



***2020 SECOND QUARTER AND
INTERIM RESULTS PRESENTATION***

AUGUST 12, 2020

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The reporting currency of the company is Renminbi. For the purpose of this presentation, all figures quoted in US dollars are based on the exchange rate of US\$1 to RMB7.0795 for 2Q2020.

1. Overview

2. Business Review

3. Financial Review

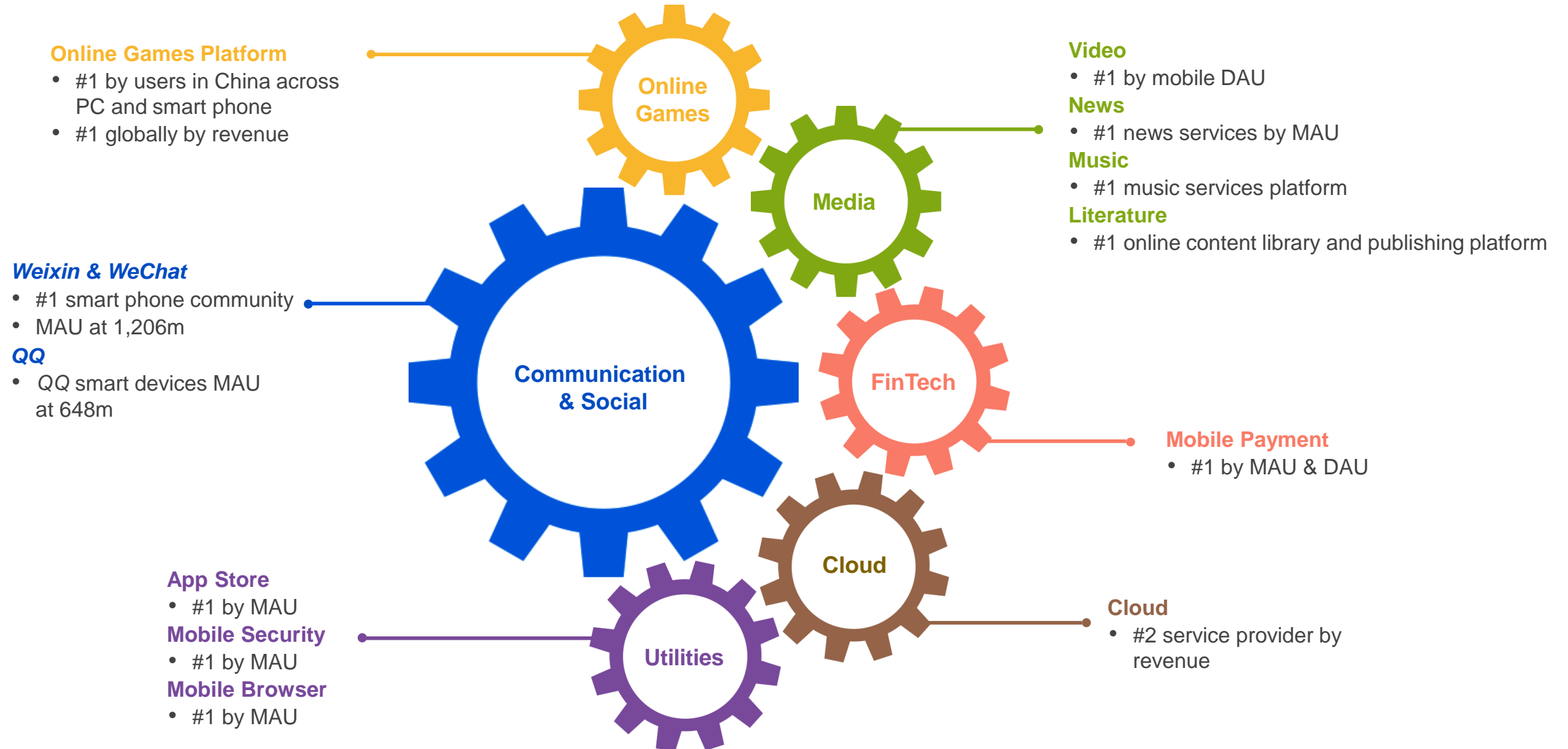
4. Q&A



Financial Highlights

In billion RMB	2Q2020	2Q2019	YoY	1Q2020	QoQ
Total Revenue	114.9	88.8	+29.3%	108.1	+6.3%
Value Added Services	65.0	48.1	+35.2%	62.4	+4.1%
Social Networks	26.7	20.8	+28.6%	25.1	+6.3%
Online Games	38.3	27.3	+40.2%	37.3	+2.7%
Online Advertising	18.6	16.4	+13.1%	17.7	+4.7%
Media	3.3	4.4	-25.2%	3.1	+5.4%
Social and Others	15.3	12.0	+27.1%	14.6	+4.6%
