

For Immediate Release**TENCENT ANNOUNCES 2022 THIRD QUARTER RESULTS**

Hong Kong, November 16, 2022 – Tencent Holdings Limited (“Tencent” or the “Company”, 00700.HK), a leading provider of Internet value-added services in China, today announced the unaudited consolidated results for the third quarter (“3Q2022”) ended September 30, 2022.

3Q2022 Key Highlights

Revenues: -2% YoY, non-IFRS¹ profit attributable to equity holders of the Company: +2% YoY

- **Total revenues** were RMB140.1 billion (USD19.7 billion²), a decrease of 2% over the third quarter of 2021 (“YoY”).
- **On a non-IFRS basis**, which is intended to reflect core earnings by excluding certain one-time and/or non-cash items:
 - **Operating profit** was RMB40.9 billion (USD5.8 billion), largely stable YoY. Operating margin was stable at 29%.
 - **Profit for the period** was RMB33.4 billion (USD4.7 billion), an increase of 3% YoY. Net margin increased to 24% from 23% last year.
 - **Profit attributable to equity holders of the Company** for the quarter was RMB32.3 billion (USD4.5 billion), an increase of 2% YoY.
 - **Basic earnings per share** were RMB3.381. **Diluted earnings per share** were RMB3.306.
- **On an IFRS basis:**
 - Operating profit was RMB51.6 billion (USD7.3 billion), a decrease of 3% YoY. Operating margin was stable at 37%.
 - Profit for the period was RMB38.8 billion (USD5.5 billion), a decrease of 3% YoY. Net margin was stable at 28%.
 - Profit attributable to equity holders of the Company for the quarter was RMB39.9 billion (USD5.6 billion), an increase of 1% YoY.
 - Basic earnings per share were RMB4.187. Diluted earnings per share were RMB4.104.
- **Total cash** were RMB315.6 billion (USD44.5 billion) at the end of the period.

Mr. Ma Huateng, Chairman and CEO of Tencent, said, "During the third quarter, we started to benefit from the adjustments that we have made to reposition ourselves for a new industry paradigm. We activated in-feed advertisements in Video Accounts, achieved breakthroughs in international games publishing, and executed cost efficiency initiatives which re-focused us on core activities and controlled our cost growth. As a result, we achieved year-over-year growth in non-IFRS earnings after four quarters of decline. Leveraging our extensive user reach and products such as Mini Programs and Tencent Meeting, we served society in critical use cases and assisted digitalisation of offline industries. Our resilient businesses, diversified cash flows, sizeable cash balance and substantial investment portfolio enable us to invest in strategic growth areas and innovation, while at the same time returning capital to shareholders. We will distribute the large majority of our Meituan shareholding, which has generated significant returns, both strategically and financially."

¹ Non-IFRS adjustments excludes share-based compensation, M&A related impact such as net (gains)/losses from investee companies, amortisation of intangible assets and impairment provision/(reversals), SSV & CPP, income tax effects and others

² Figures stated in USD are based on USD1 to RMB7.0998

3Q2022 Financial Review

Revenues from VAS³ decreased by 3% to RMB72.7 billion for the third quarter of 2022 on a year-on-year basis. International Games revenues increased by 3% to RMB11.7 billion, or 1% in constant currency terms, amid the ongoing industry normalisation post-COVID. During the quarter, we saw robust growth from VALORANT, the successful launch of Tower of Fantasy, and an expanded game portfolio at Miniclip, versus decreased revenue from PUBG Mobile. Domestic Games revenues decreased by 7% to RMB31.2 billion, as transitional industry challenges resulted in lower paying user counts. By title, we saw decreased revenues from Honour of Kings and Peacekeeper Elite influenced by the Minor protection measures which took effect from September 2021 onward, versus incremental revenues from recently launched League of Legends: Wild Rift, Return to Empire, and League of Legends Esports Manager. Social Networks revenues decreased by 2% to RMB29.8 billion, reflecting increased revenues from our Video Accounts live streaming service and music subscription service, versus decreased revenues from music- and games-related live streaming services and our video subscription service.

Revenues from Online Advertising decreased by 5% to RMB21.5 billion for the third quarter of 2022 on a year-on-year basis. The rate of year-on-year decline narrowed from the previous quarter, driven by the improvement of games, eCommerce and FMCG categories, as well as the lapping of certain industry-specific headwinds from 2021. Social and Others Advertising revenues decreased by 1% to RMB18.9 billion, reflecting continued weakness in certain ad categories, offset by strong demand for our Video Accounts in-feed ads. Media Advertising revenues decreased by 26% to RMB2.6 billion, reflecting lower advertising revenue from Tencent Video, primarily due to fewer releases of popular drama series, and to comparison versus Tokyo Olympic Games in the same period last year.

