

For Immediate Release**TENCENT ANNOUNCES 2020 THIRD QUARTER RESULTS**

Hong Kong, November 12, 2020 – 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 (“3Q2020”) ended September 30, 2020.

3Q2020 Key Highlights

Revenues: +29% YoY, non-IFRS¹ profit attributable to equity holders of the Company: +32% YoY

- **Total revenues** were RMB125,447 million (USD18,421 million²), an increase of 29% over the third quarter of 2019 (“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 RMB38,116 million (USD5,597 million), an increase of 34% YoY. Operating margin increased to 30% from 29% last year.
 - **Profit for the period** was RMB33,325 million (USD4,893 million), an increase of 33% YoY. Net margin increased to 27% from 26% last year.
 - **Profit attributable to equity holders of the Company** for the quarter was RMB32,303 million (USD4,743 million), an increase of 32% YoY.
 - **Basic earnings per share** were RMB3.402. **Diluted earnings per share** were RMB3.314.
- **On an IFRS basis:**
 - Operating profit was RMB43,953 million (USD6,454 million), an increase of 70% YoY. Operating margin increased to 35% from 27% last year.
 - Profit for the period was RMB38,899 million (USD5,712 million), an increase of 85% YoY. Net margin increased to 31% from 22% last year.
 - Profit attributable to equity holders of the Company for the quarter was RMB38,542 million (USD5,660 million), an increase of 89% YoY.
 - Basic earnings per share were RMB4.059. Diluted earnings per share were RMB3.964.
- **Total cash** were RMB265,892 million (USD39,044 million) at the end of the quarter.

Mr. Ma Huateng, Chairman and CEO of Tencent, said, "This quarter marked the second anniversary of our strategic organisation upgrade, which was intended to enhance our strength in Consumer Internet and extend our presence to Industrial Internet. While the upgrade was designed to bear fruit over the longer run, we are already seeing initial benefits in areas such as consolidating our advertising services, rejuvenating our product and content platforms, growing our cloud and SaaS businesses and building an internal open source code base. In the face of public health, macroeconomic, and geopolitical challenges, we will seek to sharpen our focus, innovate, and collaborate with our partners in order to better serve our users, customers and the society at large. "

3Q2020 Financial Review

Revenues from VAS increased by 38% to RMB69,802 million for the third quarter of 2020 on a year-on-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 RMB6.8101

basis. Online games revenues grew by 45% to RMB41,422 million. The increase was primarily due to revenue growth of our smart phone games, including domestic titles such as Peacekeeper Elite and Honour of Kings, as well as overseas titles. Total smart phone games revenues (including smart phone games revenues attributable to our social networks business) were RMB39,173 million and PC client games revenues were RMB11,631 million for the third quarter of 2020. Social networks revenues increased by 29% to RMB28,380 million. The increase reflected contributions from digital content services including HUYA's live streaming service, our video subscription service, and our music subscription service, as well as from in-game virtual item sales.

Revenues from Online Advertising increased by 16% to RMB21,351 million for the third quarter of 2020 on a year-on-year basis, benefitting from wider adoption of our algorithmic advertisement buying solutions, as well as rapid demand growth from categories such as education, Internet services and eCommerce platforms, and recovered demand from sectors such as real estate and automobiles. Social and others advertising revenues grew by 21% to RMB17,752 million. The increase was primarily driven by higher revenues flowing from Weixin Moments due to increased inventories and eCPMs, and our mobile advertising network revenue growth on higher eCPMs as advertisers responded favorably to our video ad formats. Media advertising revenues decreased 1% to RMB3,599 million. The slower decline versus prior quarters benefitted from key Tencent Video content releases, as well as inventory and impression growth from our music platforms.

Revenues from FinTech and Business Services increased by 24% to RMB33,255 million for the third quarter of 2020 on a year-on-year basis. The increase was mainly due to higher revenues from commercial payment and wealth management, while our Business Services revenue growth slowed down due to lingering impact from the pandemic on project development and new contract sign-ups, as well as non-recurring adjustments to certain IaaS contracts.

Other Key Financial Information for 3Q2020

EBITDA was RMB45,055 million, up 27% YoY. Adjusted EBITDA was RMB47,849 million, up 26% YoY.

Capital expenditures were RMB8,684 million, up 31% YoY.

Free cash flow* was RMB28,127 million, stable YoY.

As at September 30, 2020, net cash position totalled RMB6,363 million. Fair value of our stakes in listed investee companies (excluding subsidiaries) totalled RMB890,730 million, compared to RMB726,244 million as at June 30, 2020.

