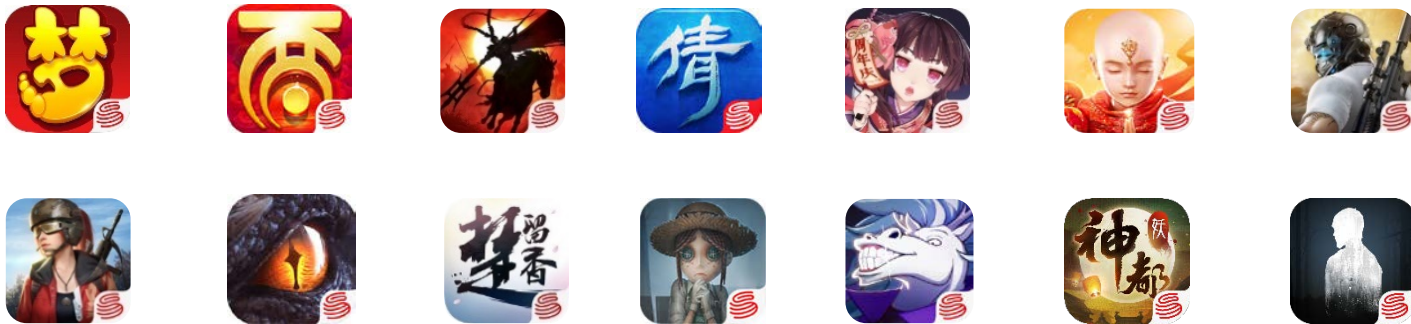
Flagship Licensed PC titles



ONLINE GAMES - MOBILE GAMES

- We had offered over 100 mobile games as of 11/15/2018 in China

Self-Developed Mobile Games



Licensed Mobile Games From Overseas Developers



ONLINE GAMES - MOBILE GAMES

Launching Mobile Games in Overseas Markets

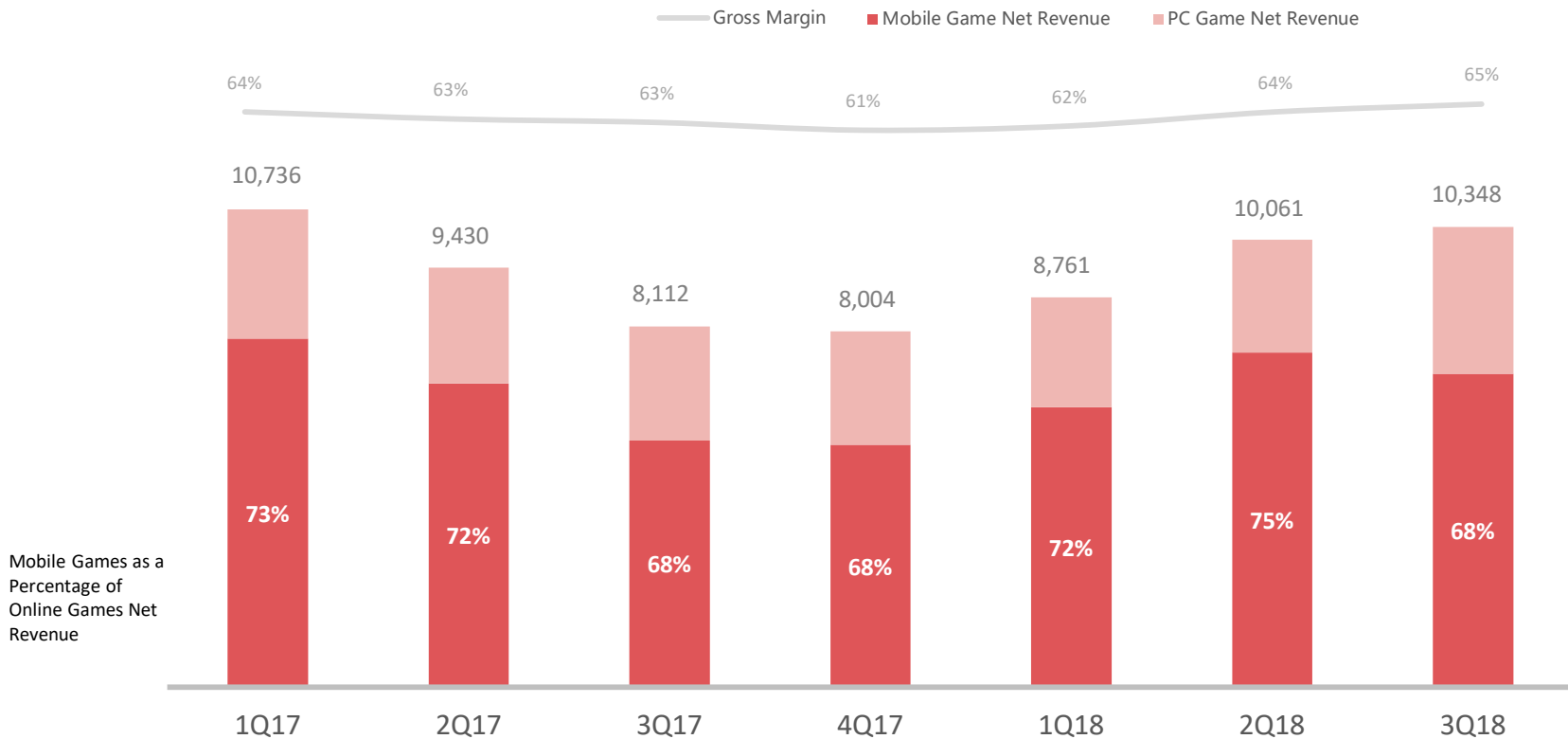


- Overseas games revenue accounted for more than 10% of total online games revenue for the first time
- Knives Out has consistently ranked among the top five games on Japan's iOS revenue grossing chart, received the People's Choice award by Google Play in Japan and Taiwan in October
- Identity V, was ranked No.1 on the iOS download chart in Japan for 18 consecutive days and was featured by iOS App Stores in 50 countries
- Announced collaboration with Blizzard Entertainment to co-develop Diablo Immortal™, a mobile massively multiplayer action-RPG for Android and iOS worldwide