Revenues from FinTech and Business Services grew by 4% to RMB44.8 billion for the third quarter of 2022 on a year-on-year basis. FinTech Services revenue growth was higher than the previous quarter, benefitting from the recovery of online and offline commercial payment activities. Business Services revenues decreased slightly year-on-year, reflecting our continued efforts to scale back loss-making activities.

Other Key Financial Information for 3Q2022

EBITDA was RMB43.1 billion, up 1% YoY. Adjusted EBITDA was RMB48.6 billion, down 1% YoY. Capital expenditures were RMB2.4 billion, down 66% YoY. Free cash flow was RMB27.6 billion, up 15% YoY.

As at September 30, 2022, net debt position totalled RMB27.3 billion. Fair value of our shareholdings⁴ in listed investee companies (excluding subsidiaries) totalled RMB532.5 billion (USD75.0 billion) and the carrying value of unlisted investee companies was RMB339.5 billion (USD47.8 billion). During the third quarter, the Company repurchased approximately 42.8 million shares on the Hong Kong Stock Exchange for an aggregate consideration of approximately RMB11.8 billion.

³ Mobile games VAS revenues (including mobile games revenues attributable to our Social Networks business) decreased by 4% year-on-year to RMB41.0 billion, while PC client games revenues was largely stable YoY at RMB11.7 billion for the third quarter of 2022

⁴ Including those held via special purpose vehicles, on an attributable basis

Operating Metrics

	As at 30 September 2022	As at 30 September 2021 (in millions, unless specified)	Year- on-year change	As at 30 June 2022	Quarter-on- quarter change
Combined MAU of Weixin and WeChat	1,308.9	1,262.6	3.7%	1,299.1	0.8%
Mobile device MAU of QQ	574.4	573.7	0.1%	568.7	1.0%
Fee-based VAS registered subscriptions	228.7	235.4	-2.8%	234.7	-2.6%

Business Review and Outlook

Communication and Social

We leveraged the extensive reach of Weixin and the ease of use of Mini Programs to assist the real economy. Within Mini Programs, we accommodated more commerce and municipal service use cases. Mini Programs' DAU surpassed 600 million, representing an increase of over 30% year-on-year. Mini Programs' daily activations grew even faster, by over 50% year-on-year. We deepened the adoption of Mini Programs in key commerce categories such as food and beverage, apparel, and department stores, where offline merchants and brands are increasingly integrating their membership and loyalty programs, and building multi-channel retailing with Mini Programs. The Health Code Mini Programs helped users verify their health and travel status with over 320 billion visits year-to-date⁵.

For QQ, we collaborated with brands, such as Gucci and KFC, to launch their virtual spaces within Super QQ Show, where they can provide immersive interactions for users. We enabled users to showcase and share their personalised party rooms with the broader community.

Digital Content

Our fee-based VAS subscriptions decreased by 3% year-on-year to 229 million. For Tencent Video, subscriptions declined moderately to 120 million due to content scheduling delays, while ARPU increased due to our initiative in adjusting membership pricing. We released popular self-commissioned drama series such as Love Like The Galaxy, which ranked first by video views across all online platforms in China⁶.

Domestic Games

With the implementation of our world-leading Minor⁷ protection program, we have become fully compliant with China regulations, and fostered a healthier industry environment. Time spent from Minors decreased by 92% year-on-year, and constituted 0.7% of our Domestic Games' total time spent in July 2022. We demonstrated resilience in our adult user base and user engagement, as the industry lapped the impact of Minor protection measures implemented in September 2021. For September 2022, our combined PC and

⁵ During the period from 1Q 2022 to 3Q 2022

⁶ Source: Enlightent, 3Q 2022

⁷ Players who are aged under 18

mobile games DAU of adult users increased by a double-digit percentage year-on-year growth rate, while total time spent on our PC and mobile games by adult users increased by a single-digit percentage year-on-year growth rate.

We are successfully extending the longevity of our leading game franchises, such as CrossFire. We published the original CrossFire PC game 14 years ago. As a result of our innovation in areas such as its player versus environment mode and ranked mode, CrossFire remains the leading FPS game on PC in China, achieving a high single-digit percentage year-on-year growth in its grossing receipts in the first nine months of this year. In 2015, we published CrossFire Mobile, developed by TiMi Studio Group, which significantly expanded the franchise's overall player base in China, and which currently remains one of the top 10 mobile games by time spent and grossing receipts in China⁸, even after we launched a number of other successful FPS games.

