

For Immediate Release**TENCENT ANNOUNCES 2022 FIRST QUARTER RESULTS**

Hong Kong, May 18, 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 first quarter (“1Q2022”) ended March 31, 2022.

1Q2022 Key Highlights

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

Total revenues were RMB135.5 billion (USD21.3 billion²), stable over the first 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 RMB36.5 billion (USD5.8 billion), a decrease of 15% YoY. Operating margin decreased to 27% from 32% last year.
 - **Profit for the period** was RMB26.3 billion (USD4.1 billion), a decrease of 24% YoY. Net margin decreased to 19% from 26% last year.
 - **Profit attributable to equity holders of the Company** for the quarter was RMB25.5 billion (USD4.0 billion), a decrease of 23% YoY.
 - **Basic earnings per share** were RMB2.678. **Diluted earnings per share** were RMB2.620.
- **On an IFRS basis:**
 - Operating profit was RMB37.2 billion (USD5.9 billion), a decrease of 34% YoY. Operating margin decreased to 27% from 42% last year.
 - Profit for the period was RMB23.7 billion (USD3.7 billion), a decrease of 52% YoY. Net margin decreased to 18% from 36% last year.
 - Profit attributable to equity holders of the Company for the quarter was RMB23.4 billion (USD3.7 billion), a decrease of 51% YoY.
 - Basic earnings per share were RMB2.455. Diluted earnings per share were RMB2.404.
- **Total cash** were RMB304.1 billion (USD47.9 billion) at the end of the period.

Mr. Ma Huateng, Chairman and CEO of Tencent, said, "During the challenging first quarter of 2022, we implemented cost control initiatives and rationalised certain non-core businesses, which would enable us to achieve a more optimised cost structure going forward. We utilised tools such as Mini Programs, Tencent Meeting, and WeCom to help enterprises and consumers weather the resurgence of COVID-19 in China, and continued investing in strategic growth areas including enterprise software, Video Accounts and international games. Looking forward, we will sharpen our focus and sustain our innovation through challenges and cycles, and continue to create value for our users, partners, and society."

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

² Figures stated in USD are based on USD1 to RMB6.3482

1Q2022 Financial Review

Revenues from VAS³ were RMB72.7 billion for the first quarter of 2022, broadly stable compared to the first quarter of 2021. Domestic Games revenues decreased by 1% to RMB33.0 billion, as direct and indirect effects of the minor protection measures impacted active user and paying user counts. During the quarter, the incremental revenues generated by recently launched games, such as League of Legends: Wild Rift and Fight of The Golden Spatula, were largely offset by the decrease in revenues from games such as Moonlight Blade Mobile and Call of Duty Mobile. International Games revenues grew by 4% to RMB10.6 billion, reflecting an increase in revenues from games including VALORANT and Clash of Clans, partly offset by a decrease in revenues from PUBG Mobile as user spending normalised post-COVID. Social Networks revenues grew by 1% to RMB29.1 billion, reflecting increased revenue from our Video Accounts live streaming service, largely offset by decreased revenues from music- and games-related live streaming services.

Revenues from Online Advertising decreased by 18% to RMB18.0 billion for the first quarter of 2022 on a year-on-year basis, reflecting weak demand from advertiser categories including education, Internet services and eCommerce, plus regulatory changes impacting the online advertising industry itself, partly offset by solid demand from the FMCG category, as well as our consolidation of Sogou's advertising revenue. Social and Others Advertising revenues decreased by 15% to RMB15.7 billion, primarily due to sharply lower advertising revenues from our mobile advertising network, which was particularly affected by the regulatory changes, partly offset by greater advertising revenues from Official Accounts, driven by the popularity of notification feeds ads. Media Advertising revenues decreased by 30% to RMB2.3 billion, reflecting lower advertising revenues from our media platforms including Tencent News and Tencent Video, partly offset by advertising revenue contribution from the Beijing 2022 Winter Olympics.

Revenues from FinTech and Business Services increased by 10% to RMB42.8 billion for the first quarter of 2022 on a year-on-year basis. FinTech Services year-on-year revenue growth moderated as COVID-19 resurgence in March 2022 impacted commercial payment volume. Business Services revenue recorded a mild year-on-year decrease, as we repositioned our IaaS service from revenue scale-up at all costs to self-sustained growth, and proactively reduced loss-making contracts.