FinTech and Business Services	29.8	22.9	+30.5%	26.5	+12.8%
Others	1.5	1.4	+1.6%	1.5	+1.3%
Gross Profit	53.2	39.1	+36.0%	52.8	+0.8%
<u>Non-IFRS*</u>					
Operating Profit	37.6	27.3	+37.9%	35.6	+5.8%
Operating Margin	32.8%	30.7%	+2.1ppt	32.9%	-0.1ppt
Net Profit Attributable to Equity Holders	30.2	23.5	+28.2%	27.1	+11.4%

Key Platforms Update



* All rankings above refer to China market, unless otherwise stated. Company data as of Jun 30, 2020

* QQ smart devices MAU declined due to our continued efforts to proactively clean up accounts that engaged in spamming and bots activities

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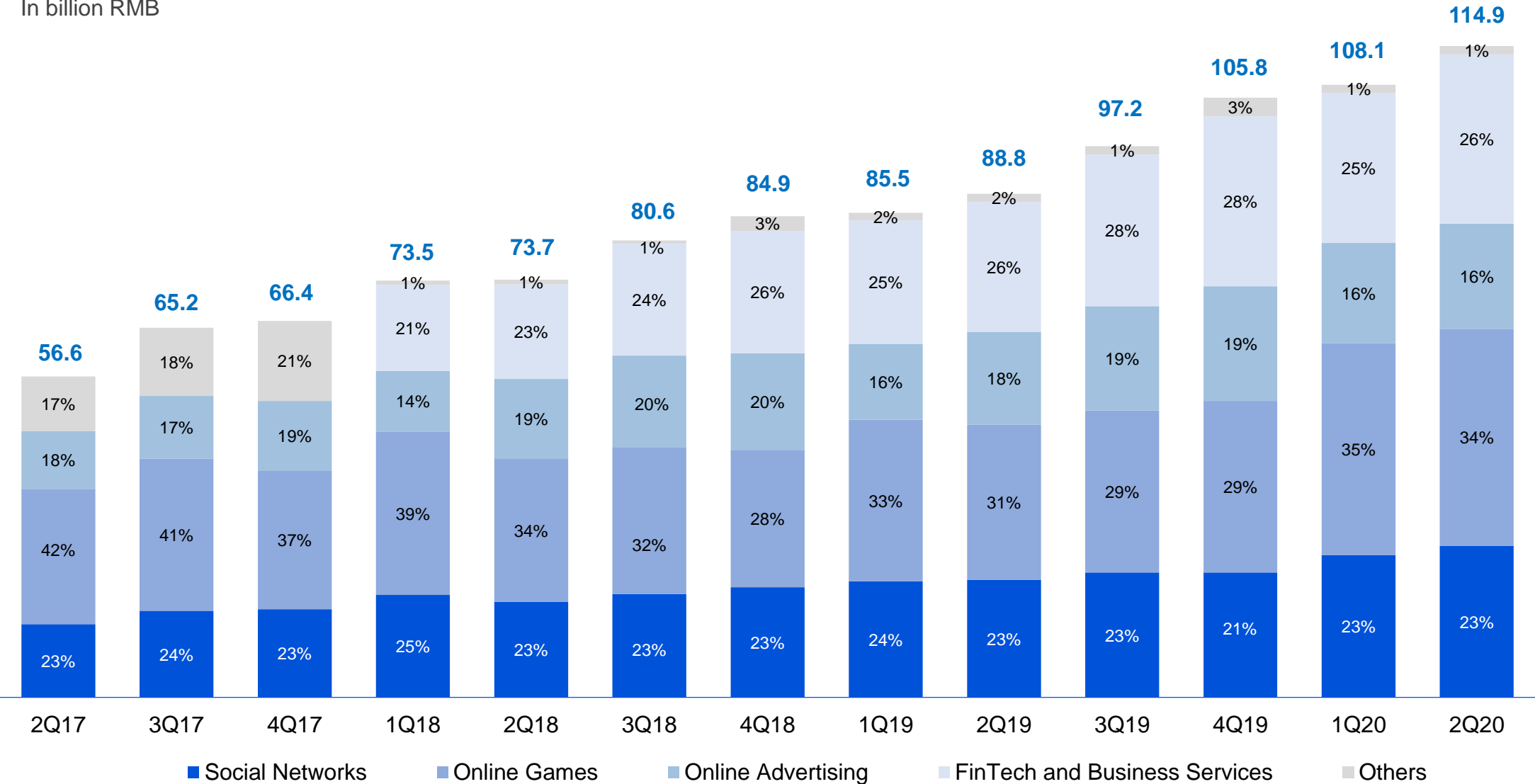
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Revenue by Segment

