

For Immediate Release**TENCENT ANNOUNCES 2023 SECOND QUARTER AND INTERIM RESULTS**

Hong Kong, August 16, 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 second quarter (“2Q2023”) and first half year of 2023 (“1H2023”) ended June 30, 2023.

2Q2023 Key Highlights

Revenues: +11% YoY, non-IFRS¹ profit attributable to equity holders of the Company: +33% YoY

- **Total revenues** were RMB149.2 billion (USD20.6 billion²), an increase of 11% over the second 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 RMB50.1 billion (USD6.9 billion), an increase of 37% YoY. Operating margin increased to 34% from 27% last year.
 - **Profit for the period** was RMB38.6 billion (USD5.3 billion), an increase of 33% YoY. Net margin increased to 26% from 22% last year.
 - **Profit attributable to equity holders of the Company** for the quarter was RMB37.5 billion (USD5.2 billion), an increase of 33% YoY.
 - **Basic earnings per share** were RMB3.962. **Diluted earnings per share** were RMB3.875.
- **On an IFRS basis:**
 - Operating profit was RMB40.3 billion (USD5.6 billion), an increase of 34% YoY. Operating margin increased to 27% from 22% last year.
 - Profit for the period was RMB27.0 billion (USD3.7 billion), an increase of 41% YoY. Net margin increased to 18% from 14% last year.
 - Profit attributable to equity holders of the Company for the quarter was RMB26.2 billion (USD3.6 billion), an increase of 41% YoY.
 - Basic earnings per share were RMB2.761. Diluted earnings per share were RMB2.695.

1H2023 Key Highlights

Revenues: +11% YoY, non-IFRS profit attributable to equity holders of the Company: +31% YoY

- **Total revenues** were RMB299.2 billion (USD41.4 billion), an increase of 11% over the first half year 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 RMB98.5 billion (USD13.6 billion), an increase of 35% YoY. Operating margin increased to 33% from 27% last year.
 - **Profit for the Period** was RMB72.1 billion (USD10 billion), an increase of 30% YoY. Net margin

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 RMB7.2258

increased to 24% from 21% last year.

- **Profit attributable to equity holders of the Company** for the year was RMB70.1 billion (USD9.7 billion), an increase of 31% YoY.
- **Basic earnings per share** were RMB7.393. **Diluted earnings per share** were RMB7.236.
- **On an IFRS basis:**
 - Operating profit was RMB80.7 billion (USD11.2 billion), an increase of 20% YoY. Operating margin increased to 27% from 25% last year.
 - Profit for the period was RMB53.4 billion (USD7.4 billion), an increase of 24% YoY. Net margin increased to 18% from 16% last year.
 - Profit attributable to equity holders of the Company for the period was RMB52.0 billion (USD7.2 billion), an increase of 24% YoY.
 - Basic earnings per share were RMB5.486. Diluted earnings per share were RMB5.334.
- **Total cash** were RMB371.8 billion (USD51.5 billion) at the end of the period.

Mr. Ma Huateng, Chairman and CEO of Tencent, said, “During the second quarter of 2023, we sustained a solid revenue growth rate, along with a gravitation toward high quality revenue streams with better margins. This transition, combined with careful cost discipline developed in the previous year, resulted in profit growth exceeding revenue growth. We achieved notably rapid growth in advertising business, benefitting from deploying machine learning on our advertising platform and from Video Accounts monetisation. We will continue to drive innovation, including through generative AI, where we are providing a library of models to our partners via our Tencent Cloud Model-as-a-Service (MaaS) offering, as well as refining our proprietary foundation model.”

2Q2023 Financial Review

Revenues from VAS increased by 4% to RMB74.2 billion for the second quarter of 2023 on a year-on-year basis. International Games revenues increased by 19% to RMB12.7 billion, or up 12% excluding the impact of currency movements, supported by contributions from VALORANT, Triple Match 3D and Goddess of Victory: NIKKE. Domestic Games revenues were stable at RMB31.8 billion, as we released less-commercial content in our biggest games following a strong first quarter, while revenues from emerging competitive eSports titles such as Arena Breakout and Fight of the Golden Spatula increased year-on-year. Social Networks revenues increased by 2% to RMB29.7 billion, driven by increased revenues from mini games and music subscription services, partly offset by decreased revenues from our music- and games-related live streaming services.

Revenues from Online Advertising increased by 34% year-on-year to RMB25 billion for the second quarter of 2023, reflecting robust demand for Video Accounts advertisements and ongoing improvements in machine learning on our advertising platform, as well as a low base effect from the second quarter of 2022. Video Accounts' advertising revenue exceeded RMB3 billion for the second quarter of 2023.

Revenues from FinTech and Business Services increased by 15% year-on-year to RMB48.6 billion for the second quarter of 2023. FinTech Services revenue achieved double-digit year-on-year growth, supported by expansion in both offline and online commercial payment activities. Business Services revenue improved to a low double-digit year-on-year growth rate, driven by fees generated from Video Accounts live streaming eCommerce transactions and modest growth in cloud services.

