

For Immediate Release**TENCENT ANNOUNCES 2022 SECOND QUARTER AND INTERIM RESULTS**

Hong Kong, August 17, 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 second quarter (“2Q2022”) and first half year of 2022 (“1H2022”) ended June 30, 2022.

2Q2022 Key Highlights

Revenues: -3% YoY, non-IFRS¹ profit attributable to equity holders of the Company: -17% YoY

- **Total revenues** were RMB134.0 billion (USD20.0 billion²), a decrease of 3% over the second 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 RMB36.7 billion (USD5.5 billion), a decrease of 14% YoY. Operating margin decreased to 27% from 31% last year.
 - **Profit for the period** was RMB29.0 billion (USD4.3 billion), a decrease of 18% YoY. Net margin decreased to 22% from 25% last year.
 - **Profit attributable to equity holders of the Company** for the quarter was RMB28.1 billion (USD4.2 billion), a decrease of 17% YoY.
 - **Basic earnings per share** were RMB2.949. **Diluted earnings per share** were RMB2.896.
- **On an IFRS basis:**
 - Operating profit was RMB30.1 billion (USD4.5 billion), a decrease of 43% YoY. Operating margin decreased to 22% from 38% last year.
 - Profit for the period was RMB19.2 billion (USD2.9 billion), a decrease of 55% YoY. Net margin decreased to 14% from 31% last year.
 - Profit attributable to equity holders of the Company for the quarter was RMB18.6 billion (USD2.8 billion), a decrease of 56% YoY.
 - Basic earnings per share were RMB1.951. Diluted earnings per share were RMB1.915.

1H2022 Key Highlights

Revenues: -1% YoY, non-IFRS profit attributable to equity holders of the Company: -20% YoY

- **Total revenues** were RMB269.5 billion (USD40.2 billion), a decrease of 1% over the first half year 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 RMB73.2 billion (USD10.9 billion), a decrease of 14% YoY. Operating margin decreased to 27% from 31% last year.
 - **Profit for the period** was RMB55.3 billion (USD8.2 billion), a decrease of 21% YoY. Net margin decreased to 21% from 25% last year.
 - **Profit attributable to equity holders of the Company** for the period was RMB53.7 billion

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 RMB6.7114

(USD8.0 billion), a decrease of 20% YoY.

- **Basic earnings per share** were RMB5.628. **Diluted earnings per share** were RMB5.516.
- **On an IFRS basis:**
 - Operating profit was RMB67.3 billion (USD10.0 billion), a decrease of 38% YoY. Operating margin decreased to 25% from 40% last year.
 - Profit for the period was RMB43.0 billion (USD6.4 billion), a decrease of 53% YoY. Net margin decreased to 16% from 34% last year.
 - Profit attributable to equity holders of the Company for the period was RMB42.0 billion (USD6.3 billion), a decrease of 53% YoY.
 - Basic earnings per share were RMB4.407. Diluted earnings per share were RMB4.320.
- **Total cash** were RMB315.9 billion (USD47.1 billion) at the end of the period.

Mr. Ma Huateng, Chairman and CEO of Tencent, said, "During the second quarter, we actively exited non-core businesses, tightened our marketing spending, and trimmed operating expenses, enabling us to sequentially increase our non-IFRS earnings, despite difficult revenue conditions. Looking forward, we will focus on enhancing the efficiency of our businesses and launching new revenue initiatives, including in-feed advertisements in our popular Video Accounts, while continuing to drive innovation through R&D. We generate approximately half of our revenues from FinTech and Business Services as well as Online Advertising that directly contribute to, and benefit from, overall economic activity, which should position us for revenue growth as China's economy expands."

2Q2022 Financial Review

Revenues from VAS³ were RMB71.7 billion for the second quarter of 2022, broadly stable compared to the second quarter of 2021. International Games revenues decreased by 1% to RMB10.7 billion, or broadly stable in constant currency terms, as the international game industry experienced a post-pandemic digestion period. By title, we saw decreased revenues from PUBG Mobile and Brawl Stars, a robust performance from VALORANT, and incremental revenues from newly launched V Rising. Domestic Games revenues decreased by 1% to RMB31.8 billion, as the domestic game industry experienced a similar digestion period due to transitional issues including relatively fewer big game releases, lower user spending, and the implementation of minor protection measures. By title, we saw decreased revenues from Honour of Kings, Moonlight Blade Mobile and League of Legends, and incremental revenues from recently launched games, such as League of Legends: Wild Rift, Return to Empire and Fight of The Golden Spatula. Social Networks revenues grew by 1% to RMB29.2 billion, reflecting increased revenues from our Video Accounts live streaming service and digital content subscription services, and decreased revenues from music- and games-related live streaming services.