Other Key Financial Information for 1Q2022

EBITDA was RMB38.3 billion, down 22% YoY. Adjusted EBITDA was RMB46.1 billion, down 13% YoY.

Capital expenditures were RMB7.0 billion, down 10% YoY.

Free cash flow was RMB15.2 billion, down 54% YoY.

As at March 31, 2022, net debt position totalled RMB11.0 billion. Fair value of our shareholdings⁴ in listed investee companies (excluding subsidiaries) totalled RMB606.0 billion (USD95.5 billion). During the first quarter, the Company repurchased approximately 8.9 million shares on the Hong Kong Stock Exchange for an aggregate consideration of approximately RMB3.0 billion (USD474 million).

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 3% year-on-year to RMB40.3 billion, while PC client games revenues grew by 2% year-on-year to RMB12.1 billion for the first quarter of 2022.

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

Operating Metrics

	As at 31 March 2022	As at 31 March 2021 (in millions, unless specified)	Year- on-year change	As at 31 December 2021	Quarter-on- quarter change
Combined MAU of Weixin and WeChat	1,288.3	1,241.6	3.8%	1,268.2	1.6%
Mobile device MAU of QQ	563.8	606.4	-7.0%	552.1	2.1%
Fee-based VAS registered subscriptions	239.1	225.7	5.9%	236.3	1.2%

Business Review and Outlook

Communication and Social

Within Weixin, Video Accounts continued to gain user traction with significant year-on-year growth in video views and time spent, bolstered by expansion in news, knowledge-based and entertainment content, as well as enhanced recommendation technologies. Mini Programs exceeded 500 million DAU and sustained rapid growth in gross merchandise value with deepened penetration in retail, dining and municipal services.

For QQ, we are enriching features for young users to better create, share and connect with each other. We provide avatar tools for users to create short videos featuring their customised Super QQ Show characters. Through Status update, users can choose to let their contacts see what videos or music they are consuming, so that their friends can access and stream the same content within QQ via Mini Programs.

Digital Content

Our fee-based VAS subscriptions increased 6% year-on-year to 239 million. We extended our market leadership in the long-form video streaming market with 124 million subscribers, leveraging IP adaptations of successful comics and novels. For music, subscription counts increased to 80 million, driven by high quality content as well as increased consumer willingness to subscribe for music services.

Domestic Games

Among our most popular and longer-established games, Honour of Kings, the top-ranked mobile game by DAU in China⁵, released fewer commercially successful items during the Chinese New Year holiday period than in prior years, but its adult user base remained engaged. With the release of popular items inspired by the Chinese floral festival, Honour of Kings resumed year-on-year growth in its grossing receipts in March 2022. Peacekeeper Elite, the second-most popular mobile game by DAU in China⁵, released its third anniversary update in April 2022, enhancing user engagement. We are also successfully expanding our presence in other key genres of games. Fight of The Golden Spatula, an auto battler genre game we released in August 2021, added new champions and game mechanics, and was the sixth most popular mobile game by DAU in China⁵. Return to Empire, a real-time strategy mobile game we launched in March 2022, became China's second most successful game in its genre by grossing receipts in April 2022⁶.

⁵ Source: QuestMobile, 1Q2022

⁶ Source: data.ai

International Games

We believe that the mobile game industry outside China generally underwent a post COVID-19 normalisation downward in terms of user activities and spending in early 2022. PUBG Mobile experienced this pattern with a year-on-year revenue decline in the first quarter of 2022. However, our PC game VALORANT continued its robust performance with a growing user base and higher paying propensity. We also released titles in other key genres which generated favorable critical response. For example, Dune: Spice Wars, a real-time strategy PC game based on the popular sci-fi IP Dune and published by our subsidiary Funcom, entered into Early Access in April 2022. We and Electronic Arts have jointly developed Apex Legends Mobile, a hero shooter battle royale game based on one of the most successful new PC/console IPs in recent years, which was launched in May 2022.

Online Advertising

For 2022 second quarter-to-date, overall advertising sentiment remained weak as advertisers in categories such as FMCG, eCommerce and travel have reduced their spending significantly. Amid the difficult market environment, we continue to invest in our advertising system and are upgrading our machine learning infrastructure to process data more efficiently. The upgrade should enable us to deliver better targeting and conversion rates for advertisers

FinTech

Commercial payment activities have been weak since mid March 2022, due to the resurgence of COVID-19 in several cities in China, which negatively affected payment volume growth in categories such as transportation, dining services and apparel.