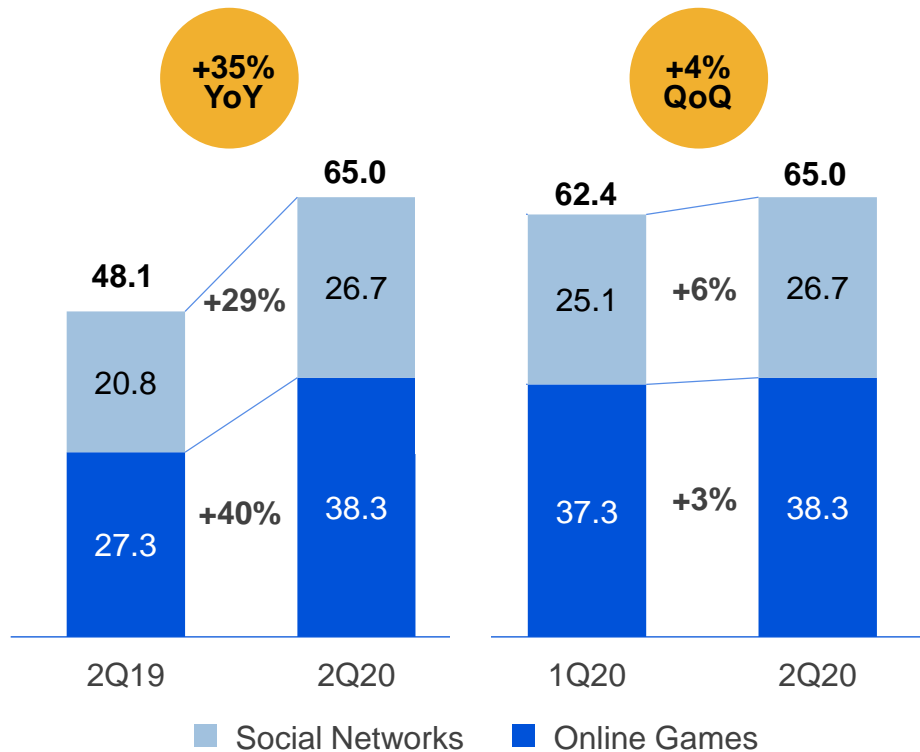
In billion RMB



* Starting 1Q19, we moved "FinTech and Business Services" revenues out of the Others segment to form a new segment.

