

For Immediate Release**TENCENT ANNOUNCES 2021 SECOND QUARTER AND INTERIM RESULTS**

Hong Kong, August 18, 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 second quarter (“2Q2021”) and first half year of 2021 (“1H2021”) ended June 30, 2021.

1H2021 Key Highlights

Revenues: +23% YoY, non-IFRS¹ profit attributable to equity holders of the Company: +17% YoY

- **Total revenues** were RMB273.6 billion (USD42.3 billion²), an increase of 23% over the first half year 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 RMB85.6 billion (USD13.2 billion), an increase of 17% YoY. Operating margin decreased to 31% from 33% last year.
 - **Profit for the period** was RMB69.6 billion (USD10.8 billion), an increase of 18% YoY. Net margin decreased to 25% from 27% last year.
 - **Profit attributable to equity holders of the Company** for the period was RMB67.2 billion (USD10.4 billion), an increase of 17% YoY.
 - **Basic earnings per share** were RMB7.055. **Diluted earnings per share** were RMB6.916.
- **On an IFRS basis:**
 - Operating profit was RMB108.8 billion (USD16.8 billion), an increase of 42% YoY. Operating margin increased to 40% from 34% last year.
 - Profit for the period was RMB92.0 billion (USD14.2 billion), an increase of 49% YoY. Net margin increased to 34% from 28% last year.
 - Profit attributable to equity holders of the Company for the period was RMB90.4 billion (USD14.0 billion), an increase of 46% YoY.
 - Basic earnings per share were RMB9.492. Diluted earnings per share were RMB9.299.
- **Total cash** were RMB255.2 billion (USD39.5 billion) at the end of the period.

2Q2021 Key Highlights

Revenues: +20% YoY, non-IFRS profit attributable to equity holders of the Company: +13% YoY

- **Total revenues** were RMB138.3 billion (USD21.4 billion), an increase of 20% over the second 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 RMB42.8 billion (USD6.6 billion), an increase of 14% YoY. Operating margin decreased to 31% from 33% last year.
 - **Profit for the period** was RMB35.1 billion (USD5.4 billion), an increase of 13% YoY. Net margin remained decreased to 25% from 27% last year.

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

² Figures stated in USD are based on USD1 to RMB6.4601

- **Profit attributable to equity holders of the Company** for the quarter was RMB34.0 billion (USD5.3 billion), an increase of 13% YoY.
- **Basic earnings per share** were RMB3.574. **Diluted earnings per share** were RMB3.504.
- **On an IFRS basis:**
 - Operating profit was RMB52.5 billion (USD8.1 billion), an increase of 34% YoY. Operating margin increased to 38% from 34% last year.
 - Profit for the period was RMB43.0 billion (USD6.7 billion), an increase of 33% YoY. Net margin increased to 31% from 28% last year.
 - Profit attributable to equity holders of the Company for the quarter was RMB42.6 billion (USD6.6 billion), an increase of 29% YoY.
 - Basic earnings per share were RMB4.472. Diluted earnings per share were RMB4.387.

Mr. Ma Huateng, Chairman and CEO of Tencent, said, "In the quarter, we enhanced our services and achieved healthy growth rates across our business lines, particularly Business Services and advertising, while our game revenue benefitted from international growth. We are increasingly deploying our technologies and expertise to help SMEs, public services, corporations collaborate internally, and connect with their users externally, which we believe contributes to the real economy and to society at large. During the recent Henan floods, Tencent Docs, our cloud-based productivity solution, played a valuable role assisting people providing and seeking help, thanks to its collaborative data editing functionality."

2Q2021 Financial Review

Revenues from VAS increased by 11% to RMB72.0 billion for the second quarter of 2021 on a year-on-year basis. Games revenues increased by 12% to RMB43.0 billion, primarily driven by the increase in revenues from games such as Honour of Kings, PUBG Mobile, Valorant, Clash of Clans and Moonlight Blade Mobile, partly offset by the decrease in revenues from Peacekeeper Elite. Mobile games VAS revenues (including mobile games revenues attributable to our social networks business) increased by 13% to RMB40.8 billion, while PC client games revenues grew by 1% to RMB11.0 billion for the second quarter of 2021. Social networks revenues grew by 9% to RMB29.0 billion, mainly due to revenue growth from digital content services, as well as in-game virtual item sales.

