

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

Hong Kong, November 15, 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 third quarter (“3Q2023”) ended September 30, 2023.

3Q2023 Key Highlights

Revenues: +10% YoY, non-IFRS¹ profit attributable to equity holders of the Company: +39% YoY

- **Total revenues** were RMB154.6 billion (USD21.5 billion²), an increase of 10% over the third 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 RMB55.5 billion (USD7.7 billion), an increase of 36% YoY. Operating margin increased to 36% from 29% last year.
 - **Profit for the period** was RMB45.8 billion (USD6.4 billion), an increase of 37% YoY. Net margin increased to 30% from 24% last year.
 - **Profit attributable to equity holders of the Company** for the quarter was RMB44.9 billion (USD6.3 billion), an increase of 39% YoY.
 - **Basic earnings per share** were RMB4.753. **Diluted earnings per share** were RMB4.657.
- **On an IFRS basis:**
 - Operating profit was RMB48.5 billion (USD6.8 billion), a decrease of 6% YoY. Operating margin decreased to 31% from 37% last year.
 - Profit for the period was RMB36.8 billion (USD5.1 billion), a decrease of 5% YoY. Net margin decreased to 24% from 28% last year.
 - Profit attributable to equity holders of the Company for the quarter was RMB36.2 billion (USD5.0 billion), a decrease of 9% YoY.
 - Basic earnings per share were RMB3.828. Diluted earnings per share were RMB3.752.
- **Total cash** were RMB387.4 billion (USD54.0 billion) at the end of the period.

Mr. Ma Huateng, Chairman and CEO of Tencent, said, “During the third quarter of 2023, we achieved solid and high quality revenue growth, notable margin expansion, and structural operating leverage. Relatively new services such as Video Accounts and Mini Games contributed high margin revenue streams while we re-focused away from less-scalable activities. We are increasing investment in our AI models, providing new features to our products and enhancing our targeting capabilities for both content and advertising. We aspire to position our leading AI capability not only as a growth multiplier for ourselves, but also as a value provider to our enterprise customers, and the society at large. ”

3Q2023 Financial Review

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 RMB7.1798

Revenues from VAS increased by 4% to RMB75.7 billion for the third quarter of 2023 on a year-on-year basis. International Games revenues increased by 14% to RMB13.3 billion, or up 7% excluding the impact of currency movements. By title, we saw a revenue recovery for PUBG Mobile, alongside healthy revenue contributions from Goddess of Victory: NIKKE, VALORANT, and Triple Match 3D, versus decreased revenue from Tower of Fantasy, attributable to a tough comparison against its launch quarter in the same period last year. Domestic Games revenues grew by 5% to RMB32.7 billion, driven by the recent launches of Lost Ark and VALORANT, as well as increased revenues from evergreen titles such as Honour of Kings and DnF. Social Networks revenues were broadly stable at RMB29.7 billion, supported by revenue growth from music subscriptions, Mini Games platform service fees, and app-based game virtual item sales, offset by revenue declines from music-related and games-related live streaming services.

Revenues from Online Advertising were RMB25.7 billion for the third quarter of 2023, up 20% year-on-year, propelled by robust advertising demand for Video Accounts, our mobile ad network, and Weixin Search, with notable growth in the local services and FMCG categories.

Revenues from FinTech and Business Services increased by 16% year-on-year to RMB52 billion for the third quarter of 2023. FinTech Services maintained double-digit year-on-year growth, driven by increased commercial payment activities and higher revenues from wealth management services. Business Services achieved a faster year-on-year growth rate compared to the second quarter of 2023, benefitting from our cloud services restructuring undertaken in prior periods, as well as higher eCommerce technology service fees within Video Accounts.

Other Key Financial Information for 3Q2023

EBITDA was RMB55.8 billion, up 29% YoY. Adjusted EBITDA was RMB61.3 billion, up 26% YoY.

Capital expenditures were RMB8.0 billion, up 237% YoY.

Free cash flow was RMB51.1 billion, up 85% YoY.

As at September 30, 2023, net cash position totalled RMB36.4 billion. Fair value of our shareholdings³ in listed investee companies (excluding subsidiaries) totalled RMB464.4 billion (USD64.7 billion) and the carrying book value of our unlisted investments was RMB347.2 billion (USD48.4 billion). During the third quarter, the Company repurchased approximately 47.5 million shares on the Hong Kong Stock Exchange for an aggregate consideration of approximately RMB14.0 billion.