Value Added Services

In billion RMB



Social Networks

- Digital content subscriptions for animated series and music, as well as in-game item sales, drove organic revenue growth YoY. Consolidation of Huya contributed to revenue growth both YoY and QoQ
- Total VAS subscriptions increased 20% YoY to 203 million. Video subscriptions increased 18% YoY to 114 million. Music subscriptions rose 52% YoY to 47 million as more songs were included in paid library

Online Games

- Online games revenue increased 40% YoY, driven by smart phone games
- Total smart phone games revenue* grew 62% YoY to RMB36.0 billion, primarily due to popularity of our top games, release of deferred revenue, low base of *Peacekeeper Elite* in 2Q19 and the consolidation of Supercell
- PC client games revenue decreased 7% YoY to RMB10.9 billion due to soft performance of *DnF* and *CrossFire*, offsetting increased revenue from *LoL* in China and international markets

*Total smart phone games revenue includes smart phone games revenue booked under Online Games and related platform revenue booked under Social Networks.

VAS - Social Networks



Weixin

- **Enhance features for communication:** *Tickle* enables creative expressions in chat via virtual pats, and group live broadcast facilitates online education
- **Revitalise content consumption in *Official Accounts*:** upgraded video publishing functionalities; enhanced content discovery with strengthened recommendation algorithm and new content aggregation tools; page views up YoY year-to-date after three years of decline
- **Assist SMEs to build and operate *Mini Stores*:** launched a free and easy-to-use toolkit supporting digital storefront operations, e.g., order management, after-sales services and live broadcast



Album: aggregation of Official Accounts content



Mini Stores

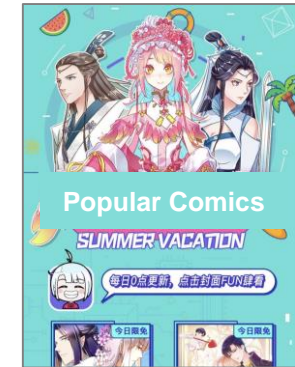


QQ

- **Enrich Stay-Together experience:** users can initiate online parties and play AI-empowered social games in video chat environment
- **Engage the large fan base of Anime, Comics, Games and Novels (ACGN):** customisable comics stickers in chat and ACGN-related *Mini Programs* gained popularity among young users



Online party:
music challenge game



Popular ACGN content
in Mini Programs

VAS – Online Games

User activity normalised in China, increased internationally

- In China, user time spent on smart phone games increased YoY but decreased QoQ due to seasonality and back-to-office behaviour; released 3 smart phone games in 2Q
- Internationally, MAU increased significantly YoY and QoQ due to stay-at-home behaviour and new games; released 2 smart phone games and 1 PC game in 2Q

Flagship titles grew users and revenue YoY, new games expanded global presence

- *HoK* deepened user engagement and released more top-tier skins during annual *Give Me Five* festival
- *Peacekeeper Elite* celebrated 1st anniversary with new content and game modes to enhance the competitive experience; launched highly popular Tesla-branded car skins in July
- *Brawl Stars* ranked #1 in iOS China Download Chart* in June, extending its global leadership in the fast-paced 3v3 MOBA genre



Honour of Kings Give Me Five festival



Peacekeeper Elite X Tesla



Brawl Stars

*Source: AppAnnie

VAS – Online Games

Large, autonomous studios with experience in developing and operating category-leading games

- Multiple homegrown and international flagship game studios have proven track record in creating attractive core gameplay and releasing successful content updates
- Studios develop and operate games with a high degree of creative autonomy while leveraging Tencent's publishing resources. Our studios operate 17 game franchises which have each exceeded 10 million DAU in their operating histories







Early adoption of advanced technologies

- Game architecture and backend infrastructure designed to deliver seamless game experience to a massive number of concurrent players
- Expertise in AI-empowered tools and game engine; proprietary game AI enriches Player versus Environment experience: *WuKong AI Challenge* in *HoK* attracted over 50 million players during Labour Day holidays
- Anti-cheat system provides competitive fairness for regular players and eSports professionals, e.g., anti-hack software for FPS games