Revenues from Online Advertising increased by 23% to RMB22.8 billion for the second quarter of 2021, reflecting rising demand from advertiser categories such as Internet services and consumer staples, as well as consolidation of Bitauto's advertising revenue, which outweighed weakness in education. Social and others advertising revenues grew by 28% to RMB19.5 billion, due to increased adoption of Mini Programs as landing pages, more video advertising inventories inside Weixin Moments, as well as revenue growth from our mobile advertising network. Media advertising revenues were RMB3.3 billion, broadly stable compared to the second quarter of 2020, as greater advertising revenues from our music apps offset lower news advertising revenues.

Revenues from FinTech and Business Services increased by 40% to RMB41.9 billion for the second quarter of 2021 on a year-on-year basis. FinTech Services revenue growth primarily reflected increasing digital payment transactions. Business Services revenues increased rapidly year-on-year, due to digitalisation of public services and traditional industries, as well as consolidation of Bitauto's Business Services revenue.

Other Key Financial Information for 2Q2021

EBITDA was RMB44.6 billion, up 10% YoY. Adjusted EBITDA was RMB50.3 billion, up 15% YoY. Capital expenditures were RMB6.9 billion, down 27% YoY. Free cash flow was RMB17.3 billion, down 39% YoY.

As at June 30, 2021, net debt position totalled RMB21.0 billion. Fair value of our stakes in listed investee companies (excluding subsidiaries) totalled RMB1,446.0 billion, compared to RMB1,362.3 billion as of March 31, 2021, and RMB726.2 billion as of June 30, 2020.

Operating Metrics

	As at 30 June 2021	As at 30 June 2020 (in millions, unless specified)	Year- on-year change	As at 31 March 2021	Quarter-on- quarter change
Combined MAU of Weixin and WeChat	1,251.4	1,206.1	3.8%	1,241.6	0.8%
Mobile device MAU of QQ	590.9	647.6	-8.8%	606.4	-2.6%
Fee-based VAS registered subscriptions	229.4	203.4	12.8%	225.7	1.7%

Business Review and Outlook

Communication and Social

For Weixin, the active user base and engagement further increased, underscoring the vibrancy of our service and commerce ecosystem. Transaction volume generated from Mini Programs more than doubled year-on-year as we helped businesses thrive by facilitating management of their own channels and user relationships, while also enabling them to achieve higher profit margins than on marketplaces. Brands and merchants can: 1) acquire customers for their Mini Programs offline via QR Codes and Weixin Pay; 2) create and distribute content via their own Official Accounts and Weixin Groups, engaging users and driving repeat visits to their Mini Programs; 3) convert visits into sales with Mini Programs' powerful shopping functionalities; and 4) deepen user connections via Video Accounts and live streaming as additional touchpoints.

For QQ, young users are increasingly active in consuming entertainment content such as anime and comics. To cater to young users' need for immersive social and entertainment experiences, we enriched QQ's Augmented Reality camera effects for video content production and video chat. We also automated the in-app video editing process with smart templates and multimedia tools to drive more appealing user-generated content.

Digital Content

Our fee-based VAS subscriptions grew 13% year-on-year to 229 million. Video subscriptions increased 9% year-on-year to 125 million, benefitting from diversified content across sports, animated series, drama series and movies. Music subscriptions increased 41% year-on-year to 66 million, driven by Tencent Music Entertainment's effective marketing and by increased consumer willingness to subscribe for music services.

Games

We reinforced the IP of our key titles in China and overseas. We adapted Honour of Kings into the drama series, "You Are My Glory", which is the most-watched drama series on Tencent Video by video views per episode year-to-date. PUBG Mobile collaborated with internationally recognised brands such as Godzilla vs. Kong, McLaren and Line Friends to create crossover content. Clash of Clans released a major content

upgrade in April 2021 and launched its ninth anniversary event in August 2021, retaining its ranking among the top 10 mobile games by DAU internationally. Valorant achieved 14 million MAU on its first anniversary.

We extended our presence in emerging genres through self-developed games. Alchemy Stars, developed by our Tourdog Studio, became Japan's most downloaded tactical RPG in July 2021, benefitting from its anime art style and unique tile-connecting gameplay. Light and Night, developed by our Aurora Studio, ranked as China's top dating simulation game by DAU in July 2021, enhancing our engagement with female players. Our first Survival, Open World, Crafting (SOC) game, Undawn, developed by our Lightspeed and Quantum Studios, has accumulated over 30 million pre-registrations in China to date.

