

NETFLIX

NASDAQ: NFLX

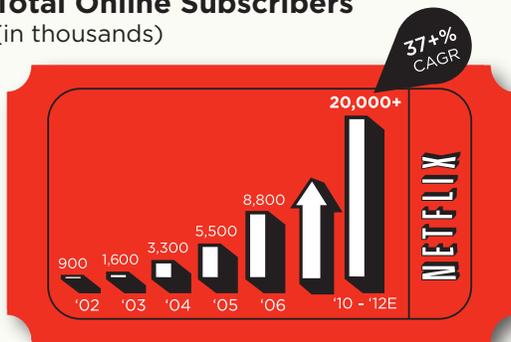
Netflix® is the world's largest online entertainment subscription service. Netflix helps subscribers find movies they love from more than **90,000** DVD titles plus a growing library of over 5,000 titles that can be watched instantly on subscribers' PCs, with no due dates, no late fees, and no shipping fees. Our deep selection, personalized movie recommendations, and quick delivery — nearly **95 percent** of subscribers live in areas that can be reached with generally one-business-day delivery — have made **Netflix** the **top-ranked e-commerce company** in customer satisfaction and have driven rapid growth in subscribers, revenue, and earnings over the past seven years.

Why Netflix?

Online DVD rental is a rapidly growing and still-young market.

- In just six years, the total market has grown to an estimated **8.8 million** subscribers at the end of 2006, with total estimated rental revenue of over **\$1.2 billion**.
- Adams Media Research and Netflix internal estimates project that the total market will have more than **20 million** online subscribers in the next four to six years.

Total Online Subscribers (in thousands)



The overall market for online subscription rentals is still early in its growth cycle, according to estimates from Adams Media Research and internal Netflix estimates.

Netflix invented the market and is growing with it.

- Since Netflix launched in 1999, the number of its subscribers has grown at a seven year compound annual growth rate (CAGR) of **79 percent**, and revenues have increased at a CAGR of **113 percent**.
- In 2006, Netflix continued its rapid growth, with the number of subscribers up **51 percent** and revenues up **46 percent to \$997 million**, from 2005.

Netflix subscribers love us ...

- Netflix has been **rated No. 1** in online retail customer satisfaction (FGI Research) for five consecutive periods.
- **Over 90 percent** of surveyed subscribers say that they would recommend our service to a friend.

... because we offer the best online rental experience.

- **Rich Content. 90,000 DVD titles**, plus a growing library of over 5,000 titles that can be watched instantly on subscribers' PCs.
- **Personalized Choices. Proprietary software** offers **personal movie recommendations** based on each subscriber's individual movie preferences.
- **Persistent Innovation. Unique new features** like instant watching, FriendsSM and ProfilesSM **keep Netflix in front** while competitors play catch-up.
- **Overnight Delivery. 44 shipping centers** enable Netflix to provide nearly **95 percent** of its subscribers with generally one-day delivery.

Netflix Distribution Network



Rapid expansion of our distribution network has enabled us to provide quick delivery to our dramatically growing subscriber base.

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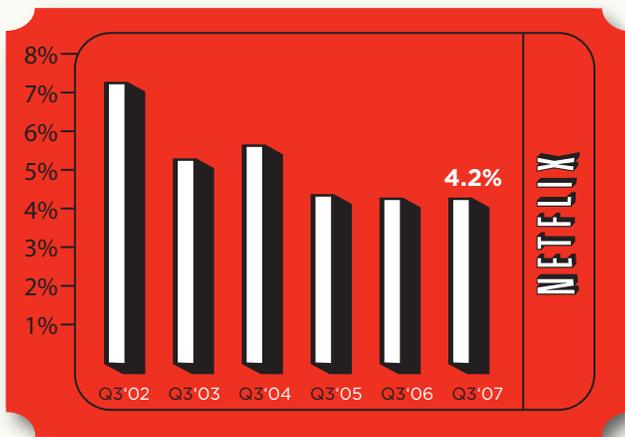
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NETFLIX FACTS • Netflix distributes more than **1.5 million DVDs** a day and has shipped over 1 billion DVDs since launching the service in 1999. • Netflix has **approximately 2 billion movie ratings** from customers and the average subscriber has rated more than 200 movies. • Our **proprietary software** helps subscribers find movies they love. Subscribers give a five-star “Loved It” rating to nearly half of the recommended movies they rate. • Our personalization and recommendations allow our subscribers to tap our **extensive catalog of titles**, including classics and lesser-known movies; the extensive use of our back catalogue – it accounts for about two-thirds of our rentals – is in sharp contrast to traditional rental services, which typically rely upon new releases for about 80 percent of their rental activity.

Our market leadership position drives superior financial performance

- In seven years, revenue has grown from **\$5 million** to **\$997 million** at the end of 2006.
- **Experience and scale** result in **higher customer retention** and **higher gross margins** than those of our competition.

Netflix Subscriber Churn*



*Churn is defined as customer cancellations in the quarter divided by the sum of beginning subscribers and gross subscriber additions, divided by three months.

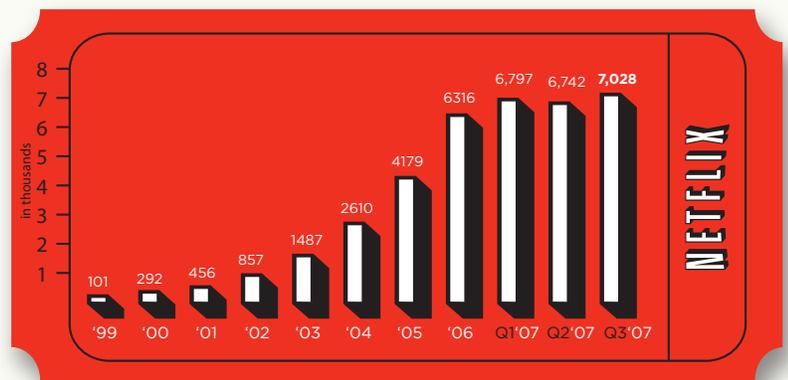
Netflix Growth Strategies

Achieve overall movie rental leadership by:

- Continuing to **innovate** and **enhance the consumer experience**.
- Focusing on **subscriber growth** in order to
 - Maintain **market leadership**
 - Realize **economies of scale**
- **Leading the expansion** of online video rental by offering our subscribers both mail delivery and a continuously improving online video option.

Netflix Subscriber Growth

(In thousands)



Netflix has enjoyed rapid subscriber growth since it invented online DVD rentals.

Financial Highlights

	2003	2004	2005*	2006
Revenue	\$270.4	\$500.6	\$682.2	\$996.7
GAAP Net income	6.5	21.6	42.0	49.1
EPS	0.10	0.33	0.64	0.71
Free cash flow**	26.8	34.8	24.3	62.0
Cash and cash equivalents	89.9	174.5	212.3	400.4

(In millions, except per share amounts.)

*2005 GAAP net income includes the benefit of realized deferred tax assets of \$34.9 million.

**Free cash flow is a non-GAAP measure defined as cash provided by operating activities less cash used in investing activities excluding purchases and sales of short-term investments.

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