Other Key Financial Information for 2Q2023

EBITDA was RMB51.9 billion, up 34% YoY. Adjusted EBITDA was RMB56.8 billion, up 27% YoY.
 Capital expenditures were RMB4.0 billion, up 31% YoY.
 Free cash flow was RMB29.9 billion, up 34% YoY.

As at Jun 30, 2023, net cash position totalled RMB17.7 billion. Fair value of our shareholdings³ in listed investee companies (excluding subsidiaries) totalled RMB435.4 billion (USD60.3 billion) and the carrying value of our unlisted investments was RMB347.0 billion (USD48.0 billion). During the second quarter, the Company repurchased approximately 35.9 million shares on the Hong Kong Stock Exchange for an aggregate consideration of approximately RMB11.2 billion.

Operating Metrics

	As at 30 June 2023	As at 30 June 2022 (in millions, unless specified)	Year- on-year change	As at 31 March 2023	Quarter-on- quarter change
Combined MAU of Weixin and WeChat	1,327	1,299	2%	1,319	1%
Mobile device MAU of QQ	571	569	0.4%	597	-4%
Fee-based VAS registered subscriptions	241	235	3%	226	7%

Business Review and Outlook

Communications and Social Networks

Weixin user engagement increased healthily, benefitting from user time spent growth across Video Accounts, Mini Programs and Moments. Video Accounts total user time spent almost doubled year-on-year. Mini Programs exceeded 1.1 billion MAU, including a notable contribution from Mini Games, which represent the leading casual games platform in China, and which generate distribution and advertising revenues with high margins and platform economics.

Digital Content

Tencent Video subscriptions decreased 5% year-on-year but grew 2% quarter-on-quarter to 115 million, benefitting from our original animated series and drama series. Our music subscriptions reached 100 million in June 2023, as TME enriched offerings in terms of membership privileges and content.

Domestic Games

Our mobile and PC games' MAU and DAU each increased year-on-year, and three of our new game launches

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

from the past two years ranked among the top 10 mobile games by total time spent during the quarter⁴. Our evergreen titles also demonstrated vitality, such as Naruto Mobile and DnF. We have recently launched two big PC games in China, VALORANT and Lost Ark. While our Domestic Games revenue was flat year-on-year in the second quarter due to releasing less highly commercial content, we believe this was a temporary phenomenon, and that our Domestic Games revenue should resume year-on-year growth in the third quarter of 2023.

International Games

During the quarter, we saw ongoing revenue growth from PC games, such as VALORANT; signs that the post-pandemic dip in activity is moving behind us in mobile games, notably PUBG MOBILE; and positive contributions from recently released games, including Goddess of Victory: NIKKE.

Online Advertising

We outpaced the overall industry's growth rate, which we attribute to enhancements to machine learning systems powering our advertising platform and robust demand for Video Accounts advertisements. Advertising spending on our platforms grew at a double-digit year-on-year rate from every major advertiser category, except transportation.

FinTech Services

Our commercial payment revenue increased as consumption spending grew, and our wealth management business expanded its users and aggregated customer assets. On the regulatory front, we have completed self-inspection and corresponding rectification for Tenpay, and upgraded the operational compliance capability of our payment business. We look forward to progressing our business and providing innovative services under the supportive regulatory framework.

Cloud and Other Business Services

We launched the Tencent Cloud MaaS library of models and solutions, leveraging our proprietary vector database and high-performance computing clusters. Our MaaS solutions enable enterprises in industries such as tourism and public services to develop customised large models at higher efficiency and lower cost.

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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⁴ Source: by total time spent in 2Q2023, according to QuestMobile

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	
	2Q2023	2Q2022	2Q2023	1Q2023
Revenues	149,208	134,034	149,208	149,986
VAS	74,211	71,683	74,211	79,337
Online Advertising	25,003	18,638	25,003	20,964
FinTech and Business Services	48,635	42,208	48,635	48,701
Others	1,359	1,505	1,359	984
Cost of revenues	(78,368)	(76,167)	(78,368)	(81,804)
Gross profit	70,840	57,867	70,840	68,182
	<i>Gross margin</i>			
	47%	43%	47%	45%
Interest income	3,419	1,945	3,419	2,963
Other gains/(losses), net	(230)	4,420	(230)	944
Selling and marketing expenses	(8,310)	(7,932)	(8,310)	(7,018)
General and administrative expenses	(25,419)	(26,233)	(25,419)	(24,642)
Operating profit	40,300	30,067	40,300	40,429
	<i>Operating margin</i>			
	27%	22%	27%	27%
Finance costs, net	(3,291)	(1,809)	(3,291)	(2,650)
Share of profit/(loss) of associates and joint ventures, net	1,159	(4,460)	1,159	80
Profit before income tax	38,168	23,798	38,168	37,859
Income tax expense	(11,145)	(4,568)	(11,145)	(11,465)
Profit for the period	27,023	19,230	27,023	26,394
	<i>Net margin</i>			
	18%	14%	18%	18%
Attributable to:				
Equity holders of the Company	26,171	18,619	26,171	25,838
Non-controlling interests	852	611	852	556
Non-IFRS profit attributable to equity holders of the Company	37,548	28,139	37,548	32,538
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)				
- basic	2.761	1.951	2.761	2.725
- diluted	2.695	1.915	2.695	2.639