We have sought to pioneer a healthy game playing environment in the game industry. In August 2021, we further tightened our game time and spending limits for Minors³ in China, beyond regulatory requirement. For Honour of Kings and Peacekeeper Elite, we reduced Minors' daily game time limit to 1 hour on non-statutory holidays and to 2 hours on statutory holidays, versus regulatory requirement of 1.5 hours and 3 hours respectively. We also prevented in-game spending by players aged under 12. These measures will be rolled out in all of our games gradually. We are also cracking down on Minors misusing adult accounts, and transactions of adult accounts on third-party platforms. During the second quarter of 2021, players aged under 16 accounted for 2.6% of our China game grossing receipts. Among which, players aged under 12 accounted for 0.3%.

Online Advertising

We expanded our overall advertiser base by enhancing industry solutions and enabling merchants to better manage their private domain operations within our Weixin ecosystem. More advertisers adopted Mini Programs as landing pages for their Moments advertisements, leading to higher sales conversion and revenue growth. Advertisers increasingly recognised Official Accounts' capability in generating sales leads.

During the Tokyo 2020 Olympic Games, we provided integrated marketing solutions across Weixin, QQ, Tencent Video, Tencent Sports, Tencent News and other properties. Leveraging our strengths in social, long-form and short-form video distribution, as well as in content management, we outperformed other online platforms in terms of video views and user sharing.

FinTech

Daily active users and payment frequency grew at healthy year-on-year rates. SMEs are important contributors to, and beneficiaries of our payment ecosystem growth; we will continue to help SMEs benefit from greater mobile payment acceptance, by charging very low or zero payment take rate in certain cases, and by providing complementary resources and services to support their growth.

Cloud and Other Business Services

We utilise our cloud infrastructure, PaaS and SaaS technologies to assist digitalisation for public services and traditional industries. Enhancements to our technology and product development supported broad customer adoption of our platform and software services such as security, AI and data analytic services. The videolisation trend offers more opportunities for our video cloud solutions, and according to IDC, we ranked first in China in terms of video cloud solution revenue. We deepened connections between our communication and productivity SaaS tools (WeCom, Tencent Meeting and Tencent Docs) to support better collaboration within enterprises, as well as between enterprises and their users.

³ players who are aged under 18 years old

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, 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 future. Underlying the forward-looking statements is a lot of risks and uncertainties. Further information regarding these risks and uncertainties is included in our other public disclosure documents on our corporate website.

CONSOLIDATED INCOME STATEMENT

RMB in millions, unless specified

	Unaudited		Unaudited	
	2Q2021	2Q2020	2Q2021	1Q2021
Revenues	138,259	114,883	138,259	135,303
VAS	72,013	65,002	72,013	72,443
Online Advertising	22,833	18,552	22,833	21,820
FinTech and Business Services	41,892	29,862	41,892	39,028
Others	1,521	1,467	1,521	2,012
Cost of revenues	(75,514)	(61,673)	(75,514)	(72,668)
Gross profit	62,745	53,210	62,745	62,635
	<i>Gross margin</i>			
	45%	46%	45%	46%
Interest income	1,630	1,749	1,630	1,614
Other gains, net	20,763	8,607	20,763	19,521
Selling and marketing expenses	(10,013)	(7,756)	(10,013)	(8,530)
General and administrative expenses	(22,638)	(16,499)	(22,638)	(18,967)
Operating profit	52,487	39,311	52,487	56,273
	<i>Operating margin</i>			
	38%	34%	38%	42%
Finance costs, net	(1,942)	(2,005)	(1,942)	(1,367)
Share of (loss)/profit of associates and joint ventures	(3,857)	(295)	(3,857)	1,348
Profit before income tax	46,688	37,011	46,688	56,254
Income tax expense	(3,666)	(4,557)	(3,666)	(7,246)
Profit for the period	43,022	32,454	43,022	49,008
	<i>Net margin</i>			
	31%	28%	31%	36%
Attributable to:				
Equity holders of the Company	42,587	33,107	42,587	47,767
Non-controlling interests	435	(653)	435	1,241
Non-IFRS profit attributable to equity holders of the Company	34,039	30,153	34,039	33,118
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)				
- basic	4.472	3.491	4.472	5.020
- diluted	4.387	3.437	4.387	4.917

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 (loss)/income of associates and joint ventures

Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures

Currency translation differences

Other fair value gains/(losses)

Items that will not be subsequently reclassified to profit or loss

Share of other comprehensive income of associates and joint ventures

Net 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 income for the period**Attributable to:**