Curated, long-term IP collaboration and management

- Create popular narratives that tie into well-known stories (e.g., *Moonlight Blade*, *Naruto*) and famous characters (e.g., *Pokémon's* Pikachu)
- Expand own IP influence through cross-media adaptation, e.g., *HoK* animated series

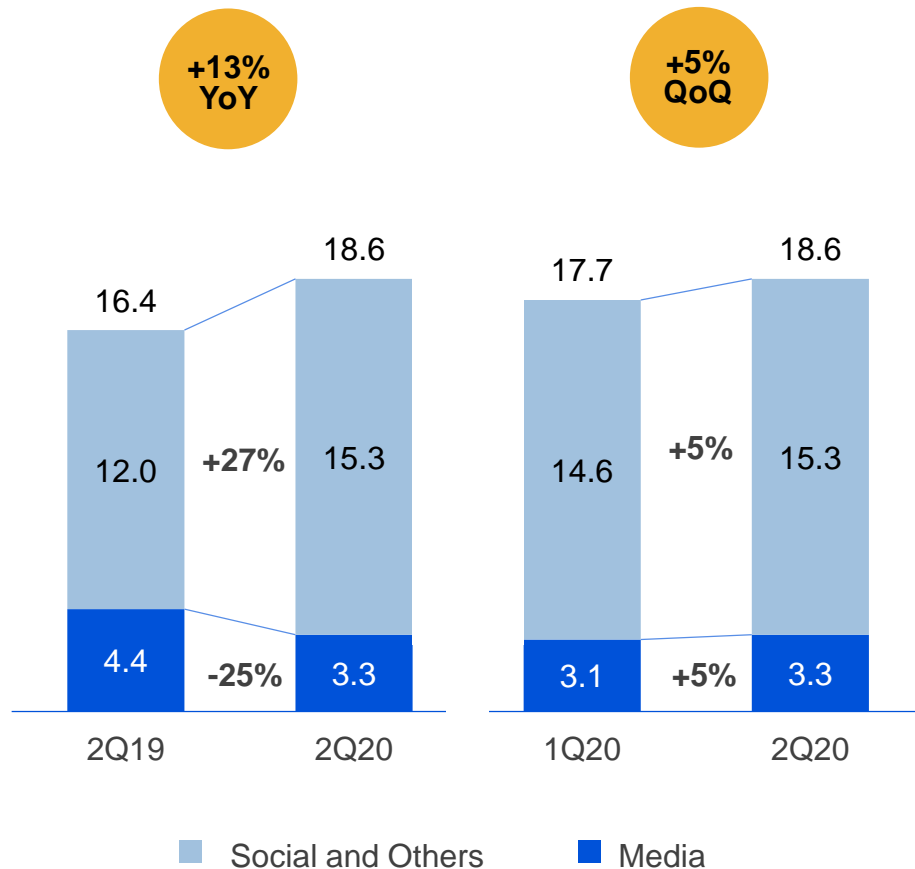
Games that have exceeded 10 million DAU

	<u>Title</u>	<u>Year of launch</u>
	Peacekeeper Elite	2019
	QQ Speed Mobile	2017
	Clash Royale	2016
	Honour of Kings	2015
	We Fly	2014
	Timi Run Everyday	2013

and more.....