Revenues from Online Advertising decreased by 18% to RMB18.6 billion for the second quarter of 2022 on a year-on-year basis, reflecting notable weakness in the Internet services, education and finance sectors, especially in April and May, partly offset by our consolidation of Sogou's advertising revenue. Social and Others Advertising revenues decreased by 17% to RMB16.1 billion as weak ad demand led to subdued bidding density and consequently lower eCPMs. Media Advertising revenues decreased by 25% to RMB2.5 billion, attributable to lower advertising revenues from Tencent Video and Tencent News.

Revenues from FinTech and Business Services grew by 1% to RMB42.2 billion for the second quarter of 2022 on a year-on-year basis. FinTech Services revenue growth was slower relative to prior quarters as COVID-

³ From the third quarter of 2021, we disclose revenues from Domestic Games and International Games as new sub-segments under VAS, reflecting the increasing scale of our International Games business. Mobile games VAS revenues (including mobile games revenues attributable to our Social Networks business) decreased by 2% year-on-year to RMB40.0 billion, while PC client games revenues grew by 5% year-on-year to RMB11.6 billion for the second quarter of 2022

19 resurgence temporarily impacted commercial payment activities in April and May. Business Services revenues decreased slightly year-on-year reflecting our proactive efforts to scale back loss-making activities.

Other Key Financial Information for 2Q2022

EBITDA was RMB38.6 billion, down 13% YoY. Adjusted EBITDA was RMB44.7 billion, down 11% YoY.

Capital expenditures were RMB3.0 billion, down 57% YoY.

Free cash flow was RMB22.5 billion, up 30% YoY.

As at June 30, 2022, net debt position totalled RMB20.4 billion. Fair value of our shareholdings⁴ in listed investee companies (excluding subsidiaries) totalled RMB601.9 billion (USD89.7 billion). During the second quarter, the Company repurchased approximately 9.7 million shares on the Hong Kong Stock Exchange for an aggregate consideration of approximately RMB3.1 billion.

Operating Metrics

	As at 30 June 2022	As at 30 June 2021 (in millions, unless specified)	Year- on-year change	As at 31 March 2022	Quarter-on- quarter change
Combined MAU of Weixin and WeChat	1,299.1	1,251.4	3.8%	1,288.3	0.8%
Mobile device MAU of QQ	568.7	590.9	-3.8%	563.8	0.9%
Fee-based VAS registered subscriptions	234.7	229.4	2.3%	239.1	-1.8%

Business Review and Outlook

Communication and Social

For Weixin, Video Accounts established substantial user engagement, with their total user time spent exceeding 80% of Moments'. Video Accounts' total video views grew over 200% year-on-year, video views based on AI recommendation increased by over 400% year-on-year, and daily active creators and daily video uploads in Video Accounts rose by over 100% year-on-year. During the second quarter of 2022, we hosted a series of popular live concerts that each attracted tens of millions of viewers.

For QQ, we enriched the interactive experience by introducing shared virtual spaces, where users can make friends and engage in community activities, as well as live audio chat using Super QQ Show avatars.

Digital Content

Our fee-based VAS subscriptions increased by 2% year-on-year to 235 million. For Tencent Video, subscriptions amounted to 122 million. Our self-commissioned drama series, A Dream of Splendor, ranked first by video views industry-wide⁵ in June 2022. According to QuestMobile, Tencent Video's mobile DAU was

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

⁵ According to Enlightent, A Dream of Splendor ranked number one by video views across all online platforms in China in June 2022

more than 20% higher than that of its closest peer in June 2022. For music, our subscriptions increased year-on-year to 83 million. In July 2022, TME sold over 6 million units of Jay Chou's digital album.

Domestic Games

The domestic game industry is facing transitional challenges including fewer big game releases, lower user spending and measures to protect minors. During this period, we prioritised developing technical capabilities and reinforcing our leadership in terms of player engagement. Honour of Kings and Peacekeeper Elite were the top two highest-ranked games by total time spent across the industry⁶, and each increased their total time spent by adult users year-on-year. In recent months, we released several new games which have achieved notable popularity, such as Fight of The Golden Spatula (ranked fourth by total time spent across all games⁶ in the second quarter of 2022) and Arena Breakout (ranked eighth by total time spent across all games in July 2022⁶).