ONLINE GAMES

Online Games Net Revenue and Gross Margin

RMB million



Mobile Games as a Percentage of Online Games Net Revenue

E-COMMERCE



NetEase Kaola

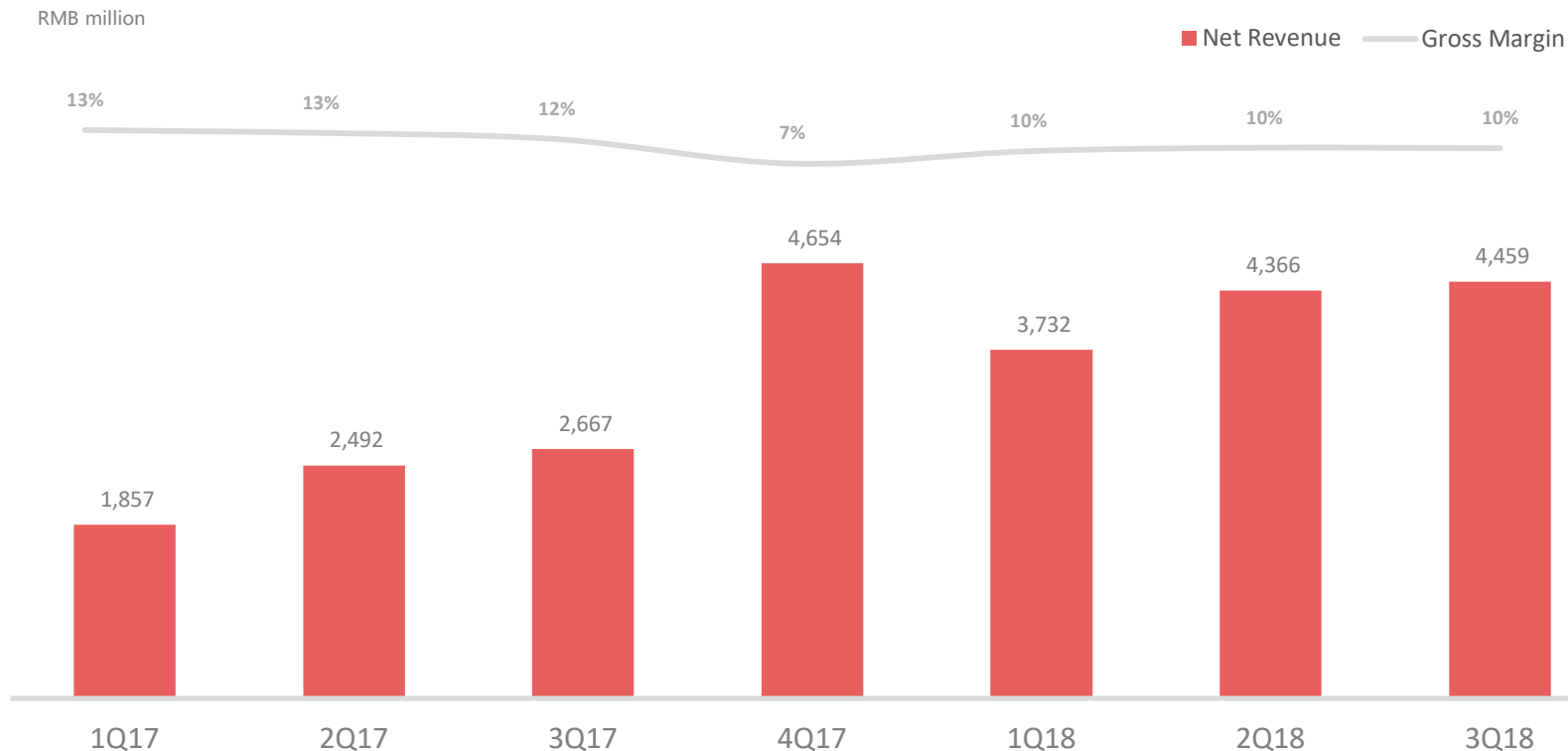


NetEase Yanxuan

- Kaola and Yanxuan are complementary components of Netease's e-commerce ambitions. Kaola is our platform, and Yanxuan is our private-label brand
- Both sites 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 and Yanxuan have become their go-to sites to find these products
- Our e-commerce business continue to lead the market with strong growth
- While maintaining a disciplined approach to spending, with gross margins kept at around 10%