Equity holders of the Company

Non-controlling interests

Unaudited	
2Q2021	2Q2020
43,022	32,454
(11)	159
5	(2)
(1,428)	2,358
92	(687)
53	-
46,522	56,797
(305)	-
-	102
44,928	58,727
87,950	91,181
87,511	89,242
439	1,939

OTHER FINANCIAL INFORMATION

RMB in millions, unless specified

	Unaudited		
	2Q2021	1Q2021	2Q2020
EBITDA (a)	44,567	49,355	40,525
Adjusted EBITDA (a)	50,347	52,927	43,742
Adjusted EBITDA margin (b)	36%	39%	38%
Interest and related expenses	1,912	1,726	1,822
Net (debt)/cash (c)	(20,972)	5,581	7,212
Capital expenditures (d)	6,936	7,734	9,466

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
	June 30, 2021	December 31, 2020
ASSETS		
Non-current assets		
Property, plant and equipment	61,141	59,843
Land use rights	15,953	16,091
Right-of-use assets	13,769	12,929
Construction in progress	5,805	4,939
Investment properties	559	583
Intangible assets	161,904	159,437
Investments in associates	356,687	297,609
Investments in joint ventures	7,743	7,649
Financial assets at fair value through profit or loss	178,915	165,944
Financial assets at fair value through other comprehensive income	291,500	213,091
Prepayments, deposits and other assets	29,936	24,630
Other financial assets	385	4
Deferred income tax assets	22,971	21,348
Term deposits	39,219	31,681
	1,186,487	1,015,778
Current assets		
Inventories	1,020	814
Accounts receivable	53,523	44,981
Prepayments, deposits and other assets	57,481	40,321
Other financial assets	471	1,133
Financial assets at fair value through profit or loss	9,417	6,593
Term deposits	65,330	68,487
Restricted cash	2,322	2,520
Cash and cash equivalents	141,721	152,798
	331,285	317,647
Total assets	1,517,772	1,333,425

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

RMB in millions, unless specified

	Unaudited	Audited
	As at	As at
	June 30, 2021	December 31, 2020
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	-	-
Share premium	58,013	48,793
Shares held for share award schemes	(4,674)	(4,412)
Other reserves	172,666	121,139
Retained earnings	620,202	538,464
	846,207	703,984
Non-controlling interests	80,764	74,059
Total equity	926,971	778,043
LIABILITIES		
Non-current liabilities		
Borrowings	114,007	112,145
Notes payable	147,481	122,057
Long-term payables	10,876	9,910
Other financial liabilities	8,102	9,254
Deferred income tax liabilities	15,228	16,061
Lease liabilities	10,962	10,198
Deferred revenue	6,540	6,678
	313,196	286,303
Current liabilities		
Accounts payable	99,279	94,030
Other payables and accruals	49,637	54,308
Borrowings	14,686	14,242
Current income tax liabilities	8,599	12,134
Other tax liabilities	1,404	2,149
Other financial liabilities	3,735	5,567
Lease liabilities	4,013	3,822
Deferred revenue	96,252	82,827
	277,605	269,079
Total liabilities	590,801	555,382
Total equity and liabilities	1,517,772	1,333,425

RECONCILIATIONS OF IFRS TO NON-IFRS RESULTS

RMB in millions, unless specified	As reported	Adjustments					Non-IFRS
		Share-based compensation (a)	Net (gains) from investee companies (b)	Amortisation of intangible assets (c)	Impairment Provision (d)	Income tax effects (e)	
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 March 31, 2021							
Operating profit	56,273	3,704	(18,331)	1,062	50	–	42,758
Profit for the period	49,008	5,036	(22,231)	2,699	178	(187)	34,503
Profit attributable to equity holders	47,767	4,855	(21,829)	2,352	178	(205)	33,118
<i>Operating margin</i>	<i>42%</i>						<i>32%</i>
<i>Net margin</i>	<i>36%</i>						<i>26%</i>
Unaudited three months ended June 30, 2020							
Operating profit	39,311	3,507	(14,672)	870	8,613	-	37,629
Profit for the period	32,454	4,225	(16,108)	1,886	9,268	(505)	31,220
Profit attributable to equity holders	33,107	4,019	(15,436)	1,503	7,310	(350)	30,153
<i>Operating margin</i>	<i>34%</i>						<i>33%</i>
<i>Net margin</i>	<i>28%</i>						<i>27%</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) 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 for associates, joint ventures, goodwill and other intangible assets arising from acquisitions
- (e) Income tax effects of non-IFRS adjustments