

**For Immediate Release****TENCENT ANNOUNCES 2023 FIRST QUARTER RESULTS**

**Hong Kong, May 17, 2023** – 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 first quarter (“1Q2023”) ended Mar 31, 2023.

**1Q2023 Key Highlights**

**Revenues: +11% YoY, non-IFRS<sup>1</sup> profit attributable to equity holders of the Company: +27% YoY**

- **Total revenues** were RMB150 billion (USD21.8 billion<sup>2</sup>), an increase of 11% over the first quarter of 2022 (“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 RMB48.4 billion (USD7 billion), an increase of 32% YoY. Operating margin increased to 32% from 27% last year.
  - **Profit for the period** was RMB33.4 billion (USD4.9 billion), an increase of 27% YoY. Net margin increased to 22% from 19% last year.
  - **Profit attributable to equity holders of the Company** for the quarter was RMB32.5 billion (USD4.7 billion), an increase of 27% YoY.
  - **Basic earnings per share** were RMB3.431. **Diluted earnings per share** were RMB3.353.
- **On an IFRS basis:**
  - Operating profit was RMB40.4 billion (USD5.9 billion), an increase of 9% YoY. Operating margin was stable at 27%.
  - Profit for the period was RMB26.4 billion (USD3.8 billion), an increase of 11% YoY. Net margin was stable at 18%.
  - Profit attributable to equity holders of the Company for the quarter was RMB25.8 billion (USD3.8 billion), an increase of 10% YoY.
  - Basic earnings per share were RMB2.725. Diluted earnings per share were RMB2.639.
- **Total cash** were RMB370.5 billion (USD53.9 billion) at the end of the period.

Mr. Ma Huateng, Chairman and CEO of Tencent, said, “During the first quarter of 2023, we achieved solid revenue growth as our payment volumes benefitted from, and facilitated, domestic consumption recovery, our games revenue improved, and our advertising revenue sustained rapid growth. Our non-IFRS net profit increased at a faster pace, reflecting a positive revenue mix shift, operational efficiencies, and an easy base period. We are investing in our AI capabilities and cloud infrastructure to embrace the opportunities brought by foundation models, and expect AI to be a growth multiplier that enables us to better serve our users, customers, and society at large.”

**1Q2023 Financial Review**

Revenues from VAS increased by 9% to RMB79.3 billion for the first quarter of 2023 on a year-on-year basis.

<sup>1</sup> 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

<sup>2</sup> Figures stated in USD are based on USD1 to RMB6.8717

International Games revenues increased by 25% to RMB13.2 billion, or up 18% excluding the impact of currency fluctuations, driven by the strong performance of recently launched GODDESS OF VICTORY: NIKKE and Triple Match 3D, as well as the robust growth of VALORANT. Domestic Games revenues grew by 6% to RMB35.1 billion, with increased revenues from established titles such as Honour of Kings, Dungeon and Fighter and CrossFire Mobile, as well as recently launched title Arena Breakout. Social Networks revenues increased by 6% to RMB31 billion, driven by in-game virtual item sales and our music subscription service.

Revenues from Online Advertising increased by 17% to RMB21 billion for the first quarter of 2023 on a year-on-year basis, driven by the addition of Video Accounts as a new advertising revenue stream, growth in advertising activities within Mini Programs and the recovery of our mobile ad network. Most industry categories experienced year-on-year growth in ad spend, which we attribute to the consumption recovery in China, amplified by our enhanced advertising infrastructure. Large eCommerce platforms increasingly recognised our services as a key user acquisition channel and increased their ad spend with us.

Revenues from FinTech and Business Services increased by 14% year-on-year to RMB48.7 billion for the first quarter of 2023. FinTech Services year-on-year growth accelerated versus the fourth quarter of 2022, primarily driven by the recovery of commercial payment activities due to a consumption rebound in China. Business Services revenues returned to positive year-on-year growth during this period, due to increased sales of certain cloud services, as well as initial revenues generated via technology support fee related to live streaming eCommerce transactions within Video Accounts.

### Other Key Financial Information for 1Q2023

EBITDA was RMB52.7 billion, up 38% YoY. Adjusted EBITDA was RMB57.8 billion, up 25% YoY.

Capital expenditures were RMB4.4 billion, down 37% YoY.

Free cash flow was RMB51.8 billion, up 240% YoY.

As at March 31, 2023, net cash position totalled RMB31.5 billion. Fair value of our shareholdings<sup>3</sup> in listed investee companies (excluding subsidiaries) totalled RMB472.8 billion (USD68.8 billion) and the carrying value of unlisted investee companies was RMB332.5 billion (USD48.4 billion). During the first quarter, the Company repurchased approximately 12.5 million shares on the Hong Kong Stock Exchange for an aggregate consideration of approximately RMB4 billion.

