

For Immediate Release**TENCENT ANNOUNCES 2021 THIRD QUARTER RESULTS**

Hong Kong, November 10, 2021 – 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 (“3Q2021”) of 2021 ended September 30, 2021.

3Q2021 Key Highlights

Revenues: +13% YoY, non-IFRS¹ profit attributable to equity holders of the Company: -2% YoY

Total revenues were RMB142.4 billion (USD22.0 billion²), an increase of 13% over the third quarter of 2020 (“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 RMB40.8 billion (USD6.3 billion), an increase of 7% YoY. Operating margin decreased to 29% from 30% last year.
 - **Profit for the period** was RMB32.5 billion (USD5.0 billion), a decrease of 2% YoY. Net margin decreased to 23% from 27% last year.
 - **Profit attributable to equity holders of the Company** for the quarter was 31.8 billion (USD4.9 billion), a decrease of 2% YoY.
 - **Basic earnings per share** were RMB3.329. **Diluted earnings per share** were RMB3.269.
- **On an IFRS basis:**
 - Operating profit was RMB53.1 billion (USD8.2 billion), an increase of 21% YoY. Operating margin increased to 37% from 35% last year.
 - Profit for the period was RMB40.1 billion (USD6.2 billion), an increase of 3% YoY. Net margin decreased to 28% from 31% last year.
 - Profit attributable to equity holders of the Company for the quarter was RMB39.5 billion (USD6.1 billion), an increase of 3% YoY.
 - Basic earnings per share were RMB4.143. Diluted earnings per share were RMB4.074.
- **Total cash** were RMB289.5 billion (USD44.6 billion) at the end of the period.

Mr. Ma Huateng, Chairman and CEO of Tencent, said, "During the third quarter, the Internet industry, including the domestic games industry, and certain advertiser categories, adapted to new regulatory and macroeconomic developments. We are proactively embracing the new regulatory environment which we believe should contribute to a more sustainable development path for the industry. In the domestic games market, our industry-leading efforts in fully complying with new regulations significantly reduced minors' game time and spending, fostering a healthier gameplay environment. We also invested actively in key strategic areas, as well as in frontier technologies, along with making new commitments in common prosperity initiatives. Looking forward, we are committed to delivering superior experiences to users, assisting enterprises to digitalise their operations and contributing to the society at large."

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

² Figures stated in USD are based on USD1 to RMB6.4854

3Q2021 Financial Review

Starting the third quarter of 2021, we disclose revenue from Domestic Games³ and International Games as new sub-segments under VAS, reflecting the increasing scale of our International Games business.

Revenues from VAS⁴ increased by 8% to RMB75.2 billion for the third quarter of 2021 on a year-on-year basis. Domestic Games revenues grew by 5% year-on-year to RMB33.6 billion, driven by games including Honour of Kings, Call of Duty Mobile, and Moonlight Blade Mobile. International Games revenues grew by 20% year-on-year to RMB11.3 billion, or 28% in constant currency terms, due to robust performance of games including Valorant and Clash of Clans. Social Networks revenues grew by 7% year-on-year to RMB30.3 billion, driven by relatively rapid growth from video and music subscription services, as well as moderate growth from live streaming and in-game item sales.

Revenues from Online Advertising increased by 5% to RMB22.5 billion for the third quarter of 2021 on a year-on-year basis, reflecting resilience of advertiser categories such as consumer staples and Internet services, as well as consolidation of Bitauto's advertising revenue, which was largely offset by weakness in categories including education, insurance and games. Social and Others Advertising revenues grew by 7% year-on-year to RMB19.0 billion, driven by advertising revenue growth from Weixin Mini Programs and Weixin Official Accounts. Media Advertising revenues decreased by 4% year-on-year to RMB3.5 billion, primarily due to lower advertising revenues from Tencent News app.

Revenues from FinTech and Business Services increased by 30% to RMB43.3 billion for the third quarter of 2021 on a year-on-year basis. FinTech Services revenue growth primarily reflected increasing commercial payment volume. Business Services revenues increased healthily year-on-year, due to factors including increased digitalisation of traditional industries and videolisation of the Internet industry, as well as consolidation of Bitauto's Business Services revenue.