International Games

The international games market is experiencing a post-pandemic digestion period as players resume offline activities. However, we believe we are making progress against our strategic initiatives. For example, in terms of game operations, Riot Games' VALORANT achieved record-high MAU and quarterly grossing receipts in the crowded tactical shooter category. In terms of investments, in July 2022, our European developer Miniclip acquired SYBO, the developer of the endless runner game Subway Surfers, which ranked first in the mobile game industry by cumulative downloads globally over the past decade⁷, increasing Miniclip's DAU by 30 million to 70 million. In terms of new games, V Rising, a Survival-Open World-Crafting game developed by our Swedish studio Stunlock, sold 2 million copies in its first month of Early Access.

Online Advertising

For Weixin Moments, we introduced a frame-breaking advertisement format, which is popular among brand advertisers. In July 2022, we began rolling out Video Accounts in-feed advertisements, which we believe represent a significant opportunity for expanding our market share and enhancing our profitability.

FinTech

COVID-19 resurgence temporarily dampened commercial payment activities during the second quarter of 2022. Commercial payment volume slowed to low-single-digit year-on-year growth in April 2022, but resumed to high-teens year-on-year growth in June 2022.

Cloud and Other Business Services

We focused on quality revenue growth, prioritising internally-developed products while reducing loss-making activities. Business Services' gross margin expanded quarter-on-quarter as we improved revenue mix and reduced costs. For PaaS, TDSQL database revenue grew over 30% year-on-year and represented over 5% of our cloud revenue in the second quarter of 2022. Frost & Sullivan named TDSQL the leading distributed database product in China⁸, citing its scalability and support for industry solution services. For SaaS, Tencent Meeting launched a marketplace with plug-ins to enrich meeting experiences.

⁶ Source: QuestMobile, second quarter of 2022 (unless otherwise specified)

⁷ Source: data.ai, January 2012 to June 2022

⁸ Source: "2021 China Distributed Database Market Report" jointly released by Frost & Sullivan and LeadLeo Research Institution

Appointment of Independent Non-Executive Director

We appointed Professor Zhang Xiulan as an independent Non-Executive Director (INED) and a member of the Corporate Governance Committee. She is currently a consultant at the University of California, San Francisco, and was previously the Dean at the School of Social Development and Public Policy, Beijing Normal University. Following Professor Zhang's appointment, the number of INEDs on our board will increase to 5 while the number of female directors will increase to 2, out of a total of 9 board members. The appointment will broaden our board's independence, gender diversity and areas of expertise.

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 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	
	2Q2022	2Q2021	2Q2022	1Q2022
Revenues	134,034	138,259	134,034	135,471
VAS	71,683	72,013	71,683	72,738
Online Advertising	18,638	22,833	18,638	17,988
FinTech and Business Services	42,208	41,892	42,208	42,768
Others	1,505	1,521	1,505	1,977
Cost of revenues	(76,167)	(75,514)	(76,167)	(78,397)
Gross profit	57,867	62,745	57,867	57,074
	<i>Gross margin</i>	<i>43%</i>	<i>43%</i>	<i>42%</i>
Interest income	1,945	1,630	1,945	1,737
Other gains, net	4,420	20,763	4,420	13,133
Selling and marketing expenses	(7,932)	(10,013)	(7,932)	(8,058)
General and administrative expenses	(26,233)	(22,638)	(26,233)	(26,669)
Operating profit	30,067	52,487	30,067	37,217
	<i>Operating margin</i>	<i>22%</i>	<i>22%</i>	<i>27%</i>
Finance costs, net	(1,809)	(1,942)	(1,809)	(1,935)
Share of profit/(loss) of associates and joint ventures, net	(4,460)	(3,857)	(4,460)	(6,280)
Profit before income tax	23,798	46,688	23,798	29,002
Income tax expense	(4,568)	(3,666)	(4,568)	(5,269)
Profit for the period	19,230	43,022	19,230	23,733
	<i>Net margin</i>	<i>14%</i>	<i>14%</i>	<i>18%</i>
Attributable to:				
Equity holders of the Company	18,619	42,587	18,619	23,413
Non-controlling interests	611	435	611	320
Non-IFRS profit attributable to equity holders of the Company	28,139	34,039	28,139	25,545
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)				
- basic	1.951	4.472	1.951	2.455
- diluted	1.915	4.387	1.915	2.404

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

RMB in millions, unless specified

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

Share of other comprehensive income of associates and joint ventures	292	(11)
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	(14)	5
Transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	2	-
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	(8)	-
Currency translation differences	6,989	(1,428)
Other fair value gains	865	92

Items that will not be subsequently reclassified to profit or loss

Share of other comprehensive income of associates and joint ventures	(379)	53
Net (losses)/gains from changes in fair value of financial assets at fair value through other comprehensive income	(61,581)	46,522
Currency translation differences	2,219	(305)