### Operating Metrics

	<b>As at 31 March 2023</b>	As at 31 March 2022 (in millions, unless specified)	Year- on-year change	As at 31 December 2022	Quarter-on- quarter change
Combined MAU of Weixin and WeChat	<b>1,319</b>	1,288	2%	1,313	stable
Mobile device MAU of QQ	<b>597</b>	564	6%	572	4%
Fee-based VAS registered subscriptions	<b>226</b>	239	-5%	234	-3%

<sup>3</sup> Including those held via special purpose vehicles, on an attributable basis

## Business Progress and Outlook

### *Communications and Social Networks*

Within Weixin, Video Accounts consumption continued to grow with rapid increases in time spent and video views. We are nurturing the creator community for Video Accounts by upgrading onboarding support with greater traffic incentives, wider creator coverage and more effective content creator tools. In addition, we have enhanced the eCommerce infrastructure, enabling creators to benefit from sales commissions associated with eCommerce transactions. The Video Accounts creator community is increasingly vibrant: the number of daily active creators and daily video uploads more than doubled year-on-year while the number of creators with over 10,000 followers more than tripled year-on-year.

For QQ, we deployed a new architecture to optimise development efficiency, strengthen security and improve graphical experience. This new architecture will significantly enhance future product deployments of QQ across multiple platforms.

### *Digital Content*

Long-form video subscriptions decreased 9% year-on-year to 113 million while subscription revenue decreased 6% year-on-year, primarily due to delayed content releases. We are enhancing our content to cater to evolving user demands. In April 2023, we released a self-commissioned drama series, *The Long Season*, which became the highest-rated domestic drama series in the past five years, according to the Douban review aggregation website<sup>4</sup>. We are extending our collaboration with short-form video services to expand our long-form content popularity and capture more monetisation opportunities. Music subscription revenue grew 30% year-on-year as we upgraded the listening experience and strengthened cooperation with labels and artists, enhancing user engagement and paying propensity.

### *Domestic Games*

As a result of our continued and dedicated Minor protection program, Minors contributed 0.4% of total time spent and 0.7% of total gross receipts for our domestic games during the first quarter of 2023, down by 96% and 90% respectively from the same period three years ago.

We resumed revenue growth as several of our most popular games delivered robust performances. *Honour of Kings* released ShanHaiJing-themed outfits with targeted marketing programs, generating record-high gross receipts in the first quarter of 2023. *CrossFire PC*, a game we operated since 2008, attracted returning players with promotions targeting Internet cafes. *CrossFire Mobile*, which we released in 2015, added popular content based on a virtual idol group created for the game. Both *CrossFire PC* and *CrossFire Mobile* achieved record-high gross receipts in the first quarter of 2023.

Our recently launched game titles in high potential genres also reached new milestones. *Fight of the Golden Spatula*, an auto-battler game we released in 2021, increased gross receipts by more than 30% year-on-year in the first quarter of 2023, and achieved a record-high average DAU of over 10 million in April 2023. *Arena Breakout*, an extraction shooter game we released in July 2022, grew and attained record-high DAU and gross receipts in the first quarter of 2023.

### *International Games*

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<sup>4</sup> As of May 16, 2023

VALORANT increased MAU year-on-year with the release of a new map and a new agent. The game's gross receipts increased by more than 30% year-on-year in the first quarter of 2023, driven by popular Japan-themed and alien-themed weapon items.

PUBG Mobile resumed sequential growth in DAU, benefitting from new combat features and enhanced player-versus-player gameplay. We introduced a map editing tool to facilitate user-generated content, enhancing user engagement and longevity.

Our subsidiary Miniclip launched Triple Match 3D in April 2022, which became a breakout success in the highly competitive match game genre. Leveraging creative gameplay and effective user acquisition, Triple Match 3D is the only title released within the last two years that is ranked among the top 10 games in the genre<sup>5</sup>.

### *Online Advertising*

We upgraded our machine learning advertising platform to incorporate our deep-learning model and standard product unit (SPU) database, delivering better targeting and higher conversions for advertisers.

Video Accounts attracted new advertisers and incremental spending from existing advertisers. Video Accounts' average eCPM sustained at a premium level versus those of other short-form video platforms, reflecting advertisers' recognition of our capability to route video views to Mini Program transactions within the Weixin app.

For our mobile ad network, on the supply side, we increased advertising inventory in high-conversion-rate properties, such as smart phone manufacturers' apps, while on the demand side, we attracted higher spending from ROI-focused advertisers, such as eCommerce platforms.