E-COMMERCE

E-commerce 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

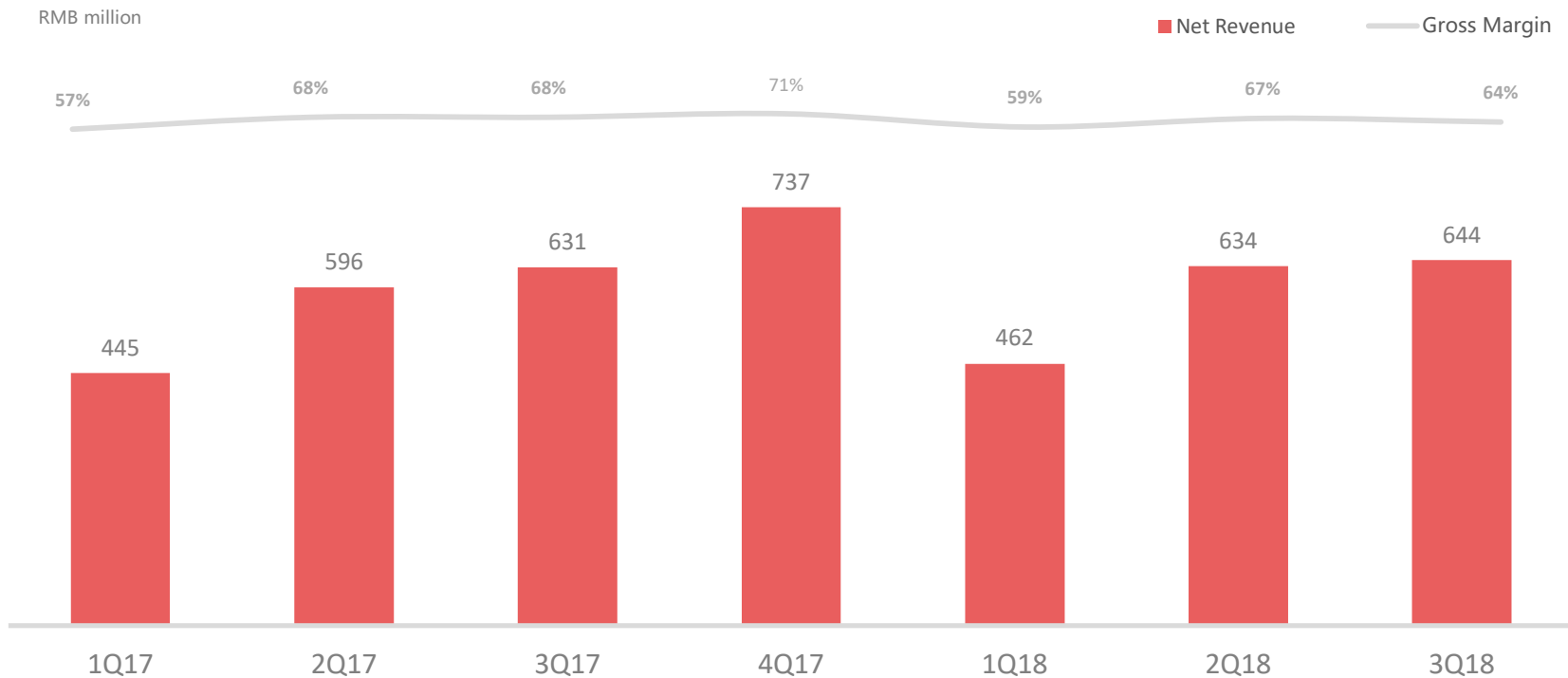


NetEase Youdao
Cloud Note

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

INTERNET MEDIA

Advertising Services Net Revenue and Gross Margin



E-MAIL 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
- 1.02 billion registered e-mail users as of Sep 30, 2018