International Games

In games development, we are extending the success of our market-leading internally developed franchises. Riot Games applied its experience as the industry pioneer in eSports to drive VALORANT Champions tournament as the most watched eSports event in the tactical shooter genre⁹, expanding VALORANT's fanbase and achieving record-high grossing receipts for the game during the third quarter of 2022. In October 2022, Supercell released the biggest-ever content update for Clash of Clans, boosting user engagement and in-game consumption. Clash of Clans has generally ranked as the top mobile strategy game internationally by annual grossing receipts since its launch in 2012, and maintained the number one position year-to-date in 2022¹⁰.

In games publishing, we achieved breakthroughs with the successful release of two new titles, showcasing the capabilities of our global brand Level Infinite in localised content marketing and user community management. Tower of Fantasy, an open world MMORPG we released in August 2022, was the second highest-ranked among MMORPG by DAU internationally in the quarter¹¹. Tower of Fantasy achieved commercial success in the most competitive markets, ranking first by grossing receipts among MMORPG in Japan and second in the United States¹¹. On 4 November, 2022, we launched GODDESS OF VICTORY: NIKKE, a sci-fi RPG shooter with anime graphics, which ranked first by grossing receipts internationally across all mobile games¹². GODDESS OF VICTORY: NIKKE was developed by Shift Up, a Korean studio in which we are an investor, and demonstrates our ability to support small sized creative teams via our publishing expertise and resources.

Online Advertising

For Video Accounts, we saw robust advertising demand for in-feed advertisements, particularly from the FMCG category. Advertising in Video Accounts is complementary and incremental to our existing advertising revenue. Excluding Video Accounts, Weixin's advertising revenue grew year-on-year, with rapid growth from Mini Programs.

FinTech

Our commercial payment volume posted double-digit year-on-year growth during the third quarter of 2022, with notable expansion in categories such as groceries, dining services and transportation.

⁸ Source: by time spent according to QuestMobile and by grossing receipts according to data.ai, 3Q 2022

⁹ Source: by hours watched according to Esports Charts, 3Q 2022

¹⁰ Source: data.ai, during the period from 1 January, 2022 to 14 November, 2022

¹¹ Source: data.ai, 3Q 2022

¹² Source: data.ai, during the period from 4 November, 2022 to 14 November, 2022

Cloud and Other Business Services

As we scaled back loss-making activities and focused on internally developed products, revenue declined slightly year-on-year, but gross profit increased significantly year-on-year. We are actively assisting non-Internet industries to embrace digital transformation, boosting our revenue contributions from historically offline industries. For example, Tencent Cloud Enterprise enables customers such as banks and municipalities that prefer to host data on private clouds to integrate and deploy our public cloud products within their private clouds, meeting their needs for security and compliance. Public sector organisations, such as hospitals and schools, are increasingly using our key SaaS tools, facilitating efficient collaboration and online education.

For other detailed disclosure, please refer to our website <https://www.tencent.com/en-us/investors.html>, or follow us via Weixin Official Account (Weixin ID: Tencent_IR):



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About Tencent

Tencent uses technology to enrich the lives of Internet users.

Our communication and social services, Weixin and QQ, connect users with each other and with digital content and services, both online and offline, making their lives more convenient. Our targeted advertising service helps advertisers reach out to hundreds of millions of consumers in China. Our FinTech and business services support our partners' business growth and assist their digital upgrade.

Tencent invests heavily in talent and technological innovation, actively promoting the development of the Internet industry. Tencent was founded in Shenzhen, China, in 1998. Shares of Tencent (00700.HK) are listed on the Main Board of the Stock Exchange of Hong Kong.

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Non-IFRS Financial Measures

To supplement the consolidated results of the Group prepared in accordance with IFRS, certain additional non-IFRS financial measures (in terms of operating profit, operating margin, profit for the period, net margin, profit attributable to equity holders of the Company, basic EPS and diluted EPS), have been presented in this press release. These unaudited non-IFRS financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

The Company's management believes that the non-IFRS financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain non-cash items and certain impact of investment-related transactions. In addition, non-IFRS adjustments include relevant non-IFRS adjustments for the Group's major associates based on available published financials of the relevant major associates, or estimates made by the Company's management based on available information, certain expectations, assumptions and premises.