Other Key Financial Information for 3Q2021

EBITDA was RMB42.7 billion, down 5% YoY. Adjusted EBITDA was RMB49.3 billion, up 3% YoY.

Capital expenditures were RMB7.1 billion, down 19% YoY.

Free cash flow was RMB24.1 billion, down 14% YoY.

As at September 30, 2021, net debt position totalled RMB26.1 billion. Fair value of our shareholdings⁵ in listed investee companies (excluding subsidiaries) totalled RMB1,196.6 billion. During the third quarter, the Company repurchased approximately 5.6 million shares on the Hong Kong Stock Exchange for an aggregate consideration of approximately USD334 million.

³ For the purpose of preparing financial and operating information, Domestic Games refers to our games business in the PRC, excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan.

⁴ Mobile games VAS revenues (including mobile games revenues attributable to our Social Networks business) increased by 9% year-on-year to RMB42.5 billion, while PC client games revenues grew by 1% year-on-year to RMB11.7 billion for the third quarter of 2021.

⁵ Including those held via special purpose vehicles, on an attributable basis

Operating Metrics

	As at 30 September 2021	As at 30 September 2020 (in millions, unless specified)	Year- on-year change	As at 30 June 2021	Quarter-on- quarter change
Combined MAU of Weixin and WeChat	1,262.6	1,212.8	4.1%	1,251.4	0.9%
Mobile device MAU of QQ	573.7	617.4	-7.1%	590.9	-2.9%
Fee-based VAS registered subscriptions	235.4	213.4	10.3%	229.4	2.6%

Business Review and Outlook

Communication and Social

For Weixin, we enriched Video Accounts via our resources in Official Accounts, sports coverage and games content, and enhanced Video Accounts' recommendation technology. Video consumption grew healthily as a result. The number of active Mini Programs increased by over 40% year-on-year as we strengthened our commerce ecosystem and deepened penetration across industries including restaurants, retailing and transportation. Retailers can leverage the integration of WeCom's enterprise communication tool with Mini Programs to enable online conversations between their salespeople and customers within their private domain environments.

For QQ, we upgraded interactive technologies to offer richer video experiences. We provided augmented reality (AR) creation tools customised for festivals and landmarks to drive user-generated video creation and sharing, as well as cross-screen interactive AR effects for more entertaining video call experiences.

Digital Content

Our fee-based VAS subscriptions grew 10% year-on-year to 235 million. Video subscriptions increased 8% year-on-year to 129 million due to content such as Crime Crackdown and You Are My Glory, which were the first- and second-most watched drama series by video views across all online platforms in China for the third quarter. Music subscriptions increased 38% year-on-year to 71 million, as Tencent Music Entertainment enhanced its music streaming experience to attract more paying users.

Domestic Games

Starting from 1 September 2021, we have implemented new measures to fully comply with the latest regulations on restricting Minors⁶ game time in China. Minors accounted for 0.7% of our Domestic Games time spent in September 2021, significantly declining from 6.4% in September 2020. In terms of our Domestic Games grossing receipts, Minors accounted for 1.1% in September 2021, significantly declining from 4.8% in September 2020. We continued our industry-leading efforts in combatting Minors' usage of adult accounts; for example, we upgraded our screening system to identify misused accounts.

We developed a series of popular skins inspired by Chinese culture for Honour of Kings, transmitting

⁶ Players aged under 18

provincial arts and traditions to a wider audience. League of Legends: Wild Rift extended the authentic PC experience to mobile, reactivating and enlarging League of Legends' user base, and ranked second by DAU among all mobile games in China in October 2021. We also invigorated the auto-chess genre by introducing player versus environment (PvE) and co-op gameplay in Fight of The Golden Spatula, which is the second-highest DAU new game launched in China year-to-date, behind League of Legends: Wild Rift.

International Games

We are increasing our investments in global game development capabilities through scaling up our China-based studios and established multi-hit international studios, and nurturing the growth of specialist genre-leading international studios with our knowhow, technology and funding. We are strengthening our global IP portfolio through in-house IP development as well as partnerships with renowned IP owners. We are also building up localised publishing and operational capabilities to support our expansion in multiple regions.