Others



NetEase
Cloud Music



NetEase
CC



NetEase
Open Class



NetEase
Cloud Class



NetEase
Youdao Courses



EaseRead



NetEase
Snail
Reading



NetEase
Kada

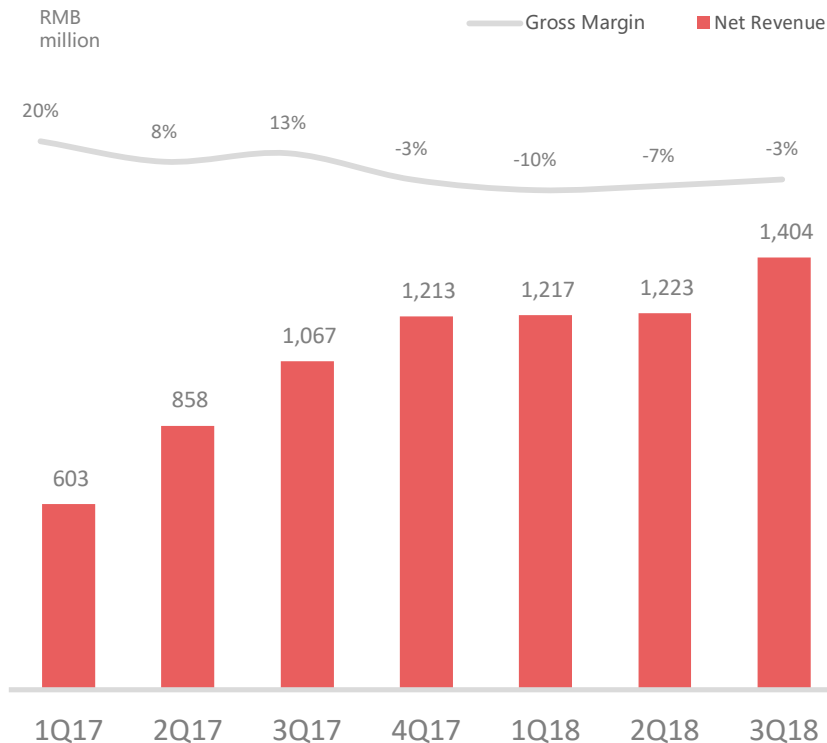


NetEase
Pay



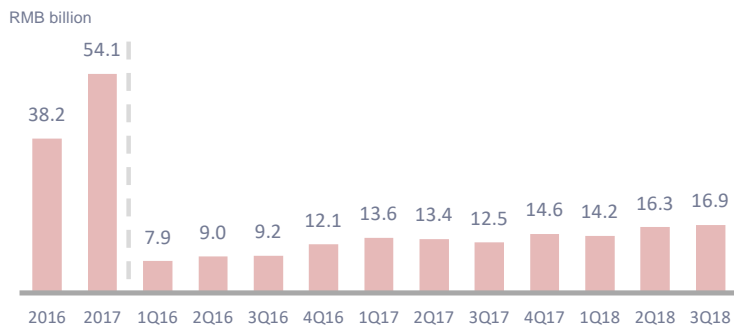
NetEase
Wei Yang

E-mail Services and Others Net Revenue and Gross Margin

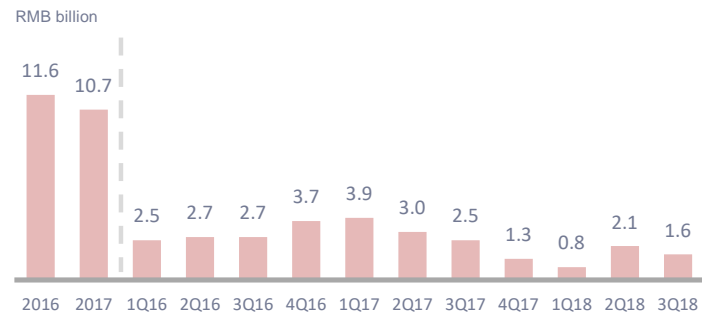


FINANCIAL HIGHLIGHTS

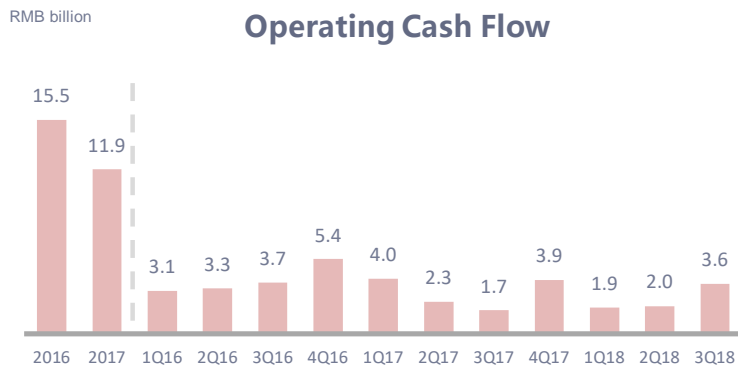
Net Revenues



Net Income (GAAP)



Operating Cash Flow



Value Returned to Shareholders

US\$	2017FY	4Q17	1Q18	2Q18	3Q18
Dividend per ADS	\$3.01	\$0.38	\$0.23	\$0.61	\$0.45
Share Buyback (during the quarter)	\$306.1m	\$56.4m	\$376.0m	\$536.0m	\$255.7m

BALANCE SHEET SUMMARY

in millions	2017	2018	
	Dec 31, RMB	Sep 30, RMB (Unaudited)	Sep 30, USD (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	2,764	4,778	696
Time deposits	30,603	26,321	3,832
Other current assets	28,581	31,852	4,638
Total current assets	61,948	62,951	9,166
Property, equipment and software	3,769	5,306	773
Other non-current assets	5,314	11,732	1,708
Total assets	71,031	79,989	11,647
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS & SHAREHOLDERS' EQUITY			
Current liabilities:			
Deferred revenue	6,238	7,368	1,073