Forward-Looking Statements

This press release contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Company. These forward-looking statements are based on information currently available to the Company and are stated herein on the basis of the outlook at the time of this press release. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realised in the future. Underlying these forward-looking statements are a lot of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this press release should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

CONSOLIDATED INCOME STATEMENT

RMB in millions, unless specified

	Unaudited		Unaudited	
	3Q2022	3Q2021	3Q2022	2Q2022
Revenues	140,093	142,368	140,093	134,034
VAS	72,727	75,203	72,727	71,683
Online Advertising	21,443	22,495	21,443	18,638
FinTech and Business Services	44,844	43,317	44,844	42,208
Others	1,079	1,353	1,079	1,505
Cost of revenues	(78,110)	(79,621)	(78,110)	(76,167)
Gross profit	61,983	62,747	61,983	57,867
	<i>Gross margin</i>	<i>44%</i>	<i>44%</i>	<i>43%</i>
Interest income	2,328	1,703	2,328	1,945
Other gains, net	20,886	22,984	20,886	4,420
Selling and marketing expenses	(7,124)	(10,435)	(7,124)	(7,932)
General and administrative expenses	(26,480)	(23,862)	(26,480)	(26,233)
Operating profit	51,593	53,137	51,593	30,067
	<i>Operating margin</i>	<i>37%</i>	<i>37%</i>	<i>22%</i>
Finance costs, net	(1,950)	(1,942)	(1,950)	(1,809)
Share of profit/(loss) of associates and joint ventures, net	(3,697)	(5,668)	(3,697)	(4,460)
Profit before income tax	45,946	45,527	45,946	23,798
Income tax expense	(7,104)	(5,452)	(7,104)	(4,568)
Profit for the period	38,842	40,075	38,842	19,230
	<i>Net margin</i>	<i>28%</i>	<i>28%</i>	<i>14%</i>
Attributable to:				
Equity holders of the Company	39,943	39,510	39,943	18,619
Non-controlling interests	(1,101)	565	(1,101)	611
Non-IFRS profit attributable to equity holders of the Company	32,254	31,751	32,254	28,139
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)				
- basic	4.187	4.143	4.187	1.951
- diluted	4.104	4.074	4.104	1.915

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

RMB in millions, unless specified

	Unaudited	
	3Q2022	3Q2021
Profit for the period	38,842	40,075
Other comprehensive income, net of tax:		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Share of other comprehensive income of associates and joint ventures	948	(157)
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	42	-
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	(8)	-
Currency translation differences	5,809	(4,607)
Other fair value gains, net	1,830	133
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Share of other comprehensive income of associates and joint ventures	503	(16)
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	(26,433)	(36,411)
Currency translation differences	2,245	(130)
	(15,064)	(41,188)
Total comprehensive income for the period	23,778	(1,113)
Attributable to:		
Equity holders of the Company	24,826	(594)
Non-controlling interests	(1,048)	(519)

OTHER FINANCIAL INFORMATION

RMB in millions, unless specified

	Unaudited		
	3Q2022	2Q2022	3Q2021
EBITDA (a)	43,124	38,628	42,683
Adjusted EBITDA (a)	48,610	44,668	49,257
Adjusted EBITDA margin (b)	35%	33%	35%
Interest and related expenses	2,729	2,327	2,092
Net (debt)/cash (c)	(27,271)	(20,429)	(26,146)
Capital expenditures (d)	2,377	3,015	7,061

Note:

- (a) EBITDA is calculated as operating profit minus interest income and other gains/losses, net, and adding back depreciation of property, plant and equipment, investment properties as well as right-of-use assets, and amortisation of intangible assets and land use rights. Adjusted EBITDA is calculated as EBITDA plus equity-settled share-based compensation expenses.
- (b) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenues.
- (c) Net (debt)/cash represents period end balance and is calculated as cash and cash equivalents, plus term deposits and others, minus borrowings and notes payable.
- (d) Capital expenditures consist of additions (excluding business combinations) to property, plant and equipment, construction in progress, investment properties, land use rights and intangible assets (excluding video and music content, game licences and other content).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

RMB in millions, unless specified

	Unaudited	Audited
	As at September 30, 2022	As at December 31, 2021
ASSETS		
Non-current assets		
Property, plant and equipment	55,406	61,914
Land use rights	18,195	17,728
Right-of-use assets	22,448	20,468
Construction in progress	7,671	5,923
Investment properties	555	517
Intangible assets	175,744	171,376
Investments in associates	301,846	316,574
Investments in joint ventures	6,796	6,614
Financial assets at fair value through profit or loss	207,222	192,184
Financial assets at fair value through other comprehensive income	169,918	250,257
Prepayments, deposits and other assets	37,054	37,177
Other financial assets	7,563	1,261
Deferred income tax assets	28,358	26,068
Term deposits	24,945	19,491
	1,063,721	1,127,552
Current assets		
Inventories	2,933	1,063
Accounts receivable	44,837	49,331
Prepayments, deposits and other assets	71,615	65,390
Other financial assets	1,521	1,749
Financial assets at fair value through profit or loss	21,089	10,573
Term deposits	109,636	83,813
Restricted cash	2,614	2,476
Cash and cash equivalents	160,177	167,966
Assets held for distribution	-	102,451
	414,422	484,812
Total assets	1,478,143	1,612,364

