

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

**Hong Kong, May 13, 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 first quarter (“1Q2020”) ended March 31, 2020.

**1Q2020 Key Highlights**

**Revenues: +26% YoY, non-IFRS<sup>1</sup> profit attributable to equity holders of the Company: +29% YoY**

- **Total revenues** were RMB108,065 million (USD15,252 million<sup>2</sup>), an increase of 26% over the first 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 RMB35,575 million (USD5,021 million), an increase of 25% YoY. Operating margin remained stable at 33%.
  - **Profit for the quarter** was RMB27,984 million (USD3,950 million), an increase of 29% YoY. Net margin increased to 26% from 25% last year.
  - **Profit attributable to equity holders of the Company** for the quarter was RMB27,079 million (USD3,822 million), an increase of 29% YoY.
  - **Basic earnings per share** were RMB2.858. **Diluted earnings per share** were RMB2.817.
- **On an IFRS basis**:
  - Operating profit was RMB37,260 million (USD5,259 million), an increase of 1% YoY. Operating margin decreased to 34% from 43% last year.
  - Profit for the period was RMB29,403 million (USD4,150 million), an increase of 6% YoY. Net margin decreased to 27% from 33% last year.
  - Profit attributable to equity holders of the Company for the quarter was RMB28,896 million (USD4,078 million), an increase of 6% YoY.
  - Basic earnings per share were RMB3.049. Diluted earnings per share were RMB2.999.
- **Total cash** were RMB220,584 million (USD31,134 million) at the end of the quarter.

Mr. Ma Huateng, Chairman and CEO of Tencent, said, " As the world tackles COVID-19, our thoughts and hearts go out to all the people who are suffering from the pandemic. During this difficult period, we seek to provide online services that keep people connected, informed, productive, and entertained. So far, our businesses have proved resilient and cashflow-generative, enabling us to increase our investment to fulfill our mission of “Tech for Good”. We are allocating time and resources, including over RMB2 billion of donations, to contribute to COVID-19 relief initiatives in China and globally."

**1Q2020 Financial Review**

Revenues from VAS increased by 27% YoY to RMB62,429 million. Online games revenues grew by 31% YoY to RMB37,298 million. The increase primarily reflected revenue contributions from domestic smart phone games such as Peacekeeper Elite and Honour of Kings, as well as increased contributions from our overseas titles including PUBG Mobile and Clash of Clans, partly offset by lower revenues from PC client games such

<sup>1</sup> Non-IFRS (formerly referred to as non-GAAP) 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), as well as income tax effects.

<sup>2</sup> Figures stated in USD are based on USD1 to RMB7.0851

as DnF. Total smart phone games revenues (including smart phone games revenues attributable to our social networks business) were RMB34,756 million and PC client games revenues were RMB11,795 million for the first quarter of 2020. Social networks revenues increased by 23% YoY to RMB25,131 million. The increase was primarily driven by greater contributions from in-game virtual item sales as well as digital content services including music streaming and video streaming subscriptions.

Revenues from Online Advertising increased by 32% YoY to RMB17,713 million. Social and others advertising revenues grew by 47% YoY to RMB14,592 million. The increase mainly reflected higher advertising revenues derived from increased inventories and impressions from our mobile advertising network and Weixin Moments. Media advertising revenues decreased by 10% YoY to RMB3,121 million. The decrease was primarily due to lower revenues from our video and news platforms as a result of weak macro-economic conditions and suspension of sports events.

Revenues from FinTech and Business Services increased by 22% YoY to RMB26,475 million. The increase was primarily due to revenue growth from commercial payments and wealth management platform, as well as greater revenue contributions from cloud services capturing opportunities in verticals including video, education and retail sectors.

## Other Key Financial Information for 1Q2020

EBITDA was RMB42,228 million, up 26% YoY. Adjusted EBITDA was RMB45,190 million, up 27% YoY. Capital expenditures were RMB6,151 million, up 37% YoY. Free cash flow\* was RMB39,210 million, up 133% YoY.

As at March 31, 2020, net debt position totalled RMB5,716 million. Fair value of our stakes in listed investee companies (excluding subsidiaries) totalled RMB410,299 million.