Online Advertising

We enabled enterprises to connect directly with users via embedding WeCom chat-to-salesperson functionality in their advertisements, which is particularly effective for lead-driven advertisers, such as automobile dealers. An increasing number of transaction-driven advertisers, such as grocery and eCommerce merchants, use Mini Programs as landing pages for their advertisements, to enhance sales conversion. Our top-tier drama series, variety shows and coverage of the Tokyo 2020 Olympic Games captured higher sponsorship spending from brand advertisers on Tencent Video app.

Despite these initiatives, our advertising revenue growth rate slowed in the period and we expect advertising pricing industry-wide may remain soft for several quarters, due to macro challenges and regulations affecting certain key advertising sectors. We believe the advertising industry should adjust and rebase during 2022, then resume growth as secular growth drivers reassert themselves.

FinTech

For payments, our DAU and payment frequency maintained healthy overall growth rates, though offline commercial payment volume growth moderated on a year-on-year basis due to control measures against COVID-19 resurgence in certain provinces. We deepened our cooperation with UnionPay to develop new payment and service interconnection scenarios through its Cloud QuickPass app.

Cloud and Other Business Services

Our CRM SaaS solution, Tencent QiDian, has served over one million enterprises and is increasingly adopted by medium and large-scale enterprises. Tencent QiDian provides AI-powered customer service across multiple communications channels around the clock, significantly reducing customer service costs for our enterprise clients. Our database PaaS solution, Tencent Database SQL (TDSQL), has been adopted by more than 3,000 clients from verticals such as finance, public services and telecommunications. Within the financial vertical, TDSQL serves six out of the top ten banks in China, and an increasing number of financial institutions are using TDSQL in their core systems, due to their trust in our data security, reliability and consistency.

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.

For investor and media enquiries, please contact IR@tencent.com

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 M&A 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	
	3Q2021	3Q2020	3Q2021	2Q2021
Revenues	142,368	125,447	142,368	138,259
VAS	75,203	69,802	75,203	72,013
Online Advertising	22,495	21,351	22,495	22,833
FinTech and Business Services	43,317	33,255	43,317	41,892
Others	1,353	1,039	1,353	1,521
Cost of revenues	(79,621)	(68,800)	(79,621)	(75,514)
Gross profit	62,747	56,647	62,747	62,745
	<i>Gross margin</i>			
	44%	45%	44%	45%
Interest income	1,703	1,864	1,703	1,630
Other gains, net	22,984	11,551	22,984	20,763
Selling and marketing expenses	(10,435)	(8,920)	(10,435)	(10,013)
General and administrative expenses	(23,862)	(17,189)	(23,862)	(22,638)
Operating profit	53,137	43,953	53,137	52,487
	<i>Operating margin</i>			
	37%	35%	37%	38%
Finance costs, net	(1,942)	(1,945)	(1,942)	(1,942)
Share of (loss)/profit of associates and joint ventures	(5,668)	2,630	(5,668)	(3,857)
Profit before income tax	45,527	44,638	45,527	46,688
Income tax expense	(5,452)	(5,739)	(5,452)	(3,666)
Profit for the period	40,075	38,899	40,075	43,022
	<i>Net margin</i>			
	28%	31%	28%	31%
Attributable to:				
Equity holders of the Company	39,510	38,542	39,510	42,587
Non-controlling interests	565	357	565	435
Non-IFRS profit attributable to equity holders of the Company	31,751	32,303	31,751	34,039
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)				
- basic	4.143	4.059	4.143	4.472
- diluted	4.074	3.964	4.074	4.387

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

RMB in millions, unless specified

Profit for the period**Other comprehensive (loss)/income, net of tax:***Items that may be subsequently reclassified to profit or loss*

Share of other comprehensive (loss)/income of associates and joint ventures

Currency translation differences

Other fair value gains

Items that will not be subsequently reclassified to profit or loss

Share of other comprehensive loss of associates and joint ventures

Net (losses)/gains from changes in fair value of financial assets at fair value through other comprehensive income

Currency translation differences

Other fair value gains

Total comprehensive (loss)/income for the period**Attributable to:**

Equity holders of the Company

Non-controlling interests

Unaudited	
3Q2021	3Q2020
40,075	38,899
(157)	192
(4,607)	(5,731)
133	169
(16)	-
(36,411)	9,535
(130)	-
-	202
(41,188)	4,367
(1,113)	43,266
(594)	43,082
(519)	184