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

RMB in millions, unless specified

	Unaudited	Audited
	As at	As at
	September 30, 2022	December 31, 2021
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	-	-
Share premium	68,636	67,330
Treasury shares	(3,193)	-
Shares held for share award schemes	(4,565)	(4,843)
Other reserves	(54,303)	73,901
Retained earnings	749,345	669,911
	<u>755,920</u>	<u>806,299</u>
Non-controlling interests	<u>62,486</u>	<u>70,394</u>
Total equity	<u>818,406</u>	<u>876,693</u>
LIABILITIES		
Non-current liabilities		
Borrowings	171,009	136,936
Notes payable	151,535	145,590
Long-term payables	10,246	9,966
Other financial liabilities	5,679	5,912
Deferred income tax liabilities	13,895	13,142
Lease liabilities	18,082	16,501
Deferred revenue	3,944	4,526
	<u>374,390</u>	<u>332,573</u>
Current liabilities		
Accounts payable	99,789	109,470
Other payables and accruals	55,176	60,582
Borrowings	9,694	19,003
Notes payable	10,646	-
Current income tax liabilities	10,555	12,506
Other tax liabilities	2,864	2,240
Other financial liabilities	5,738	3,554
Lease liabilities	6,207	5,446
Deferred revenue	84,678	87,846
Dividends payable for distribution in specie	-	102,451
	<u>285,347</u>	<u>403,098</u>
Total liabilities	<u>659,737</u>	<u>735,671</u>
Total equity and liabilities	<u>1,478,143</u>	<u>1,612,364</u>

RECONCILIATIONS OF IFRS TO NON-IFRS RESULTS

RMB in millions, unless specified	As reported	Adjustments							Non-IFRS
		Share-based compensation (a)	Net (gains)/losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	SSV & CPP (e)	Others (f)	Income tax effects (g)	
Unaudited three months ended September 30, 2022									
Operating profit	51,593	5,925	(32,341)	1,313	12,962	1,445	10	–	40,907
Profit for the period	38,842	8,020	(32,106)	3,065	13,283	1,445	1,738	(933)	33,354
Profit attributable to equity holders	39,943	7,818	(32,402)	2,836	11,617	1,445	1,738	(741)	32,254
Operating margin	37%								29%
Net margin	28%								24%
Unaudited three months ended June 30, 2022									
Operating profit	30,067	6,507	(5,539)	1,255	2,831	1,370	176	–	36,667
Profit for the period	19,230	8,439	(6,085)	2,989	3,189	1,370	176	(321)	28,987
Profit attributable to equity holders	18,619	8,257	(5,968)	2,767	3,189	1,370	176	(271)	28,139
Operating margin	22%								27%
Net margin	14%								22%
Unaudited three months ended September 30, 2021									
Operating profit	53,137	6,652	(26,569)	1,149	6,389	70	–	–	40,828
Profit for the period	40,075	10,242	(26,781)	3,093	6,452	70	–	(633)	32,518
Profit attributable to equity holders	39,510	10,063	(26,491)	2,719	6,452	70	–	(572)	31,751
Operating margin	37%								29%
Net margin	28%								23%

Note:

- (a) Including put options granted to employees of investee companies on their shares and shares to be issued under investee companies' share-based incentive plans which can be acquired by the Group, and other incentives
- (b) Including net (gains)/losses on deemed disposals/disposals of investee companies, fair value changes arising from investee companies, and other expenses in relation to equity transactions of investee companies
- (c) Amortisation of intangible assets resulting from acquisitions
- (d) Mainly including impairment provisions/(reversals) for associates, joint ventures, goodwill and other intangible assets arising from acquisitions
- (e) Mainly including donations and expenses incurred for the Group's Sustainable Social Value and Common Prosperity Programme ("SSV & CPP") initiatives
- (f) Mainly including expenses incurred for regulatory fines and certain litigation settlements of the Group and/or arising from investee companies
- (g) Income tax effects of non-IFRS adjustments