\* 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

	<b>As at 31 March 2020</b>	As at 31 March 2019 (in millions, unless specified)	Year- on-year change	As at 31 December 2019	Quarter-on- quarter change
Combined MAU of Weixin and WeChat	<b>1,202.5</b>	1,111.7	8.2%	1,164.8	3.2%
Smart device MAU of QQ	<b>693.5</b>	700.4	-1.0%	647.0	7.2%
Fee-based VAS registered subscriptions	<b>197.4</b>	165.5	19.3%	180.1	9.6%

## Business Review and Outlook

In the first quarter of 2020, we harnessed the power of technology to enable users to stay connected, informed and entertained, to help advertisers reach target audiences effectively, and to assist enterprises in achieving

service continuity. During these challenging times, we allocated substantial time and resources, including charitable donations, in contribution to COVID-19 relief initiatives in China and globally. And, we delivered solid quarterly operating and financial metrics, demonstrating the resilience of our business model and the platform value of our Company. Looking forward, we expect in-game consumption activities to largely normalise as people return to work, and we see some headwinds for the online advertising industry. Here are some highlights of our key products and business lines:

### ***Communication and Social***

Weixin and QQ enabled our users to keep connected with their families and friends during the stay-at-home period, and their respective total daily messages and time spent increased at double-digit percentages on a year-on-year basis. Our communication platforms introduced new functionalities to fulfill evolving user needs in different verticals. For eLearning, teachers can now customise QQ group toolbar with relevant Mini Programs, such as online examination and homework collection tools, to better manage online classes. QQ School-plus-Home groups have become a primary eLearning platform serving tens of millions of teachers, students and parents every day. As users are structurally shifting their behavior from offline to online, Weixin deepened its penetration in daily services via Mini Programs, particularly for grocery shopping and municipal services. This contributed to the rapid growth of Mini Programs, DAU of which exceeded 400 million. Leveraging our extensive reach to consumers and merchants, we assisted local governments and merchants in distributing eVouchers to expedite the recovery in consumption, especially for retailers and restaurants.

### ***Online Games***

Games serve important roles in keeping players entertained and connected, especially during the stay-at-home period. For mobile games, our studios released attractive content and our publishing teams ran compelling in-game events and activities, resulting in higher DAU. For example, our upgraded game engine for Honor of Kings enhanced audio and visual quality for in-game items, and a new location-based teamplay system encouraged more user interactions. Peacekeeper Elite ran a successful collaboration with Rocket Girls 101 (an idol girl group managed by Tencent, which emerged from our popular variety show), driving user engagement to a new high and demonstrating cross-IP synergy within Tencent. For PC games, activity in China declined due to temporary closures of internet cafés and the soft performance of DnF. Internationally, PUBG Mobile celebrated its second anniversary and enhanced localisation capabilities to meet diverse user tastes in different regions. Brawl Stars' optimised player-matching algorithm enhanced its user experience. Riot Games released a Teamfight Tactics mobile app, contributing to higher user retention and extended playing time for the League of Legends franchise. It also launched a mobile card game, Legends of Runeterra, and started beta-testing Valorant in April this year. Looking forward, we expect game playing time and in-game consumption activity to largely normalise industry-wide as people return to work, but also believe that games have structurally expanded their long-term audiences and appeal.

### ***Digital Content***

Our fee-based VAS subscriptions increased 19% year-on-year to 197 million, reflecting robust growth in video and music subscriptions. This was driven by the popular self-commissioned video content, an expanding paid music library and more user time spent online during the stay-at-home period. Total video subscriptions rose 26% year-on-year to 112 million and music subscriptions grew 50% year-on-year to 43 million. Tencent Video DAU and traffic grew as users were attracted to our platform by the release of popular self-commissioned Chinese anime and drama series, such as The Land of Warriors Season 3 (《斗罗大陆第三季》) and Sansheng Sanshi Pillow (《三生三世枕上书》). We strengthened our short-form video content, driving user traffic and consumption of short-form video across Weishi, news feed platforms and Mini Programs. With the appointment of a new management team at China Literature, we intend to deepen cooperation with our subsidiary company in adapting its literature IP into various media formats such as TV series, anime and

games, leveraging our distribution capability to broaden its user reach, as well as exploring product innovation and new technologies to strengthen its content ecosystem.

### ***Online Advertising***

Our online advertising revenue grew year-on-year, reflecting increased consumer time spent on our key apps during the stay-at-home period and the attractive ROIs (return on investments) we delivered to advertisers. Revenue decreased sequentially as the first quarter is a low season for marketing activities. By industry, games, Internet services and online education advertising spending on our platforms increased as consumption of these services grew during the stay-at-home period; while FMCG, automobile and travel advertising spending declined.

Social and others advertising revenue increased year-on-year and quarter-on-quarter, driven by increases in advertisement impressions, particularly for Moments. Our mobile advertising network revenue expanded on more traffic and higher eCPMs as video advertisements represented over one-third of advertisement impressions. As for media advertising, sponsorship advertising revenue declined year-on-year and quarter-on-quarter due to budget cuts, delays in variety shows and suspension of NBA games. In-feed advertising revenue grew year-on-year and quarter-on-quarter across video and news properties, driven by the popularity of top-tier drama series and demand for reliable news and information during the stay-at-home period.