** Starting from 2020, free cash flow was adjusted by subtracting payments for media content and lease liabilities, in addition to subtracting payments for capital expenditure from the operating cash flow. Restated free cash flow was RMB16.8 billion in 1Q2019, RMB12.6 billion in 2Q2019, RMB28.1 billion in 3Q2019, and RMB31.3 billion in 4Q2019, respectively.*

Operating Metrics

	As at 30 September 2020	As at 30 September 2019	Year- on-year change	As at 30 June 2020	Quarter-on- quarter change
		(in millions, unless specified)			
Combined MAU of Weixin and WeChat	1,212.8	1,151.0	5.4%	1,206.1	0.6%
Smart device MAU of QQ	617.4	653.4	-5.5%	647.6	-4.7%
Fee-based VAS registered subscriptions	213.4	170.6	25.1%	203.4	4.9%

Business Review and Outlook

Communication and Social

For Weixin, we are facilitating more convenient access to high frequency services within the Weixin Pay interface by regrouping such services into four verticals, namely Financial Services, Daily Services, Travel & Transportation, and Shopping & Entertainment. For the Travel & Transportation vertical, we connect automobile owners with a range of car services, such as car wash and car insurance, as well as general users with public transportation services, such as transit codes and bus schedules. We have now extended these mobility services to ten provinces and municipalities in China. We are also enhancing the efficiency of content and service discovery via cross-referencing within Weixin properties, so that users can press-to-search words and phrases that appear in chat boxes and find content and services from Mini Programs, Official Accounts and Moments. In Moments, contributors can create hashtags in posts, and their friends can click these hashtags and access deep-linked search results from Official Accounts, video feeds and H5 pages.

In QQ chats and groups, we enabled users to watch Tencent Video together while they are making video calls, to compete with friends via battle-mode Mini Games, and to co-edit classwork via our online collaborative tool, Tencent Docs. The launch of QQ's Mini World video and image feed service has increased QQ's appeal among the younger audience. Through Mini World, we encourage contributors to create videos and images, and share them beyond their existing friend circle. We recommend attractive content in Mini World to QQ users based on their interest graphs, enabling users to explore more content and communities. These initiatives, along with the growing demand for real-time video chatting since the onset of the pandemic, drove daily time spent per QQ user up by a teens percentage year-on-year.

Online Games

Our online game revenue increased year-on-year, driven by healthy growth in paying users in China and international markets. For smart phone games, we celebrated the fifth anniversary for Honour of Kings, which exceeded 100 million average DAU for the first ten months of 2020. Since we first released the game in 2015, we have expanded the user base of Honour of Kings through constant innovation and user-centric operations, backed up by our robust technology infrastructure. We aim to unleash the potential of this IP by rolling out two new games, an animated series and a live action drama series based on the Honour of Kings' world. While our best-known games such as Honour of Kings attract the most attention, lesser-known games also contribute to our game business' stable growth. For example, Naruto Mobile, an internally developed game based on the popular anime IP, has recently become one of the top fighting games in China with all-time high DAU and revenue, despite being first released over four years ago. This speaks to our team's success in making ongoing game enhancements, such as refining a highly popular PvP game mode. As for new games, we believe that our Moonlight Blade Mobile represents 2020's most successful launch of a new MMO role playing game in China, and our battle arena game League of Legends Wild Rift is currently among the most-downloaded mobile games across its available markets, according to AppAnnie.

We have a constructive view on PC game opportunities as the IP and influence of our major franchises remain notably robust. League of Legends released a major thematic event, "Spirit Blossom Festival", coordinating the release of new champions, new skins, and new event passes. The recent League of Legends World Championship in Shanghai attracted a sizeable audience globally. Tencent Video aired a highly-rated drama series based on our CrossFire game during the quarter, which tied into a new in-game mode and skins, reviving the game's popularity and monetisation. Valorant became a breakout hit in the tactical shooter genre and was widely watched on Twitch.

Digital Content

Our fee-based VAS subscriptions increased 25% year-on-year to 213 million, primarily driven by video and music content subscriptions. Video subscriptions expanded 20% year-on-year to 120 million. Our self-commissioned drama and animated series such as Nothing But Thirty (《三十而已》), The Song of Glory (《錦繡南歌》) and The Land of Warriors Season 3 (《斗羅大陸第三季》) have attracted additional subscribers for Tencent Video. We successfully converted trial users acquired during summer promotions to regular video subscribers. Music subscriptions grew 46% year-on-year to 52 million, due to an expanded paid content library and a higher retention rate.

Online Advertising

Following the COVID-19 outbreak, overall China advertising activity appears to have largely returned to normal conditions, albeit with a few industry exceptions lagging (for example, the travel industry), and with substantial changes in advertiser behavior (for example, toward retargeting and toward video format advertisements). We believe these changes, along with our own initiatives, have contributed to our increasing presence and relevance in China's advertising market. By category, advertising spending from sectors such as education, Internet services and eCommerce platforms experienced rapid secular growth through the pandemic, and sustained robust year-on-year growth during the quarter. Advertising spending from cyclical categories, such as automobiles and real estate, picked up year-on-year. Advertising spending from categories which dipped during the pandemic, such as financial services and consumer staples, were flattish year-on-year. Internally, we upgraded our algorithmic advertising buying solutions, delivering higher conversion rates for advertisers and attracting increased share of budgets towards our services. We also provided incremental advertising inventories in casual game apps, eSports events and live streaming platforms.