Other current liabilities	17,512	25,756	3,750
Total current liabilities	23,750	33,124	4,823
Total liabilities	23,981	33,750	4,914
Redeemable Noncontrolling Interests	615	2,112	308
Total shareholders' equity	46,435	44,127	6,425
Total liabilities and shareholders' equity	71,031	79,989	11,647

INCOME STATEMENT SUMMARY

	FY 17	FY 17	3Q17	2Q18	3Q18	3Q18	QoQ	YoY
	RMB	USD	RMB	RMB	RMB	USD	Change	Change
				(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total net revenues:	54,102	8,315	12,478	16,284	16,855	2,454	3.5%	35.1%
<i>Online game services</i>	36,282	5,576	8,112	10,061	10,348	1,507	2.9%	27.6%
<i>E-commerce</i>	11,670	1,794	2,667	4,366	4,459	649	2.1%	67.2%
<i>Advertising services</i>	2,409	370	631	634	644	94	1.6%	2.1%
<i>E-mail and others</i>	3,741	575	1,068	1,223	1,404	204	14.8%	31.5%
Gross profit	25,913	3,983	5,948	7,245	7,547	1,099	4.2%	26.9%
Gross profit margin	47.9%	47.9%	47.7%	44.5%	44.8%	44.8%		
Operating profit	12,154	1,868	2,550	2,334	2,107	307	-9.7%	-17.4%
Operating profit margin	22.5%	22.5%	20.4%	14.3%	12.5%	12.5%		
Net profit attributable to the Company's shareholders	10,708	1,646	2,527	2,107	1,596	232	-24.2%	-36.8%
Diluted earnings per ADS	¥80.74	\$12.41	¥19.05	¥16.13	¥12.37	\$1.80	-23.3%	-35.1%

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THANK YOU