Looking forward, we see several likely industry-wide headwinds, including consumer time spent online normalising which will lead to lower advertisement impression growth, online services advertisers adjusting their customer acquisition budgets to reflect revised life time value assumptions, and multinational brands sharply reducing their global marketing budgets as they faced the pandemic in their home markets.

### ***FinTech***

Revenue of FinTech services decreased sequentially as payment activities, especially offline transactions, and cash withdrawals reduced during the Chinese New Year and stay-at-home period. Despite lower revenue, our FinTech services margins were stable as our higher-margin revenue streams such as wealth management and lending continued to grow, and as we controlled marketing and subsidy expenses. For the last week of April, our average daily commercial transactions value recovered to late 2019 levels. Our wealth management business expanded at a stable rate in the first quarter, achieving year-on-year and quarter-on-quarter growth in aggregated customer assets. WeiLiDai's loan book remained healthy, reflecting WeBank's prudent risk management.

### ***Cloud and Other Business Services***

Project deployment and new accounts acquisition for our cloud business were delayed due to the pandemic, causing a sequential decline in revenue. However, Tencent Meeting achieved breakout success and became a leading video conference app in China. We strengthened its security measures and introduced functions to facilitate discussion and conference management. In March 2020, we launched an international version, VooV Meeting. WeChat Work enhanced its industry solutions and deepened integration with Weixin, helping us to sign up more key accounts, especially in the retail, education and public sectors, and driving its DAU to grow significantly. We invested heavily in promoting these remote work products and in maintaining a robust cloud infrastructure, to ensure secure and reliable services for our users. Looking forward, we expect the cloud industry to remain challenging in the short term. However, we will continue increasing our investment in these areas and expect to see accelerated cloud services and enterprise software adoption from offline industries and public sectors over the longer term.

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.

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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 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	
		1Q2020	1Q2019
<b>Revenues</b>		<b>108,065</b>	85,465
VAS		<b>62,429</b>	48,974
FinTech and Business Services		<b>26,475</b>	21,789
Online Advertising		<b>17,713</b>	13,377
Others		<b>1,448</b>	1,325
<b>Cost of revenues</b>		<b>(55,271)</b>	(45,645)
<b>Gross profit</b>		<b>52,794</b>	39,820
	<b>Gross margin</b>	<b>49%</b>	47%
Interest income		<b>1,636</b>	1,408
Other gains, net		<b>4,037</b>	11,089
Selling and marketing expenses		<b>(7,049)</b>	(4,244)
General and administrative expenses		<b>(14,158)</b>	(11,331)
<b>Operating profit</b>		<b>37,260</b>	36,742
	<b>Operating margin</b>	<b>34%</b>	43%
Finance costs, net		<b>(1,684)</b>	(1,117)
Share of losses of associates and joint ventures		<b>(281)</b>	(2,957)
<b>Profit before income tax</b>		<b>35,295</b>	32,668
Income tax expense		<b>(5,892)</b>	(4,812)
<b>Profit for the period</b>		<b>29,403</b>	27,856
	<b>Net margin</b>	<b>27%</b>	33%
<b>Attributable to:</b>			
Equity holders of the Company		<b>28,896</b>	27,210
Non-controlling interests		<b>507</b>	646
Non-IFRS profit attributable to equity holders of the Company		<b>27,079</b>	20,930
<b>Earnings per share for profit attributable to equity holders of the Company (in RMB per share)</b>			
- basic		<b>3.049</b>	2.877
- diluted		<b>2.999</b>	2.844

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

RMB in millions, unless specified

	Unaudited	
	1Q2020	1Q2019
<b>Profit for the period</b>	<b>29,403</b>	27,856
<b>Other comprehensive income, net of tax:</b>		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Share of other comprehensive loss of associates and joint ventures	(30)	(26)
Currency translation differences	1,315	(1,999)
Other fair value losses	(1,357)	(648)
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Net (losses)/gains from changes in fair value of financial assets at fair value through other comprehensive income	(7,850)	14,265
Other fair value losses	(54)	(1)
	<b>(7,976)</b>	11,591
<b>Total comprehensive income for the period</b>	<b>21,427</b>	39,447
<b>Attributable to:</b>		
Equity holders of the Company	21,020	38,491
Non-controlling interests	407	956