For social and others advertising, Weixin properties achieved solid revenue growth year-on-year, driven by higher impressions and eCPM. Our mobile advertising network revenue grew rapidly year-on-year as advertisers responded favorably to our video formats, such as rewarded video advertisements.

For media advertising, the rate of revenue decrease moderated to minus 1% year-on-year. We captured sponsorship advertising demand via self-commissioned variety shows such as The Coming One Season 4 (《明日之子第四季》) and drama series such as Nothing But Thirty (《三十而已》).

FinTech

Our FinTech revenue grew healthily at a similar rate to prior quarters, led by the continued expansion of our commercial payment and wealth management businesses, while our social payment and micro lending businesses grew at moderate rates. Our TPV increased over 30% year-on-year as commercial payment DAU and transaction value per user grew robustly year-on-year, mainly driven by our deeper penetration in offline transactions and expansion of our Mini Programs transactions in retail categories such as grocery and apparel.

The number of our wealth management customers increased over 50% year-on-year, and our aggregated customer assets expanded at a similar rate. We believe that LiCaiTong's penetration rate among our payment users is still quite low, and we are seeking to further grow our wealth management customer base at a measured rate via long-term initiatives such as investor education programs and an expanded product offering.

Cloud and Other Business Services

During the quarter, cloud and other business services revenue were affected by the lingering impact from pandemic, causing delays in project deployment and new contract sign-ups, as well as by non-recurring

adjustments to certain IaaS contracts. The year-on-year revenue growth rate was therefore lower than previous quarters, which we expect to be temporary in nature.

We saw rising demand for PaaS solutions, in particular security PaaS, from financial, healthcare and Internet services clients. We also upgraded our SaaS enterprise productivity toolkit which consists of three signature products, namely WeCom (the enterprise version of Weixin), Tencent Meeting, and Tencent Docs. Customers are increasingly adopting WeCom for workplace communication, and its DAU grew over 100% year-on-year. More than 100 million users have registered for our video communication solution Tencent Meeting. In September, we released an enterprise version for Tencent Meeting, with enhanced features such as webinars, simultaneous interpretation, and connection with enterprises' existing conference room systems. We further integrated Tencent Docs, our cloud-based document processing tool, with other Tencent products, including QQ, QQ Browser and our CRM SaaS products.

For other detailed disclosure, please refer to our website <http://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 platforms, 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 platform 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

Catherine Chan	Tel: (86) 755 86013388 / (852) 3148 5100 ext. 888369	Email: cchan#tencent.com
Wendy Huang	Tel: (86) 755 86013388 / (852) 3148 5100 ext. 850839	Email: wendyyhuang#tencent.com
Jane Yip	Tel: (86) 755 86013388 / (852) 3148 5100 ext. 868961	Email: janeyip#tencent.com
PH Cheung	Tel: (86) 755 86013388 / (852) 3148 5100 ext. 868919	Email: phcheung#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 million, unless specified

		Unaudited		Unaudited	
		3Q2020	3Q2019	3Q2020	2Q2020
Revenues		125,447	97,236	125,447	114,883
VAS		69,802	50,629	69,802	65,002
FinTech and Business Services		33,255	26,758	33,255	29,862
Online Advertising		21,351	18,366	21,351	18,552
Others		1,039	1,483	1,039	1,467
Cost of revenues		(68,800)	(54,757)	(68,800)	(61,673)
Gross profit		56,647	42,479	56,647	53,210
	Gross margin	45%	44%	45%	46%
Interest income		1,864	1,674	1,864	1,749
Other gains, net		11,551	932	11,551	8,607
Selling and marketing expenses		(8,920)	(5,722)	(8,920)	(7,756)
General and administrative expenses		(17,189)	(13,536)	(17,189)	(16,499)
Operating profit		43,953	25,827	43,953	39,311
	Operating margin	35%	27%	35%	34%
Finance costs, net		(1,945)	(1,747)	(1,945)	(2,005)
Share of profit/(loss) of associates and joint ventures		2,630	234	2,630	(295)
Profit before income tax		44,638	24,314	44,638	37,011
Income tax expense		(5,739)	(3,338)	(5,739)	(4,557)
Profit for the period		38,899	20,976	38,899	32,454
	Net margin	31%	22%	31%	28%
Attributable to:					
Equity holders of the Company		38,542	20,382	38,542	33,107
Non-controlling interests		357	594	357	(653)
Non-IFRS profit attributable to equity holders of the Company		32,303	24,412	32,303	30,153
Earnings per share for profit attributable to equity holders of the Company					
(in RMB per share)					
- basic		4.059	2.151	4.059	3.491
- diluted		3.964	2.127	3.964	3.437

