



# 4Q & Full Year 2016

## 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; and provides advertising services, e-mail services and e-commerce platforms.

# MARKET SNAPSHOT

*In USD*

\$33.67  
billion

Market Cap  
(02/14/17)

132.4  
million

ADS Outstanding,  
diluted  
(4Q16)

\$4.01

Earnings per ADS,  
diluted  
(4Q16)

\$1,743  
million

Net Revenue  
(4Q16)

\$530  
million

Net Profit  
(4Q16)

\$5.3  
billion

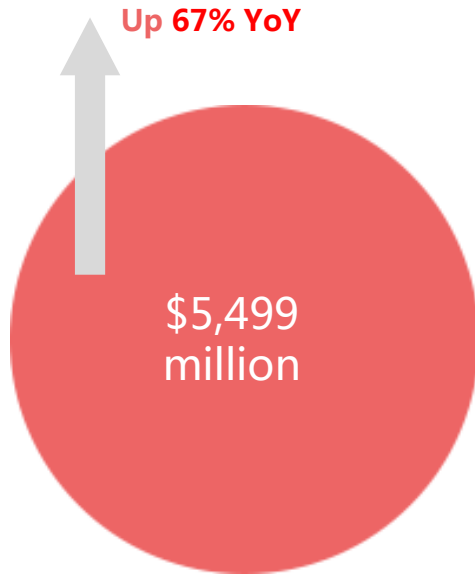
Cash, time deposits  
and short-term investment  
(12/31/16)

\$40.17

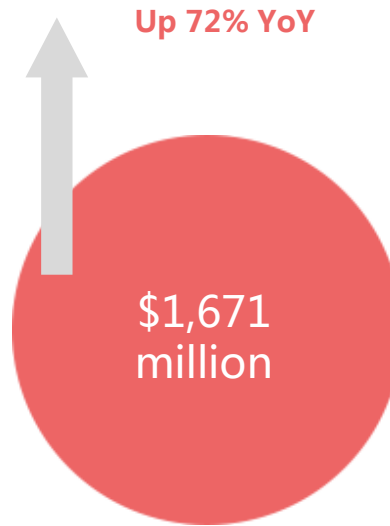
Cash, time deposits  
and short-term investments  
per ADS, diluted  
(12/31/16)

# 2016 FULL YEAR OVERVIEW

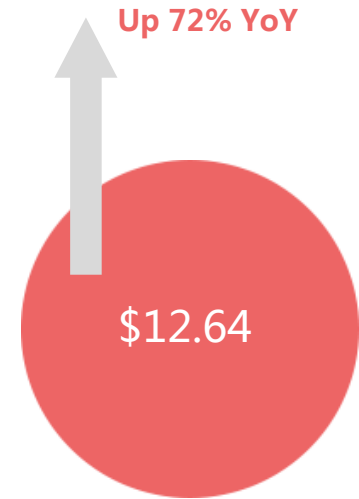
*In USD*



Net Revenue  
(2016)



Net Profit  
(2016)



Earnings per ADS, diluted  
(2016)

# BUSINESS SEGMENTS



## PC & Mobile Games

Leading provider of self-developed online PC-client games to internet users in China; licensee of leading games by Blizzard Entertainment; developer & publisher of quality mobile games.



## Internet Media

Operating a broad and growing network of leading mobile applications, services and popular social communication platforms, as well as internet portals with enriched content, enabling advertisers to reach one of the largest user bases in China.



## E-mail Services

The largest provider of free e-mail services in China, giving great marketing value for advertisers who wish to reach our audience of consumers.



## E-Commerce & Others

Diverse portfolio of services available to Chinese consumers on both desktop and mobile including Kaola.com, NetEase's self-operated cross-border e-commerce platform, online video broadcasting services and insurance products.