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

RMB in millions, unless specified

	Unaudited	
	2Q2023	2Q2022
Profit for the period	27,023	19,230
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	424	292
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	(23)	(14)
Transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	(3)	2
Net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income	17	(8)
Currency translation differences	17,560	6,989
Other fair value gains, net	31	865
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Share of other comprehensive income of associates and joint ventures	(743)	(379)
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	(20,673)	(61,581)
Currency translation differences	2,742	2,219
	(668)	(51,615)
Total comprehensive income for the period	26,355	(32,385)
Attributable to:		
Equity holders of the Company	24,416	(32,083)
Non-controlling interests	1,939	(302)

OTHER FINANCIAL INFORMATION

RMB in millions, unless specified

	Unaudited		
	2Q2023	1Q2023	2Q2022
EBITDA (a)	51,918	52,656	38,628
Adjusted EBITDA (a)	56,848	57,811	44,668
Adjusted EBITDA margin (b)	38%	39%	33%
Interest and related expenses	3,009	2,800	2,327
Net cash/(debt)/ (c)	17,717	31,508	(20,429)
Capital expenditures (d)	3,953	4,411	3,015

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
	June 30, 2023	December 31, 2022
ASSETS		
Non-current assets		
Property, plant and equipment	48,530	53,978
Land use rights	17,775	18,046
Right-of-use assets	20,592	22,524
Construction in progress	13,260	9,229
Investment properties	567	559
Intangible assets	171,952	161,802
Investments in associates	246,101	246,043
Investments in joint ventures	8,106	6,672
Financial assets at fair value through profit or loss	216,603	206,085
Financial assets at fair value through other comprehensive income	213,089	185,247
Prepayments, deposits and other assets	28,351	36,752
Other financial assets	7,222	6,987
Deferred income tax assets	29,627	29,882
Term deposits	25,319	28,336
	1,047,094	1,012,142
Current assets		
Inventories	2,155	2,333
Accounts receivable	46,172	45,467
Prepayments, deposits and other assets	89,777	76,685
Other financial assets	1,855	1,278
Financial assets at fair value through profit or loss	29,798	27,963
Term deposits	176,427	104,776
Restricted cash	4,578	2,783
Cash and cash equivalents	139,647	156,739
Assets held for distribution	-	147,965
	490,409	565,989
Total assets	1,537,503	1,578,131

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

RMB in millions, unless specified

	Unaudited As at June 30, 2023	Audited As at December 31, 2022
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	-	-
Share premium	56,611	62,418
Treasury shares	(2,224)	(1,868)
Shares held for share award schemes	(4,497)	(4,226)
Other reserves	(22,850)	(40,914)
Retained earnings	751,256	705,981
	<u>778,296</u>	<u>721,391</u>
Non-controlling interests	<u>62,520</u>	<u>61,469</u>
Total equity	<u>840,816</u>	<u>782,860</u>
LIABILITIES		
Non-current liabilities		
Borrowings	154,079	163,668
Notes payable	139,840	148,669
Long-term payables	13,668	9,067
Other financial liabilities	5,095	5,574
Deferred income tax liabilities	14,369	12,162
Lease liabilities	17,452	18,424
Deferred revenue	3,320	3,503
	<u>347,823</u>	<u>361,067</u>
Current liabilities		
Accounts payable	100,103	92,381
Other payables and accruals	66,382	61,139
Borrowings	45,754	11,580
Notes payable	14,442	10,446
Current income tax liabilities	14,070	13,488
Other tax liabilities	4,300	4,698
Other financial liabilities	4,478	3,937
Lease liabilities	6,010	6,354
Deferred revenue	93,325	82,216
Dividends payable for distribution in specie	-	147,965
	<u>348,864</u>	<u>434,204</u>
Total liabilities	<u>696,687</u>	<u>795,271</u>
Total equity and liabilities	<u>1,537,503</u>	<u>1,578,131</u>

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)	
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 March 31, 2023									
Operating profit	40,429	5,844	(658)	998	241	1,526	9	-	48,389
Profit for the period	26,394	7,313	(5,224)	2,271	1,862	1,526	9	(706)	33,445
Profit attributable to equity holders	25,838	7,094	(5,224)	2,098	1,852	1,526	9	(655)	32,538
Operating margin	27%								32%
Net margin	18%								22%
Unaudited three months ended June 30, 2022									
Operating profit	30,067	6,507	(5,539)	1,255	2,831	1,370	176	-	36,667
Profit for the period	19,230	8,439	(6,085)	2,989	3,189	1,370	176	(321)	28,987
Profit attributable to equity holders	18,619	8,257	(5,968)	2,767	3,189	1,370	176	(271)	28,139
Operating margin	22%								27%
Net margin	14%								22%

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 (including the fine imposed by the PBOC on Tenpay which was disclosed in our announcement dated 7 July 2023) and expenses incurred for certain litigation settlements of the Group
- (g) Income tax effects of non-IFRS adjustments