Online Advertising

In billion RMB



Overall

- Continued strength in Social and Others Ad drove revenue growth YoY. Sequentially, revenue grew as incremental demand from eCommerce, education and automobile sectors offset impact from traffic normalisation on games and Internet services advertising
- Enhanced long-term competitiveness in performance ad, e.g., launched an integrated ad platform in July to streamline placement across all inventories, and increase targeting as well as bidding efficiency

Social & Others Ad

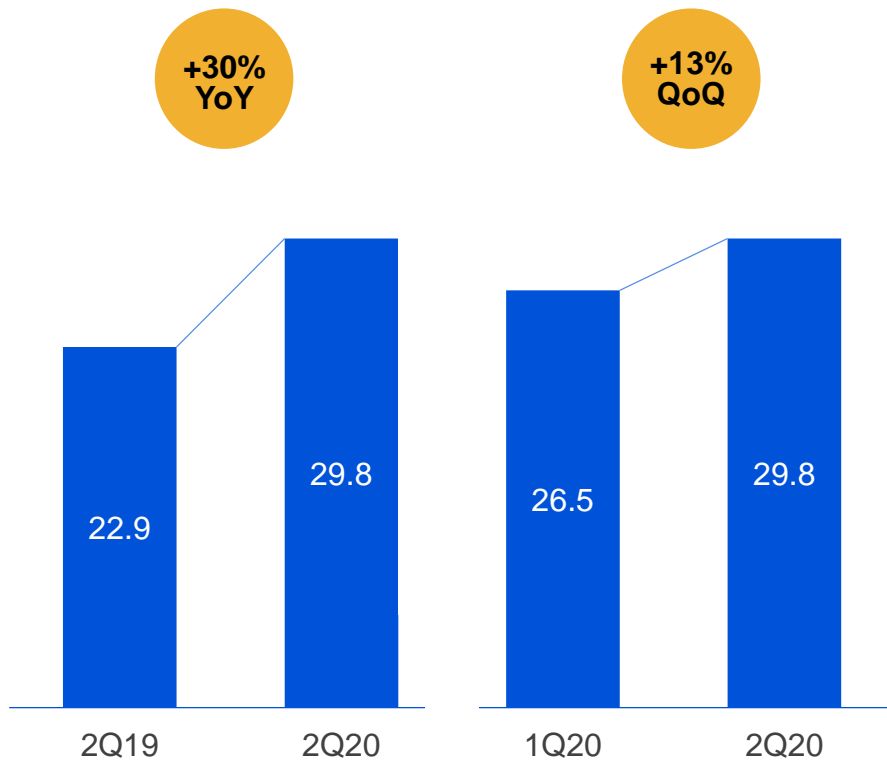
- Weixin properties drove ad impression growth; mobile ad network led eCPM increase with video format ads exceeding 40% of ad networks' revenue
- Provide superior value proposition for advertisers, where they can effectively channel online/social/offline traffic to their private domains, including *Weixin Official Accounts* and *Mini Programs*, enable transactions through *Weixin Pay*, and re-engage with customers via built-in CRM tools

Media Ad

- Revenue declined YoY due to weak demand from brand ad and delayed content production / release
- Tencent Video's traffic has sharply increased in recent weeks due to popular drama series e.g. *Nothing But Thirty*, reflecting the strength of our platform

FinTech and Business Services

In billion RMB



FinTech Services

- FinTech revenue grew YoY and QoQ, mainly driven by user base and business scale expansion, as consumption rebounded after lockdown was lifted
- SMEs increasingly adopted our payment services and business management tools, benefitting from digital upgrades and normalisation of offline activities. Commercial payments average daily transactions and value per transaction each increased YoY
- Aggregated customer assets in wealth management business increased rapidly YoY as more customers appreciate the convenience of managing their cash through our secure and well-curated platform

Business Services

- Revenue expanded YoY and QoQ as consumption by internet companies and public sectors increased; offline project deployment has not fully resumed, reflecting lingering impact from COVID-19
- Signed up KA contracts in financial and public sectors; expanded into emerging verticals such as medical, meeting & exhibition, education
- Custom-made equipment and hyperscale data centres in China drove performance enhancement and cost optimisation