Cloud and Other Business Services

As we re-focused on healthy growth for Business Services, we scaled back loss-making activities, and concentrated resources on our PaaS solutions in areas such as video cloud and cybersecurity. Taking advantage of our accumulated experience in providing in-house interactive entertainment and video chat services, and our low-latency network infrastructure, we are increasingly migrating our clients from basic CDN (Content Delivery Network) services to sophisticated video-on-demand, live streaming and real-time communication solutions. According to Gartner, Tencent ranked first in China by CPaaS (Communication PaaS) revenues⁷. In cybersecurity, we expanded our client base across network, endpoint and business operation security solutions, fulfilling enterprises' growing needs for protection against cyber-attacks, and for cybersecurity compliance.

⁷ Source: Gartner's "Market Share: All Software, Markets, Worldwide, 2021"

For other detailed disclosure, please refer to our website <https://www.tencent.com/en-us/investors.html>, or follow us via Weixin Official Account (Weixin ID: Tencent_IR):



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About Tencent

Tencent uses technology to enrich the lives of Internet users.

Our communication and social services, Weixin and QQ, connect users with each other and with digital content and services, both online and offline, making their lives more convenient. Our targeted advertising service helps advertisers reach out to hundreds of millions of consumers in China. Our FinTech and business services support our partners' business growth and assist their digital upgrade.

Tencent invests heavily in talent and technological innovation, actively promoting the development of the Internet industry. Tencent was founded in Shenzhen, China, in 1998. Shares of Tencent (00700.HK) are listed on the Main Board of the Stock Exchange of Hong Kong.

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

Non-IFRS Financial Measures

To supplement the consolidated results of the Group prepared in accordance with IFRS, certain additional non-IFRS financial measures (in terms of operating profit, operating margin, profit for the period, net margin, profit attributable to equity holders of the Company, basic EPS and diluted EPS), have been presented in this press release. These unaudited non-IFRS financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

The Company's management believes that the non-IFRS financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain non-cash items and certain impact of M&A transactions. In addition, non-IFRS adjustments include relevant non-IFRS adjustments for the Group's major associates based on available published financials of the relevant major associates, or estimates made by the Company's management based on available information, certain expectations, assumptions and premises.

Forward-looking Statements

This press release contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Company. These forward-looking statements are based on information currently available to the Company and are stated herein on the basis of the outlook at the time of this press release. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realised in the future. Underlying these forward-looking statements are a lot of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this press release should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

CONSOLIDATED INCOME STATEMENT

RMB in millions, unless specified

	Unaudited		Unaudited	
	1Q2022	1Q2021	1Q2022	4Q2021
Revenues	135,471	135,303	135,471	144,188
VAS	72,738	72,443	72,738	71,913
Online Advertising	17,988	21,820	17,988	21,518
FinTech and Business Services	42,768	39,028	42,768	47,958
Others	1,977	2,012	1,977	2,799
Cost of revenues	(78,397)	(72,668)	(78,397)	(86,371)
Gross profit	57,074	62,635	57,074	57,817
	Gross margin	42%	42%	40%
Interest income	1,737	1,614	1,737	1,703
Other gains, net	13,133	19,521	13,133	86,199
Selling and marketing expenses	(8,058)	(8,530)	(8,058)	(11,616)
General and administrative expenses	(26,669)	(18,967)	(26,669)	(24,380)
Operating profit	37,217	56,273	37,217	109,723
	Operating margin	27%	27%	76%
Finance costs, net	(1,935)	(1,367)	(1,935)	(1,863)
Share of (loss)/profit of associates and joint ventures, net	(6,280)	1,348	(6,280)	(8,267)
Profit before income tax	29,002	56,254	29,002	99,593
Income tax expense	(5,269)	(7,246)	(5,269)	(3,888)
Profit for the period	23,733	49,008	23,733	95,705
	Net margin	18%	18%	66%
Attributable to:				
Equity holders of the Company	23,413	47,767	23,413	94,958
Non-controlling interests	320	1,241	320	747
Non-IFRS profit attributable to equity holders of the Company	25,545	33,118	25,545	24,880
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)				
- basic	2.455	5.020	2.455	9.957
- diluted	2.404	4.917	2.404	9.788