### *FinTech*

Growth in commercial payment activities improved significantly. Offline commercial payment activities rebounded more sharply than online commercial payment, benefitting from people going out-and-about.

### *Cloud and Other Business Services*

Business Services year-on-year revenue growth turned positive with notable increase in gross margin in the first quarter of 2023. Our Smart Transportation solutions are assisting the digitalisation of large-scale transportation projects. For example, we leveraged our expertise in areas such as cloud infrastructure, digital map and 3D rendering technologies for smart highway projects in Sichuan and metro systems in Guangzhou. The initial monetisation of technology support fee for live streaming eCommerce transactions also contributed to the revenue growth.

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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<sup>5</sup> Source: Top 10 match games by gross receipts in 1Q2023, according to data.ai



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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	
	1Q2023	1Q2022	1Q2023	4Q2022
<b>Revenues</b>	<b>149,986</b>	135,471	<b>149,986</b>	144,954
VAS	79,337	72,738	79,337	70,417
Online Advertising	20,964	17,988	20,964	24,660
FinTech and Business Services	48,701	42,768	48,701	47,244
Others	984	1,977	984	2,633
<b>Cost of revenues</b>	<b>(81,804)</b>	(78,397)	<b>(81,804)</b>	(83,132)
<b>Gross profit</b>	<b>68,182</b>	57,074	<b>68,182</b>	61,822
	<i><b>Gross margin</b></i>			
	<b>45%</b>	42%	<b>45%</b>	43%
Interest income	2,963	1,737	2,963	2,582
Other gains/(losses), net	944	13,133	944	85,854
Selling and marketing expenses	(7,018)	(8,058)	(7,018)	(6,115)
General and administrative expenses	(24,642)	(26,669)	(24,642)	(27,314)
<b>Operating profit</b>	<b>40,429</b>	37,217	<b>40,429</b>	116,829
	<i><b>Operating margin</b></i>			
	<b>27%</b>	27%	<b>27%</b>	81%
Finance costs, net	(2,650)	(1,935)	(2,650)	(3,658)
Share of profit/(loss) of associates and joint ventures, net	80	(6,280)	80	(1,692)
<b>Profit before income tax</b>	<b>37,859</b>	29,002	<b>37,859</b>	111,479
Income tax expense	(11,465)	(5,269)	(11,465)	(4,575)
<b>Profit for the period</b>	<b>26,394</b>	23,733	<b>26,394</b>	106,904
	<i><b>Net margin</b></i>			
	<b>18%</b>	18%	<b>18%</b>	74%
<b>Attributable to:</b>				
Equity holders of the Company	<b>25,838</b>	23,413	<b>25,838</b>	106,268
Non-controlling interests	<b>556</b>	320	<b>556</b>	636
Non-IFRS profit attributable to equity holders of the Company	<b>32,538</b>	25,545	<b>32,538</b>	29,711
<b>Earnings per share for profit attributable to equity holders of the Company (in RMB per share)</b>				
- basic	<b>2.725</b>	2.455	<b>2.725</b>	11.173
- diluted	<b>2.639</b>	2.404	<b>2.639</b>	10.977

**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	(662)	(50)
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	14	-
Transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	1	-
Net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income	22	(16)
Currency translation differences	(1,200)	(4,461)
Other fair value (losses)/gains, net	(1,151)	3,217

*Items that will not be subsequently reclassified to profit or loss*

Share of other comprehensive income of associates and joint ventures	(154)	187
Loss from changes in fair value of assets held for distribution	(29,991)	(17,130)
Net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income	34,362	(58,850)
Currency translation differences	(2,846)	(142)

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

Equity holders of the Company	23,612	(52,277)
Non-controlling interests	1,177	(1,235)

Unaudited	
1Q2023	1Q2022
26,394	23,733
(662)	(50)
14	-
1	-
22	(16)
(1,200)	(4,461)
(1,151)	3,217
(154)	187
(29,991)	(17,130)
34,362	(58,850)
(2,846)	(142)
(1,605)	(77,245)
24,789	(53,512)
23,612	(52,277)
1,177	(1,235)

**OTHER FINANCIAL INFORMATION**

RMB in millions, unless specified

	Unaudited		
	1Q2023	4Q2022	1Q2022
EBITDA (a)	52,656	44,002	38,283
Adjusted EBITDA (a)	57,811	49,606	46,102
Adjusted EBITDA margin (b)	39%	34%	34%
Interest and related expenses	2,800	2,826	2,103
Net cash/(debt) (c)	31,508	(14,832)	(11,035)
Capital expenditures (d)	4,411	5,651	6,971