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

RMB in millions, unless specified

		Unaudited	
		3Q2020	3Q2019
Profit for the period		38,899	20,976
Other comprehensive income, net of tax:			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Share of other comprehensive income/(loss) of associates and joint ventures	192	(21)	
Transfer of share of other comprehensive income to profit or loss upon deemed disposal of associates	-	(3)	
Currency translation differences	(5,731)	2,069	
Other fair value gains/(losses)	169	(475)	
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income	9,535	(3,213)	
Other fair value gains/(losses)	202	(96)	
	4,367	(1,739)	
Total comprehensive income for the period		43,266	19,237
Attributable to:			
Equity holders of the Company	43,082	18,885	
Non-controlling interests	184	352	

OTHER FINANCIAL INFORMATION

RMB in millions, unless specified

Unaudited			
	3Q2020	2Q2020	3Q2019
EBITDA (a)	45,055	40,525	35,378
Adjusted EBITDA (a)	47,849	43,742	38,123
Adjusted EBITDA margin (b)	38%	38%	39%
Interest and related expenses	1,855	1,822	2,086
Net cash/(debt) (c)	6,363	7,212	(7,173)
Capital expenditures (d)	8,684	9,466	6,632

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. 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
	September 30, 2020	December 31, 2019
ASSETS		
Non-current assets		
Property, plant and equipment	56,153	46,824
Land use rights	15,801	15,609
Right-of-use assets	10,646	10,847
Construction in progress	4,318	3,935
Investment properties	628	855
Intangible assets	137,135	128,860
Investments in associates	247,985	213,614
Investments in joint ventures	7,119	8,280
Financial assets at fair value through profit or loss	168,926	128,822
Financial assets at fair value through other comprehensive income	143,935	81,721
Prepayments, deposits and other assets	23,423	23,442
Deferred income tax assets	22,981	18,209
Term deposits	31,664	19,000
	870,714	700,018
Current assets		
Inventories	1,164	718
Accounts receivable	41,696	35,839
Prepayments, deposits and other assets	38,237	27,840
Other financial assets	1,650	375
Financial assets at fair value through profit or loss	6,135	7,114
Term deposits	75,692	46,911
Restricted cash	2,250	2,180
Cash and cash equivalents	152,491	132,991
	319,315	253,968
Total assets	1,190,029	953,986

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

RMB in millions, unless specified

	Unaudited	Audited
	As at	As at
	September 30, 2020	December 31, 2019
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	-	-
Share premium	44,804	35,271
Shares held for share award schemes	(4,351)	(4,002)
Other reserves	60,763	16,786
Retained earnings	475,887	384,651
	577,103	432,706
Non-controlling interests	69,394	56,118
Total equity	646,497	488,824
LIABILITIES		
Non-current liabilities		
Borrowings	118,037	104,257
Notes payable	127,375	83,327
Long-term payables	3,057	3,577
Other financial liabilities	6,846	5,242
Deferred income tax liabilities	14,488	12,841
Lease liabilities	8,105	8,428
Deferred revenue	6,304	7,334
	284,212	225,006
Current liabilities		
Accounts payable	87,008	80,690
Other payables and accruals	48,738	45,174
Borrowings	14,117	22,695
Notes payable	-	10,534
Current income tax liabilities	13,470	9,733
Other tax liabilities	1,941	1,245
Other financial liabilities	4,165	5,857
Lease liabilities	3,454	3,279
Deferred revenue	86,427	60,949
	259,320	240,156
Total liabilities	543,532	465,162
Total equity and liabilities	1,190,029	953,986

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)	Income tax effects (e)	
Unaudited three months ended September 30, 2020							
Operating profit	43,953	3,059	(8,703)	905	(1,098)	–	38,116
Profit for the period	38,899	3,770	(10,099)	2,005	(973)	(277)	33,325
Profit attributable to equity holders	38,542	3,517	(10,133)	1,620	(1,026)	(217)	32,303
Operating margin	35%						30%
Net margin	31%						27%
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
Operating margin	34%						33%
Net margin	28%						27%
Unaudited three months ended September 30, 2019							
Operating profit	25,827	2,745	(1,814)	118	1,668	–	28,544
Profit for the period	20,976	3,568	(2,509)	1,544	1,981	(474)	25,086
Profit attributable to equity holders	20,382	3,475	(2,444)	1,491	1,971	(463)	24,412
Operating margin	27%						29%
Net margin	22%						26%

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 intangible assets arising from acquisitions
- (e) Income tax effects of non-IFRS adjustments