**OTHER FINANCIAL INFORMATION**

RMB in millions, unless specified

	Unaudited		
	1Q2020	4Q2019	1Q2019
EBITDA (a)	42,228	35,675	33,566
Adjusted EBITDA (a)	45,190	38,572	35,598
Adjusted EBITDA margin (b)	42%	36%	42%
Interest and related expenses	2,006	2,348	1,499
Net debt (c)	(5,716)	(15,552)	(9,595)
Capital expenditures (d)	6,151	16,869	4,506

**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 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
	March 31, 2020	December 31, 2019
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	48,557	46,824
Land use rights	15,685	15,609
Right-of-use assets	10,677	10,847
Construction in progress	4,371	3,935
Investment properties	641	855
Intangible assets	127,718	128,860
Investments in associates	224,505	213,614
Investments in joint ventures	7,485	8,280
Financial assets at fair value through profit or loss	149,929	128,822
Financial assets at fair value through other comprehensive income	80,176	81,721
Prepayments, deposits and other assets	22,265	23,442
Deferred income tax assets	20,928	18,209
Term deposits	21,210	19,000
	<b>734,147</b>	<b>700,018</b>
<b>Current assets</b>		
Inventories	601	718
Accounts receivable	42,869	35,839
Prepayments, deposits and other assets	34,856	27,840
Other financial assets	489	375
Financial assets at fair value through profit or loss	6,571	7,114
Term deposits	57,968	46,911
Restricted cash	2,174	2,180
Cash and cash equivalents	135,270	132,991
	<b>280,798</b>	<b>253,968</b>
<b>Total assets</b>	<b>1,014,945</b>	<b>953,986</b>



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

RMB in millions, unless specified

	Unaudited	Audited
	As at	As at
	March 31, 2020	December 31, 2019
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	-	-
Share premium	38,687	35,271
Shares held for share award schemes	(3,873)	(4,002)
Other reserves	9,129	16,786
Retained earnings	413,881	384,651
	<u>457,824</u>	<u>432,706</u>
<b>Non-controlling interests</b>	<b>55,719</b>	<b>56,118</b>
<b>Total equity</b>	<b>513,543</b>	<b>488,824</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	124,125	104,257
Notes payable	84,640	83,327
Long-term payables	3,958	3,577
Other financial liabilities	6,538	5,242
Deferred income tax liabilities	13,512	12,841
Lease liabilities	8,274	8,428
Deferred revenue	6,961	7,334
	<u>248,008</u>	<u>225,006</u>
<b>Current liabilities</b>		
Accounts payable	88,176	80,690
Other payables and accruals	40,619	45,174
Borrowings	16,441	22,695
Notes payable	1,094	10,534
Current income tax liabilities	12,911	9,733
Other tax liabilities	1,048	1,245
Other financial liabilities	6,006	5,857
Lease liabilities	3,383	3,279
Deferred revenue	83,716	60,949
	<u>253,394</u>	<u>240,156</u>
<b>Total liabilities</b>	<b>501,402</b>	<b>465,162</b>
<b>Total equity and liabilities</b>	<b>1,014,945</b>	<b>953,986</b>

## 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 Provision/(reversals) (d)	Income tax effects (e)	
<b>Unaudited three months ended March 31, 2020</b>							
<b>Operating profit</b>	<b>37,260</b>	<b>3,435</b>	<b>(5,272)</b>	<b>639</b>	<b>(487)</b>	<b>–</b>	<b>35,575</b>
<b>Profit for the period</b>	<b>29,403</b>	<b>4,198</b>	<b>(6,992)</b>	<b>1,572</b>	<b>(18)</b>	<b>(179)</b>	<b>27,984</b>
<b>Profit attributable to equity holders</b>	<b>28,896</b>	<b>3,957</b>	<b>(6,976)</b>	<b>1,338</b>	<b>(18)</b>	<b>(118)</b>	<b>27,079</b>
<b>Operating margin</b>	<b>34%</b>						<b>33%</b>
<b>Net margin</b>	<b>27%</b>						<b>26%</b>
<b>Unaudited three months ended December 31, 2019</b>							
Operating profit	28,604	3,269	(2,340)	701	72	–	30,306
Profit for the period	22,372	3,965	(1,412)	1,667	140	(93)	26,639
Profit attributable to equity holders	21,582	3,756	(1,403)	1,406	133	10	25,484
Operating margin	27%						29%
Net margin	21%						25%
<b>Unaudited three months ended March 31, 2019</b>							
Operating profit	36,742	2,033	(10,546)	114	127	–	28,470
Profit for the period	27,856	2,868	(10,374)	1,084	589	(350)	21,673
Profit attributable to equity holders	27,210	2,782	(10,351)	1,033	589	(333)	20,930
Operating margin	43%						33%
Net margin	33%						25%

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