Operating Metrics

	As at 30 September 2023	As at 30 September 2022 (in millions, unless specified)	Year- on-year change	As at 30 June 2023	Quarter-on- quarter change
Combined MAU of Weixin and WeChat	1,336	1,309	2%	1,327	0.7%
Mobile device MAU of QQ	558	574	-3%	571	-2%
Fee-based VAS registered subscriptions	245	229	7%	241	2%

³ Including those held via special purpose vehicles, on an attributable basis

Business Review and Selected Product Highlights

- At Weixin, Video Accounts' total video views climbed over 50% year-on-year, supported by a thriving creator community and growing user mindshare. Original content video views increased rapidly and now contribute the large majority of Video Accounts' total video views.
- At QQ, we are adding capabilities to QQ Channels, which enable users with shared hobbies, activities or memberships to operate interest-based communities, utilising software tools such as voice chat and event management.
- Video subscriptions declined 3% year-on-year, but grew 1% quarter-on-quarter, to 117 million.
- Music subscriptions rose 21% year-on-year to 103 million, while ARPU increased 17% year-on-year.
- The 19th Asian Games included esports as a medal event for the first time, and we are the publisher for four out of the seven selected game titles.
- Recent domestic game launches included PC tactical first person game VALORANT, mobile hero first person game Hyper Legends, and mobile MMORPG MapleStory: The Legends of Maple. Recent international game launches included mobile extraction shooter Arena Breakout.
- Weixin's closed-loop advertising revenue (derived from advertisements linking to the landing pages of Weixin Mini Programs, Video Accounts, Official Accounts and WeCom) increased over 30% year-on-year and contributed over half of Weixin advertising revenue.
- Video Accounts advertising revenue grew notably quarter-on-quarter, driven by increases in video views and user time spent, while ad load percentage remained stable.
- We expanded our advertising AI models with more parameters to increase targeting and attribution accuracy. We also started to provide generative AI tools to advertiser partners, enabling them to dynamically generate advertising visuals based on text prompts, and to optimise advertisement sizes for different inventories.
- We are upgrading our proprietary foundation model, Tencent Hunyuan, and deploying it for in-house products, as well as making it available to enterprise customers.

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.

Investor contact: IR@tencent.com

Media contact: GC@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 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	
	3Q2023	3Q2022	3Q2023	2Q2023
Revenues	154,625	140,093	154,625	149,208
VAS	75,748	72,727	75,748	74,211
Online Advertising	25,721	21,443	25,721	25,003
FinTech and Business Services	52,048	44,844	52,048	48,635
Others	1,108	1,079	1,108	1,359
Cost of revenues	(78,102)	(78,110)	(78,102)	(78,368)
Gross profit	76,523	61,983	76,523	70,840
	Gross margin			
	49%	44%	49%	47%
Interest income	3,509	2,328	3,509	3,419
Other gains/(losses), net	2,644	20,886	2,644	(230)
Selling and marketing expenses	(7,912)	(7,124)	(7,912)	(8,310)
General and administrative expenses	(26,289)	(26,480)	(26,289)	(25,419)
Operating profit	48,475	51,593	48,475	40,300
	Operating margin			
	31%	37%	31%	27%
Finance costs	(2,784)	(1,950)	(2,784)	(3,291)
Share of profit/(loss) of associates and joint ventures, net	2,098	(3,697)	2,098	1,159
Profit before income tax	47,789	45,946	47,789	38,168
Income tax expense	(11,008)	(7,104)	(11,008)	(11,145)
Profit for the period	36,781	38,842	36,781	27,023
	Net margin			
	24%	28%	24%	18%
Attributable to:				
Equity holders of the Company	36,182	39,943	36,182	26,171
Non-controlling interests	599	(1,101)	599	852
Non-IFRS profit attributable to equity holders of the Company	44,921	32,254	44,921	37,548
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)				
- basic	3.828	4.187	3.828	2.761
- diluted	3.752	4.104	3.752	2.695

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

RMB in millions, unless specified

	Unaudited	
	3Q2023	3Q2022
Profit for the period	36,781	38,842
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	278	948
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	-	42
Transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	1	-
Net losses from changes in fair value of financial assets at fair value through	(3)	(8)
Currency translation differences	(7,303)	5,809
Other fair value (losses)/gains, net	(897)	1,830
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Share of other comprehensive income of associates and joint ventures	564	503
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	(25,417)	(26,433)
Currency translation differences	(720)	2,245
	(33,497)	(15,064)
Total comprehensive income for the period	3,284	23,778
Attributable to:		
Equity holders of the Company	3,526	24,826
Non-controlling interests	(242)	(1,048)