**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 cash/(debt) 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
	March 31, 2023	December 31, 2022
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	50,134	53,978
Land use rights	17,905	18,046
Right-of-use assets	20,529	22,524
Construction in progress	12,196	9,229
Investment properties	555	559
Intangible assets	162,230	161,802
Investments in associates	245,659	246,043
Investments in joint ventures	6,702	6,672
Financial assets at fair value through profit or loss	202,670	206,085
Financial assets at fair value through other comprehensive income	224,187	185,247
Prepayments, deposits and other assets	34,259	36,752
Other financial assets	5,313	6,987
Deferred income tax assets	29,618	29,882
Term deposits	31,070	28,336
	<b>1,043,027</b>	1,012,142
<b>Current assets</b>		
Inventories	2,015	2,333
Accounts receivable	45,410	45,467
Prepayments, deposits and other assets	83,597	76,685
Other financial assets	871	1,278
Financial assets at fair value through profit or loss	33,941	27,963
Term deposits	151,143	104,776
Restricted cash	3,874	2,783
Cash and cash equivalents	153,328	156,739
Assets held for distribution	-	147,965
	<b>474,179</b>	565,989
<b>Total assets</b>	<b>1,517,206</b>	1,578,131



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

RMB in millions, unless specified

	Unaudited As at March 31, 2023	Audited As at December 31, 2022
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	-	-
Share premium	62,425	62,418
Treasury shares	(1,541)	(1,868)
Shares held for share award schemes	(4,412)	(4,226)
Other reserves	(22,201)	(40,914)
Retained earnings	744,212	705,981
	<b>778,483</b>	<b>721,391</b>
<b>Non-controlling interests</b>	<b>62,890</b>	<b>61,469</b>
<b>Total equity</b>	<b>841,373</b>	<b>782,860</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	166,408	163,668
Notes payable	146,704	148,669
Long-term payables	12,232	9,067
Other financial liabilities	5,711	5,574
Deferred income tax liabilities	13,927	12,162
Lease liabilities	16,926	18,424
Deferred revenue	3,529	3,503
	<b>365,437</b>	<b>361,067</b>
<b>Current liabilities</b>		
Accounts payable	102,317	92,381
Other payables and accruals	53,705	61,139
Borrowings	25,921	11,580
Notes payable	-	10,446
Current income tax liabilities	16,639	13,488
Other tax liabilities	4,518	4,698
Other financial liabilities	4,024	3,937
Lease liabilities	6,127	6,354
Deferred revenue	97,145	82,216
Dividends payable for distribution in specie	-	147,965
	<b>310,396</b>	<b>434,204</b>
<b>Total liabilities</b>	<b>675,833</b>	<b>795,271</b>
<b>Total equity and liabilities</b>	<b>1,517,206</b>	<b>1,578,131</b>

## 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)		
<b>Unaudited three months ended March 31, 2023</b>										
<b>Operating profit</b>	<b>40,429</b>	<b>5,844</b>	<b>(658)</b>	<b>998</b>	<b>241</b>	<b>1,526</b>	<b>9</b>	<b>–</b>	<b>48,389</b>	
<b>Profit for the period</b>	<b>26,394</b>	<b>7,313</b>	<b>(5,224)</b>	<b>2,271</b>	<b>1,862</b>	<b>1,526</b>	<b>9</b>	<b>(706)</b>	<b>33,445</b>	
<b>Profit attributable to equity holders</b>	<b>25,838</b>	<b>7,094</b>	<b>(5,224)</b>	<b>2,098</b>	<b>1,852</b>	<b>1,526</b>	<b>9</b>	<b>(655)</b>	<b>32,538</b>	
<b>Operating margin</b>	<b>27%</b>								<b>32%</b>	
<b>Net margin</b>	<b>18%</b>								<b>22%</b>	
<b>Unaudited three months ended December 31, 2022</b>										
Operating profit	116,829	5,680	(107,945)	1,241	22,007	1,600	14	–	39,426	
Profit for the period	106,904	7,217	(107,955)	2,601	23,700	1,600	206	(3,717)	30,556	
Profit attributable to equity holders	106,268	7,124	(107,928)	2,420	23,693	1,600	206	(3,672)	29,711	
<i>Operating margin</i>	<i>81%</i>								<i>27%</i>	
<i>Net margin</i>	<i>74%</i>								<i>21%</i>	
<b>Unaudited three months ended March 31, 2022</b>										
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	
<i>Operating margin</i>	<i>27%</i>								<i>27%</i>	
<i>Net margin</i>	<i>18%</i>								<i>19%</i>	

## 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 arising 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 non-recurring compliance-related costs and expenses incurred for certain litigation settlements of the Group and/or arising from investee companies
- (g) Income tax effects of non-IFRS adjustments