OTHER FINANCIAL INFORMATION

RMB in millions, unless specified

	Unaudited		
	3Q2021	2Q2021	3Q2020
EBITDA (a)	42,683	44,567	45,055
Adjusted EBITDA (a)	49,257	50,347	47,849
Adjusted EBITDA margin (b)	35%	36%	38%
Interest and related expenses	2,092	1,912	1,855
Net (debt)/cash (c)	(26,146)	(20,972)	6,363
Capital expenditures (d)	7,061	6,936	8,684

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	As at
	September 30, 2021	December 31, 2020
ASSETS		
Non-current assets		
Property, plant and equipment	59,779	59,843
Land use rights	16,153	16,091
Right-of-use assets	14,917	12,929
Construction in progress	5,435	4,939
Investment properties	531	583
Intangible assets	180,574	159,437
Investments in associates	369,441	297,609
Investments in joint ventures	6,790	7,649
Financial assets at fair value through profit or loss	193,931	165,944
Financial assets at fair value through other comprehensive income	243,940	213,091
Prepayments, deposits and other assets	36,288	24,630
Other financial assets	549	4
Deferred income tax assets	24,566	21,348
Term deposits	36,969	31,681
	1,189,863	1,015,778
Current assets		
Inventories	2,735	814
Accounts receivable	53,837	44,981
Prepayments, deposits and other assets	63,932	40,321
Other financial assets	1,392	1,133
Financial assets at fair value through profit or loss	13,768	6,593
Term deposits	68,578	68,487
Restricted cash	2,606	2,520
Cash and cash equivalents	170,873	152,798
	377,721	317,647
Total assets	1,567,584	1,333,425

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

RMB in millions, unless specified

	Unaudited	Audited
	As at	As at
	September 30, 2021	December 31, 2020
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	-	-
Share premium	62,041	48,793
Treasury shares	(435)	-
Shares held for share award schemes	(5,028)	(4,412)
Other reserves	124,226	121,139
Retained earnings	675,732	538,464
	<u>856,536</u>	<u>703,984</u>
Non-controlling interests	74,840	74,059
Total equity	<u>931,376</u>	<u>778,043</u>
LIABILITIES		
Non-current liabilities		
Borrowings	141,275	112,145
Notes payable	148,077	122,057
Long-term payables	10,807	9,910
Other financial liabilities	7,278	9,254
Deferred income tax liabilities	15,861	16,061
Lease liabilities	11,850	10,198
Deferred revenue	6,193	6,678
	<u>341,341</u>	<u>286,303</u>
Current liabilities		
Accounts payable	99,808	94,030
Other payables and accruals	54,957	54,308
Borrowings	26,276	14,242
Current income tax liabilities	10,658	12,134
Other tax liabilities	2,298	2,149
Other financial liabilities	3,831	5,567
Lease liabilities	4,315	3,822
Deferred revenue	92,724	82,827
	<u>294,867</u>	<u>269,079</u>
Total liabilities	<u>636,208</u>	<u>555,382</u>
Total equity and liabilities	<u><u>1,567,584</u></u>	<u><u>1,333,425</u></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)	Others (e)	Income tax effects (f)	
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%
Unaudited three months ended June 30, 2021								
Operating profit	52,487	6,202	(20,383)	1,124	3,372	-	-	42,802
Profit for the period	43,022	7,658	(20,413)	3,140	3,338	-	(1,605)	35,140
Profit attributable to equity holders	42,587	7,376	(20,537)	2,767	3,331	-	(1,485)	34,039
Operating margin	38%							31%
Net margin	31%							25%
Unaudited three months ended September 30, 2020								
Operating profit	43,953	3,059	(8,703)	905	(1,098)	-	-	38,116
Profit for the period	38,899	3,770	(10,099)	2,005	(973)	-	(277)	33,325
Profit attributable to equity holders	38,542	3,517	(10,133)	1,620	(1,026)	-	(217)	32,303
Operating margin	35%							30%
Net margin	31%							27%

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) Impairment provisions/(reversals) for associates, joint ventures, goodwill and other intangible assets arising from acquisitions
- (e) Including expenses incurred in establishing certain social responsibility initiatives
- (f) Income tax effects of non-IFRS adjustments