Total comprehensive income for the period**Attributable to:**

Equity holders of the Company	(32,083)	87,511
Non-controlling interests	(302)	439

Unaudited	
2Q2022	2Q2021
19,230	43,022
292	(11)
(14)	5
2	-
(8)	-
6,989	(1,428)
865	92
(379)	53
(61,581)	46,522
2,219	(305)
(51,615)	44,928
(32,385)	87,950
(32,083)	87,511
(302)	439

OTHER FINANCIAL INFORMATION

RMB in millions, unless specified

	Unaudited		
	2Q2022	1Q2022	2Q2021
EBITDA (a)	38,628	38,283	44,567
Adjusted EBITDA (a)	44,668	46,102	50,347
Adjusted EBITDA margin (b)	33%	34%	36%
Interest and related expenses	2,327	2,103	1,912
Net (debt)/cash (c)	(20,429)	(11,035)	(20,972)
Capital expenditures (d)	3,015	6,971	6,936

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 June 30, 2022	As at December 31, 2021
ASSETS		
Non-current assets		
Property, plant and equipment	59,073	61,914
Land use rights	18,321	17,728
Right-of-use assets	22,622	20,468
Construction in progress	6,691	5,923
Investment properties	569	517
Intangible assets	177,718	171,376
Investments in associates	310,209	316,574
Investments in joint ventures	6,676	6,614
Financial assets at fair value through profit or loss	204,398	192,184
Financial assets at fair value through other comprehensive income	143,563	250,257
Prepayments, deposits and other assets	37,335	37,177
Other financial assets	5,366	1,261
Deferred income tax assets	28,864	26,068
Term deposits	24,945	19,491
	1,046,350	1,127,552
Current assets		
Inventories	2,939	1,063
Accounts receivable	49,446	49,331
Prepayments, deposits and other assets	66,155	65,390
Other financial assets	1,095	1,749
Financial assets at fair value through profit or loss	14,762	10,573
Term deposits	91,670	83,813
Restricted cash	2,594	2,476
Cash and cash equivalents	184,658	167,966
Assets held for distribution	-	102,451
	413,319	484,812
Total assets	1,459,669	1,612,364

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

RMB in millions, unless specified

	Unaudited	Audited
	As at	As at
	June 30, 2022	December 31, 2021
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	-	-
Share premium	73,700	67,330
Treasury shares	(776)	-
Shares held for share award schemes	(4,745)	(4,843)
Other reserves	(40,210)	73,901
Retained earnings	708,525	669,911
	<u>736,494</u>	<u>806,299</u>
Non-controlling interests	<u>67,387</u>	<u>70,394</u>
Total equity	<u>803,881</u>	<u>876,693</u>
LIABILITIES		
Non-current liabilities		
Borrowings	162,577	136,936
Notes payable	143,232	145,590
Long-term payables	9,971	9,966
Other financial liabilities	5,470	5,912
Deferred income tax liabilities	11,401	13,142
Lease liabilities	18,372	16,501
Deferred revenue	4,558	4,526
	<u>355,581</u>	<u>332,573</u>
Current liabilities		
Accounts payable	105,119	109,470
Other payables and accruals	53,326	60,582
Borrowings	20,473	19,003
Notes payable	10,062	-
Current income tax liabilities	9,656	12,506
Other tax liabilities	2,353	2,240
Other financial liabilities	3,909	3,554
Lease liabilities	6,086	5,446
Deferred revenue	89,223	87,846
Dividends payable for distribution in specie	-	102,451
	<u>300,207</u>	<u>403,098</u>
Total liabilities	<u>655,788</u>	<u>735,671</u>
Total equity and liabilities	<u>1,459,669</u>	<u>1,612,364</u>

RECONCILIATIONS OF IFRS TO NON-IFRS RESULTS

RMB in millions, unless specified	As reported	Adjustments						Income tax effects (g)	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)		
Unaudited three months ended Jun 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 March 31, 2022									
Operating profit	37,217	8,136	(18,559)	1,388	7,003	1,348	5	–	36,538
Profit for the period	23,733	9,635	(18,552)	3,163	7,832	1,348	5	(868)	26,296
Profit attributable to equity holders	23,413	9,452	(18,542)	2,857	7,827	1,348	5	(815)	25,545
Operating margin	27%								27%
Net margin	18%								19%
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%

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) Mainly including donations and expenses incurred for the Group's Sustainable Social Value and Common Prosperity Programme ("SSV & CPP") initiatives (excluding share-based compensation expenses)
- (f) Mainly including expenses incurred for regulatory fines in the Mainland of China and certain litigation settlements
- (g) Income tax effects of non-IFRS adjustments