# ONLINE GAMES - PC GAMES

## Flagship Self-Developed PC titles



横视和·次世代



## Flagship Licensed PC titles



守望先锋



# ONLINE GAMES - MOBILE GAMES

Over 100 titles in portfolio



Ranked amongst Top10 grossing games in China iOS store

**Launching NetEase mobile games in China**  
Diversified portfolio and strong pipeline



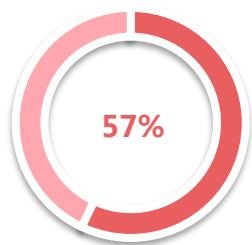
**Publishing overseas mobile games in China**  
Licensed games from Blizzard, Konami, Netmarble, SQUARE-ENIX, etc.



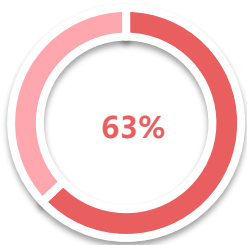
**Launching mobile games in overseas markets**  
Offices in United States, Korea and Japan

# ONLINE GAMES - MOBILE GAMES

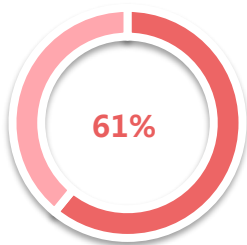
Mobile Games as a Percentage of  
NetEase's Total Online Games Revenue