OTHER FINANCIAL INFORMATION

RMB in millions, unless specified

	Unaudited		
	3Q2023	2Q2023	3Q2022
EBITDA (a)	55,824	51,918	43,124
Adjusted EBITDA (a)	61,301	56,848	48,610
Adjusted EBITDA margin (b)	40%	38%	35%
Interest and related expenses	3,061	3,009	2,729
Net cash/(debt) (c)	36,431	17,717	(27,271)
Capital expenditures (d)	8,005	3,953	2,377

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 long-form 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, 2023	December 31, 2022
ASSETS		
Non-current assets		
Property, plant and equipment	51,173	53,978
Land use rights	17,504	18,046
Right-of-use assets	19,174	22,524
Construction in progress	13,486	9,229
Investment properties	563	559
Intangible assets	175,919	161,802
Investments in associates	252,715	246,043
Investments in joint ventures	8,092	6,672
Financial assets at fair value through profit or loss	217,559	206,085
Financial assets at fair value through other comprehensive income	187,163	185,247
Prepayments, deposits and other assets	28,489	36,752
Other financial assets	3,107	6,987
Deferred income tax assets	29,848	29,882
Term deposits	30,440	28,336
	1,035,232	1,012,142
Current assets		
Inventories	1,676	2,333
Accounts receivable	47,327	45,467
Prepayments, deposits and other assets	91,298	76,685
Other financial assets	6,145	1,278
Financial assets at fair value through profit or loss	24,331	27,963
Term deposits	185,543	104,776
Restricted cash	3,205	2,783
Cash and cash equivalents	146,476	156,739
Assets held for distribution	-	147,965
	506,001	565,989
Total assets	1,541,233	1,578,131

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

RMB in millions, unless specified

	Unaudited As at September 30, 2023	Audited As at December 31, 2022
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	-	-
Share premium	46,557	62,418
Treasury shares	(2,235)	(1,868)
Shares held for share award schemes	(5,351)	(4,226)
Other reserves	(57,925)	(40,914)
Retained earnings	787,468	705,981
	<u>768,514</u>	<u>721,391</u>
Non-controlling interests	<u>62,431</u>	<u>61,469</u>
Total equity	<u>830,945</u>	<u>782,860</u>
LIABILITIES		
Non-current liabilities		
Borrowings	151,544	163,668
Notes payable	138,965	148,669
Long-term payables	12,457	9,067
Other financial liabilities	8,896	5,574
Deferred income tax liabilities	16,524	12,162
Lease liabilities	16,198	18,424
Deferred revenue	3,360	3,503
	<u>347,944</u>	<u>361,067</u>
Current liabilities		
Accounts payable	111,921	92,381
Other payables and accruals	68,120	61,139
Borrowings	46,158	11,580
Notes payable	14,353	10,446
Current income tax liabilities	16,901	13,488
Other tax liabilities	5,543	4,698
Other financial liabilities	4,823	3,937
Lease liabilities	5,711	6,354
Deferred revenue	88,814	82,216
Dividends payable for distribution in specie	-	147,965
	<u>362,344</u>	<u>434,204</u>
Total liabilities	<u>710,288</u>	<u>795,271</u>
Total equity and liabilities	<u>1,541,233</u>	<u>1,578,131</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 September 30, 2023									
Operating profit	48,475	5,655	(703)	1,434	321	301	–	–	55,483
Profit for the period	36,781	6,948	(565)	2,666	346	301	–	(640)	45,837
Profit attributable to equity holders	36,182	6,833	(583)	2,458	309	301	–	(579)	44,921
Operating margin	31%								36%
Net margin	24%								30%
Unaudited three months ended June 30, 2023									
Operating profit	40,300	5,551	(206)	1,023	82	369	3,003	-	50,122
Profit for the period	27,023	6,859	(287)	2,372	210	369	3,002	(929)	38,619
Profit attributable to equity holders	26,171	6,661	(162)	2,187	193	369	3,002	(873)	37,548
Operating margin	27%								34%
Net margin	18%								26%
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%

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) Primarily 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