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

Net losses from changes in fair value of financial assets at fair value through other comprehensive income

Currency translation differences

Other fair value gains

Items that will not be subsequently reclassified to profit or loss

Share of other comprehensive income of associates and joint ventures

Loss from changes in fair value of assets held for distribution

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

Currency translation differences

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

Equity holders of the Company

Non-controlling interests

Unaudited	
1Q2022	1Q2021
23,733	49,008
(50)	288
-	(3)
(16)	-
(4,461)	(5,908)
3,217	1,163
187	381
(17,130)	-
(58,850)	18,483
(142)	207
(77,245)	14,611
(53,512)	63,619
(52,277)	63,756
(1,235)	(137)

OTHER FINANCIAL INFORMATION

RMB in millions, unless specified

	Unaudited		
	1Q2022	4Q2021	1Q2021
EBITDA (a)	38,283	36,568	49,355
Adjusted EBITDA (a)	46,102	42,267	52,927
Adjusted EBITDA margin (b)	34%	29%	39%
Interest and related expenses	2,103	2,188	1,726
Net (debt)/cash (c)	(11,035)	(20,243)	5,581
Capital expenditures (d)	6,971	11,661	7,734

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
	March 31, 2022	December 31, 2021
ASSETS		
Non-current assets		
Property, plant and equipment	61,560	61,914
Land use rights	18,451	17,728
Right-of-use assets	22,091	20,468
Construction in progress	6,529	5,923
Investment properties	589	517
Intangible assets	178,712	171,376
Investments in associates	309,630	316,574
Investments in joint ventures	6,509	6,614
Financial assets at fair value through profit or loss	197,161	192,184
Financial assets at fair value through other comprehensive income	189,993	250,257
Prepayments, deposits and other assets	37,093	37,177
Other financial assets	4,222	1,261
Deferred income tax assets	27,616	26,068
Term deposits	21,124	19,491
	1,081,280	1,127,552
Current assets		
Inventories	2,712	1,063
Accounts receivable	52,774	49,331
Prepayments, deposits and other assets	69,961	65,390
Other financial assets	1,568	1,749
Financial assets at fair value through profit or loss	11,742	10,573
Term deposits	82,604	83,813
Restricted cash	2,691	2,476
Cash and cash equivalents	188,826	167,966
Assets held for distribution	-	102,451
	412,878	484,812
Total assets	1,494,158	1,612,364

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

RMB in millions, unless specified

	Unaudited	Audited
	As at	As at
	March 31, 2022	December 31, 2021
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	-	-
Share premium	71,817	67,330
Treasury shares	(1,222)	-
Shares held for share award schemes	(4,686)	(4,843)
Other reserves	9,094	73,901
Retained earnings	702,856	669,911
	777,859	806,299
Non-controlling interests	67,418	70,394
Total equity	845,277	876,693
LIABILITIES		
Non-current liabilities		
Borrowings	148,467	136,936
Notes payable	135,465	145,590
Long-term payables	9,377	9,966
Other financial liabilities	5,783	5,912
Deferred income tax liabilities	12,524	13,142
Lease liabilities	17,981	16,501
Deferred revenue	4,562	4,526
	334,159	332,573
Current liabilities		
Accounts payable	112,512	109,470
Other payables and accruals	48,437	60,582
Borrowings	21,656	19,003
Notes payable	9,515	-
Current income tax liabilities	13,968	12,506
Other tax liabilities	2,456	2,240
Other financial liabilities	3,326	3,554
Lease liabilities	5,927	5,446
Deferred revenue	96,925	87,846
Dividends payable for distribution in specie	-	102,451
	314,722	403,098
Total liabilities	648,881	735,671
Total equity and liabilities	1,494,158	1,612,364

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 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 December 31, 2021									
Operating profit	109,723	5,664	(100,349)	1,316	15,217	604	976	–	33,151
Profit for the period	95,705	7,880	(98,046)	3,340	15,573	604	1,568	(866)	25,758
Profit attributable to equity holders	94,958	7,776	(97,804)	3,010	15,573	604	1,567	(804)	24,880
<i>Operating margin</i>	<i>76%</i>								<i>23%</i>
<i>Net margin</i>	<i>66%</i>								<i>18%</i>
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>

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