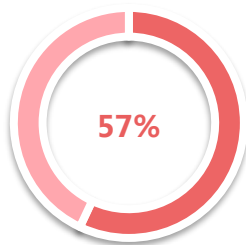
4Q15



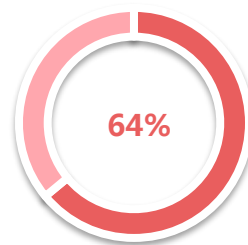
1Q16



2Q16



3Q16

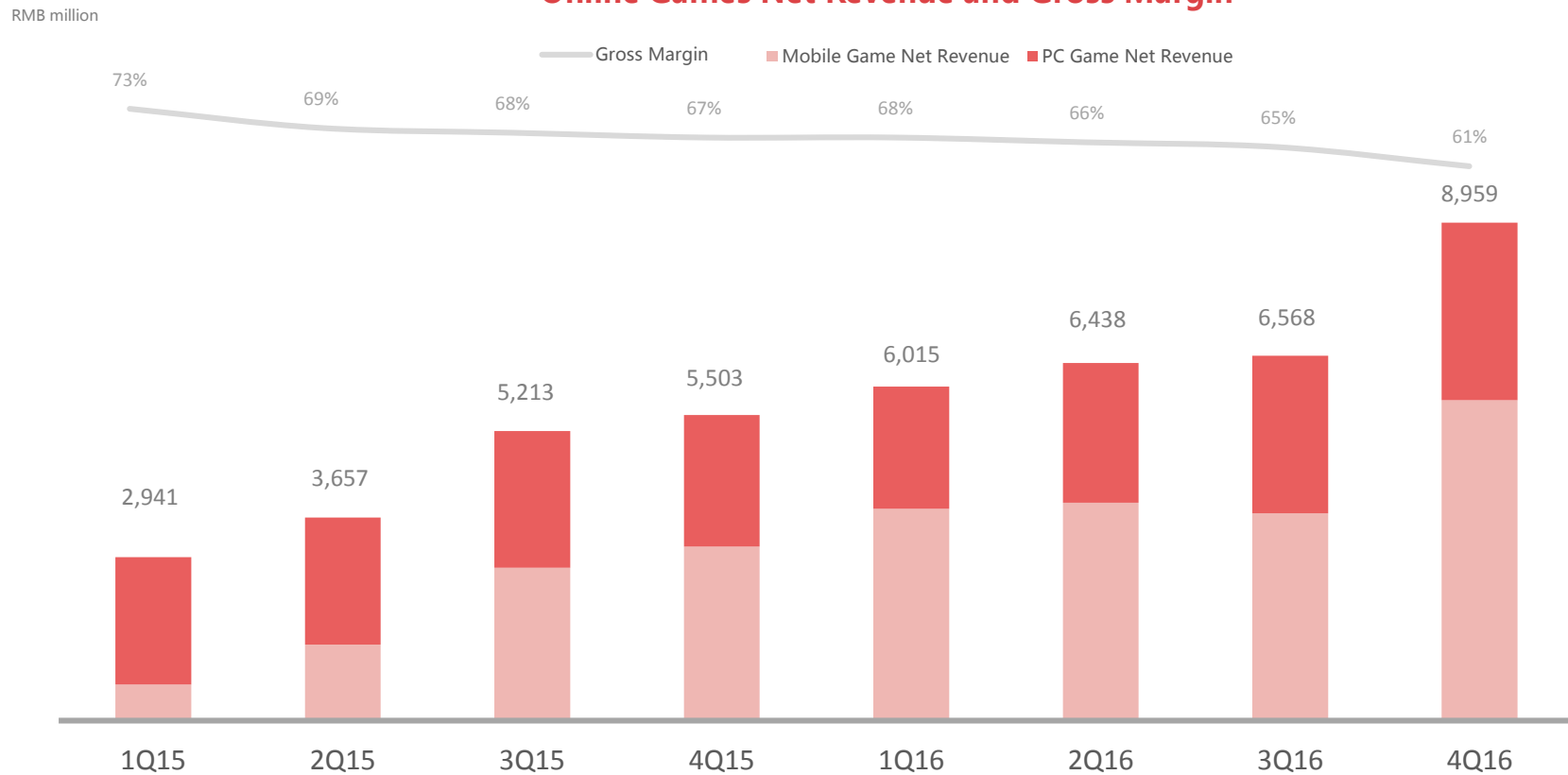


4Q16



# ONLINE GAMES

## Online Games Net Revenue and Gross Margin



# INTERNET MEDIA

## Information



NetEase News



EaseRead



NetEase Finance

## Entertainment and Education



NetEase  
Cloud Music

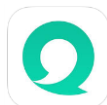


NetEase Open  
Class



NetEase Cloud  
Class

## Social



YiChat



Lofter



NetEase  
Cartoon

## Tools



Youdao  
Dictionary



NetEase Cloud  
Note

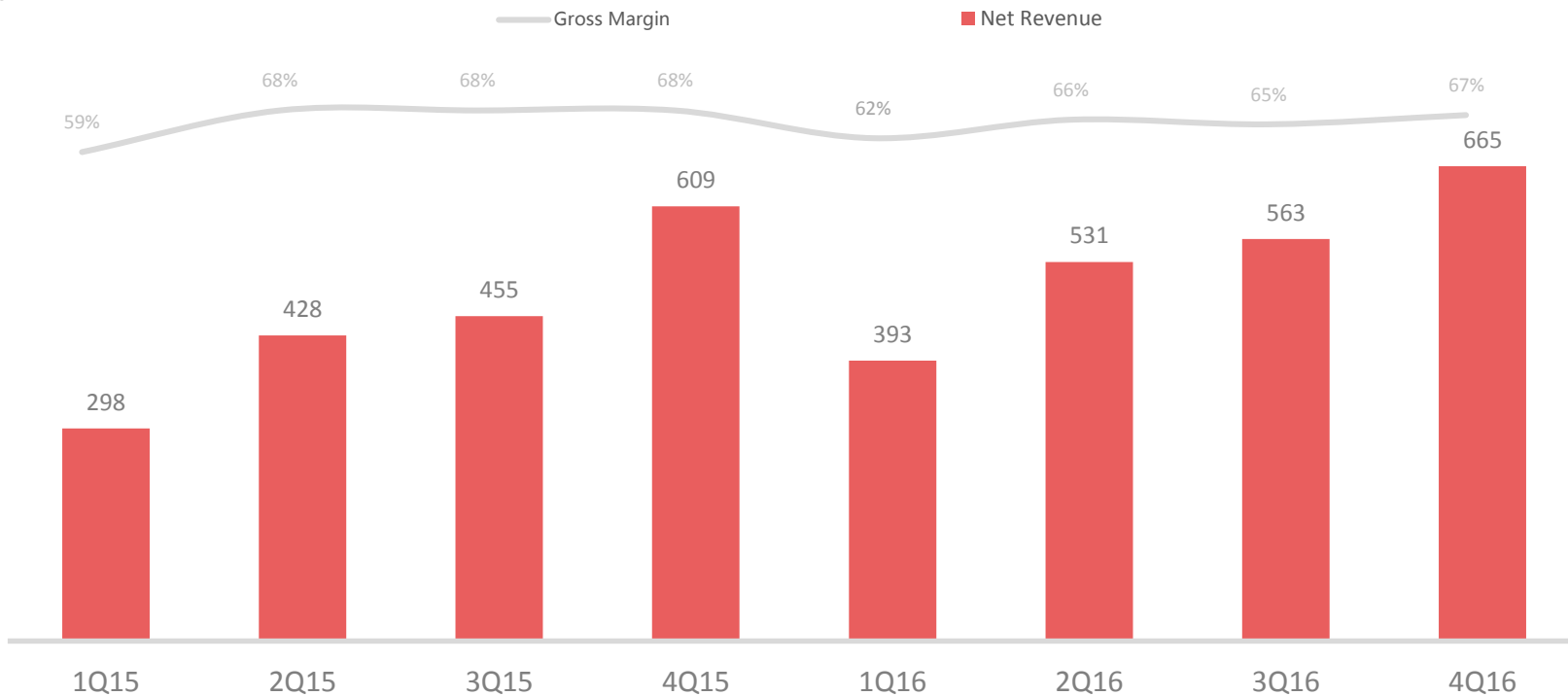


Youdao  
Chinese Master

# INTERNET MEDIA

## Advertising Services Net Revenue and Gross Margin

RMB million



# E-MAIL SERVICES



**163** 网易免费邮  
mail.163.com

网易 企业邮箱  
qiye.163.com

**126** 网易免费邮  
www.126.com

VIP 尊贵邮  
VIP.163.COM

**yeah.net** 网易免费邮

@ 网易手机号码邮箱  
SHOUJI.163.COM

**188** 财富邮  
www.188.com

- China's leading e-mail service provider since 1997
- 910m registered e-mail users as of December 31, 2016
- Industry leading anti-spam technology
- Enterprise mailbox received China's top information security certificate ELA+
- Only Chinese member in Domain-based Message Authentication, Reporting, and Conformance (DMARC)

# E-COMMERCE AND OTHER SERVICES

## E-Commerce



NetEase  
Kaola



NetEase  
Yanxuan

## Virtual Products



NetEase  
Precious Metal



网易保险  
baoxian.163.com

NetEase  
Insurance

## Entertainment



NetEase  
BoBo



NetEase  
CC

## Finance



NetEase  
Finance



NetEase  
Pay



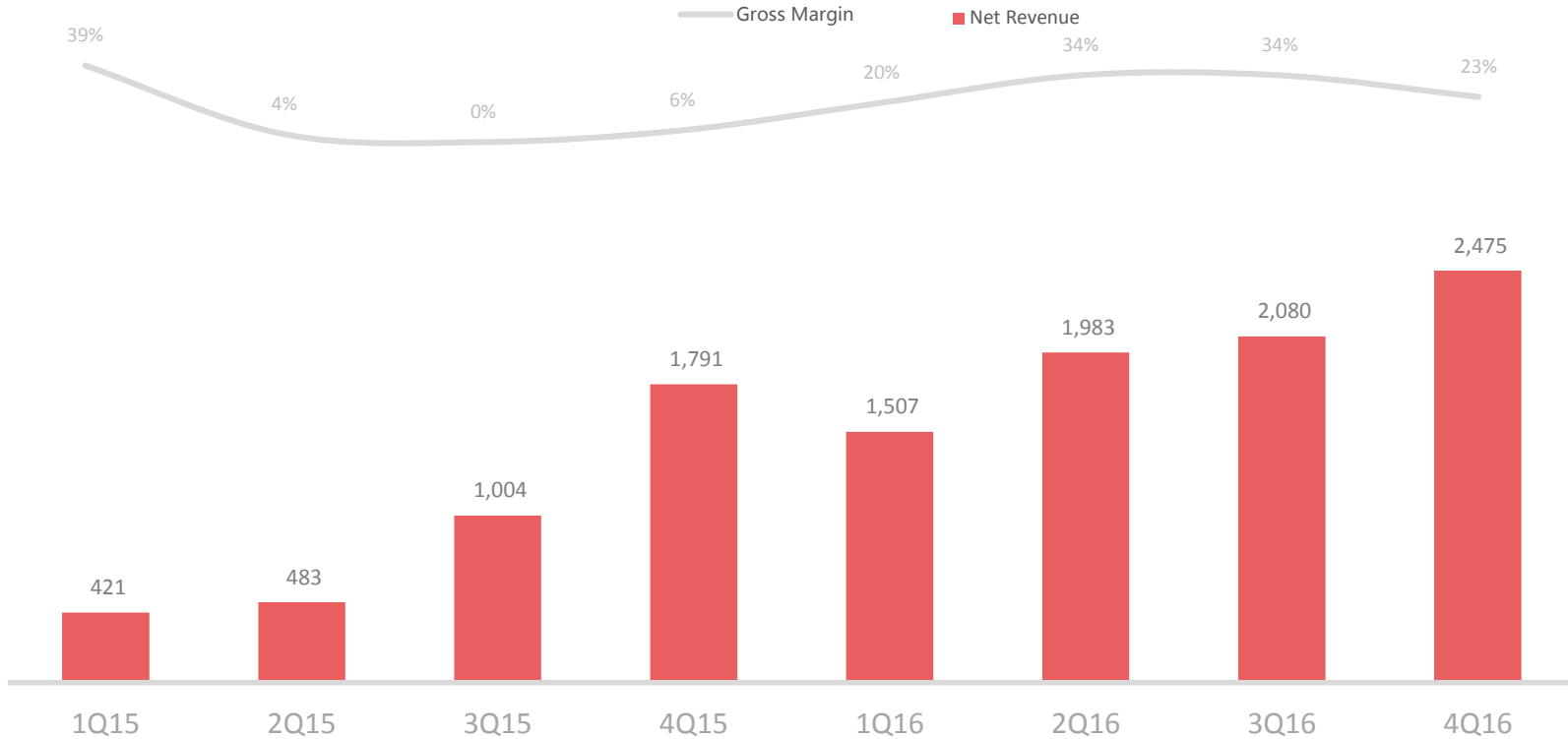
NetEase  
Money



NetEase  
Micro Loan

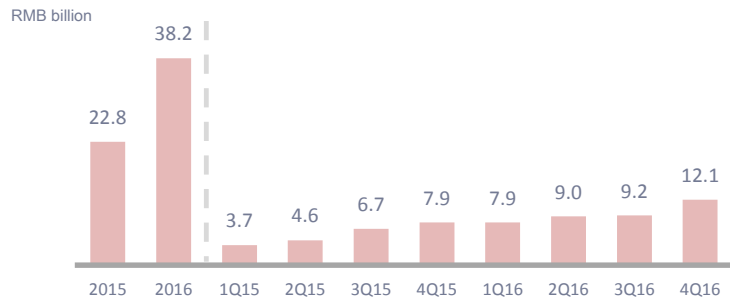
# E-MAIL, E-COMMERCE AND OTHERS BUSINESS

## E-mail, E-commerce and Others Net Revenue and Gross Margin

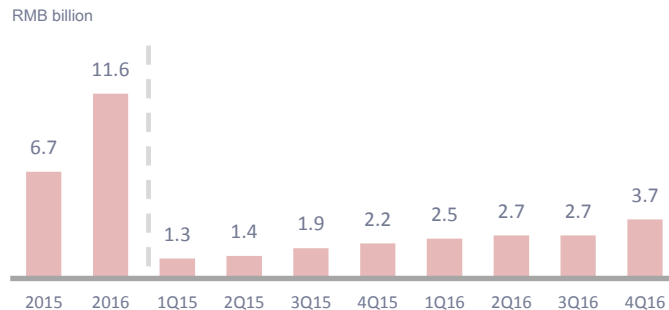


# FINANCIAL HIGHLIGHTS

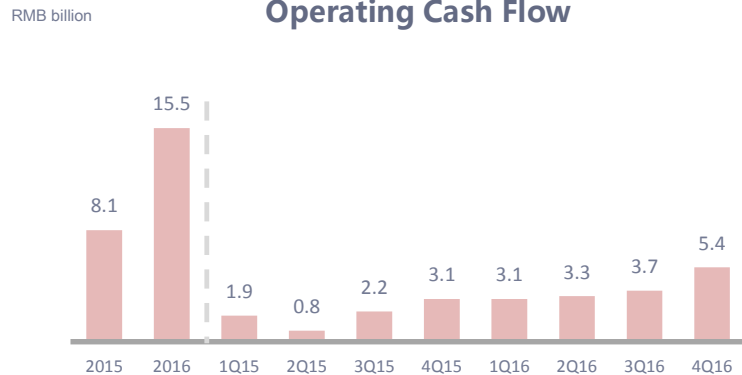
## Net Revenue



## Net Income



## Operating Cash Flow



## Value Returned to Shareholders

US\$	2015FY	2016FY	1Q16	2Q16	3Q16	4Q16
<b>Dividend per ADS</b>	\$2.03	\$3.30	\$0.73	\$0.78	\$0.78	\$1.01
<b>Total Dividend Payment</b>	\$247.0m	Est. \$427.6m	\$92.8m	\$102.5m	\$99.7m	Est. \$132.6m
<b>Share Buyback</b>	\$20.4m	\$172.7m	\$71.3m	\$113.3m	-	-

# BALANCE SHEET SUMMARY

in millions	2015	2016	
	Dec 31, RMB	Dec 31, RMB (Unaudited)	Dec 31, USD (Unaudited)
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	6,071	5,439	783
Time deposits	14,593	19,361	2,789
Other current assets	13,745	25,120	3,618
Total current assets	34,409	49,920	7,190
Property, equipment and software	2,092	2,420	348
Other non-current assets	4,656	5,692	820
Total assets	41,157	58,032	8,358
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Deferred revenue	4,652	7,531	1,085
Other current liabilities	7,015	12,004	1,729
Total current liabilities	11,667	19,535	2,814
Total liabilities	11,834	19,569	2,818
Total shareholders' equity	29,323	38,463	5,540
Total liabilities and shareholders' equity	41,157	58,032	8,358

# INCOME STATEMENT SUMMARY

	FY 15 RMB	FY 16 RMB (Unaudited)	YoY Change (Unaudited)	4Q15 RMB	3Q16 RMB (Unaudited)	4Q16 RMB (Unaudited)	4Q16 USD (Unaudited)	QoQ Change (Unaudited)	YoY Change (Unaudited)
<b>Total net revenues:</b>	22,803	38,179	67.4%	7,903	9,212	12,099	1,743	31.3%	53.1%
<i>Online game services</i>	17,314	27,980	61.6%	5,503	6,568	8,959	1,290	36.4%	62.8%
<i>Advertising services</i>	1,790	2,152	20.3%	609	563	665	96	18.0%	9.2%
<i>E-mail, e-commerce and others</i>	3,699	8,047	117.5%	1,791	2,081	2,475	357	19.0%	38.2%
<b>Gross profit</b>	13,404	21,664	61.6%	4,220	5,334	6,463	931	21.2%	53.2%
<b>Gross profit margin</b>	58.8%	56.7%	-	53.4%	57.9%	53.4%	53.4%	-	-
<b>Operating profit</b>	7,272	12,629	73.7%	2,418	2,847	3,867	557	35.8%	59.9%
<b>Operating profit margin</b>	31.9%	33.1%	-	30.6%	30.9%	32.0%	32.0%	-	-
<b>Net profit attributable to the Company's shareholders</b>	6,735	11,605	72.3%	2,164	2,740	3,683	530	34.4%	70.2%
<b>Diluted earnings per ADS</b>	¥50.94	¥87.72	72.2%	¥16.34	¥20.73	¥27.82	\$4.01	34.2%	70.3%

# CONTACT US

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**THANK YOU**