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Income Statement

In million RMB	2Q2020	2Q2019	YoY	1Q2020	QoQ
Revenues	114,883	88,821	+29%	108,065	+6%
COPS	(61,673)	(49,695)	+24%	(55,271)	+12%
Gross profit	53,210	39,126	+36%	52,794	+1%
Interest income	1,749	1,652	+6%	1,636	+7%
Other gains, net	8,607	4,038	+113%	4,037	+113%
Operating expenses	(24,255)	(17,295)	+40%	(21,207)	+14%
Operating profit	39,311	27,521	+43%	37,260	+6%
Finance costs, net	(2,005)	(1,982)	+1%	(1,684)	+19%
Share of (losses)/profit of associates & JV	(295)	2,370	N.A.	(281)	+5%
Income tax expense	(4,557)	(3,225)	+41%	(5,892)	-23%
Net profit	32,454	24,684	+31%	29,403	+10%
Net profit attributable to equity holders	33,107	24,136	+37%	28,896	+15%
Diluted EPS in RMB	3.437	2.520	+36%	2.999	+15%
Non-IFRS:					
Net profit attributable to equity holders	30,153	23,525	+28%	27,079	+11%
Diluted EPS in RMB	3.130	2.456	+27%	2.817	+11%

Non-IFRS Adjustments

In million RMB	IFRS 2Q2020	SBC	Net (gains)/ losses from investee companies ¹	Amortisation of intangible assets	Impairment provision/ (reversal) ²	Tax effect ³	Non-IFRS 2Q2020	YoY change	QoQ change
Operating profit	39,311	3,507	(14,672)	870	8,613	-	37,629	38%	6%
Net profit	32,454	4,225	(16,108)	1,886	9,268	(505)	31,220	29%	12%
Net profit attributable to equity holders	33,107	4,019	(15,436)	1,503	7,310	(350)	30,153	28%	11%
Operating margin	34.2%						32.8%	+2.1ppt	-0.1ppt
Net margin	28.2%						27.2%	stable	+1.3ppt

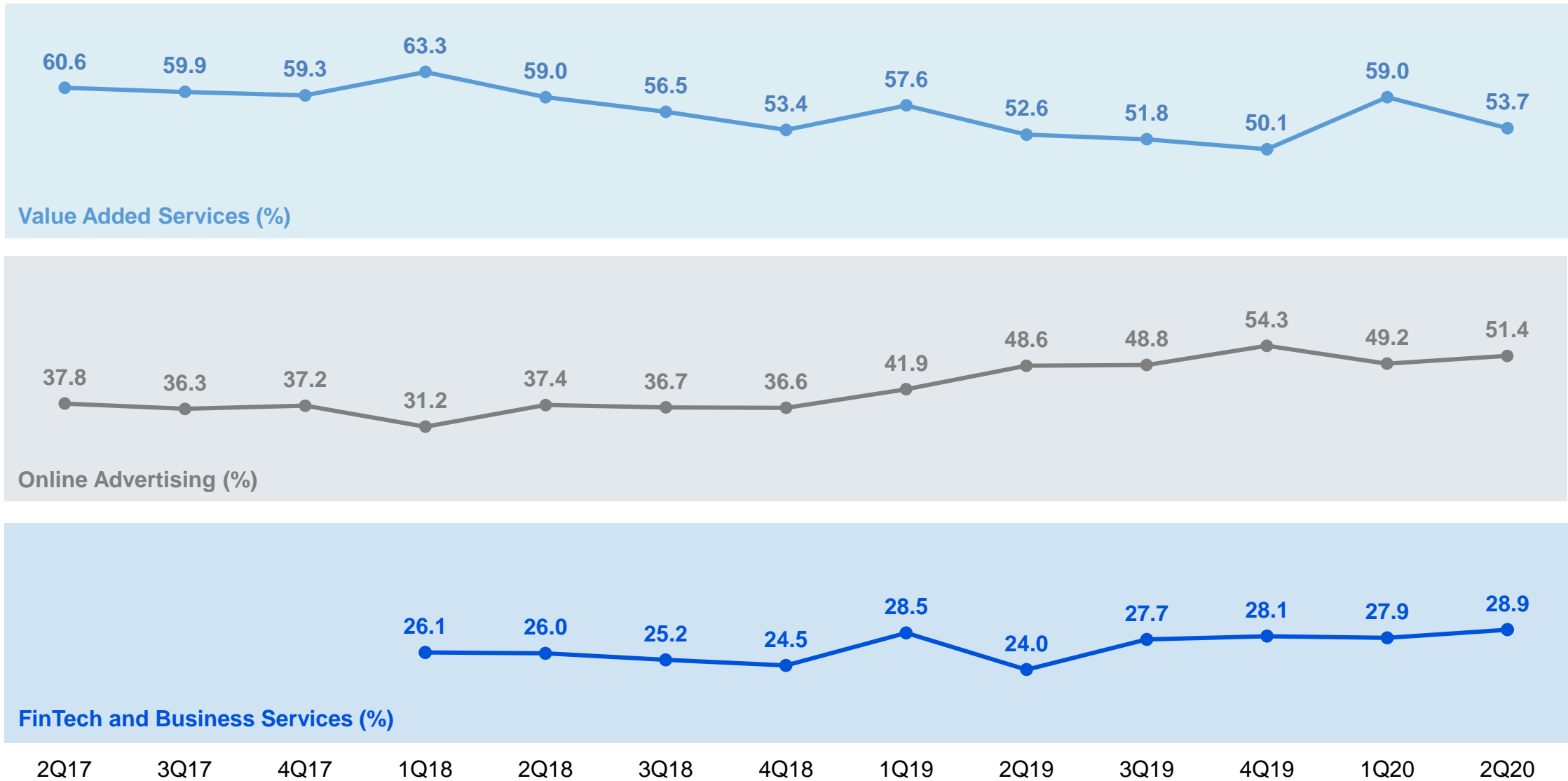
Note:

¹ 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 investees.

² Impairment provision/(reversal) for associates, joint ventures and intangible assets arising from acquisitions.

³ Income tax effects of non-IFRS adjustments.

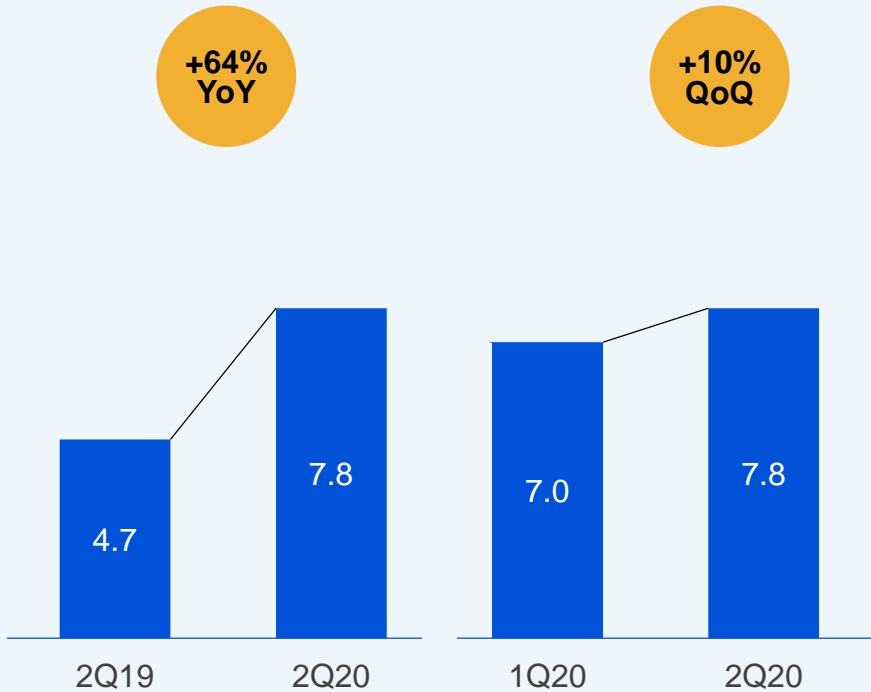
Segment Gross Margin



Operating Expenses

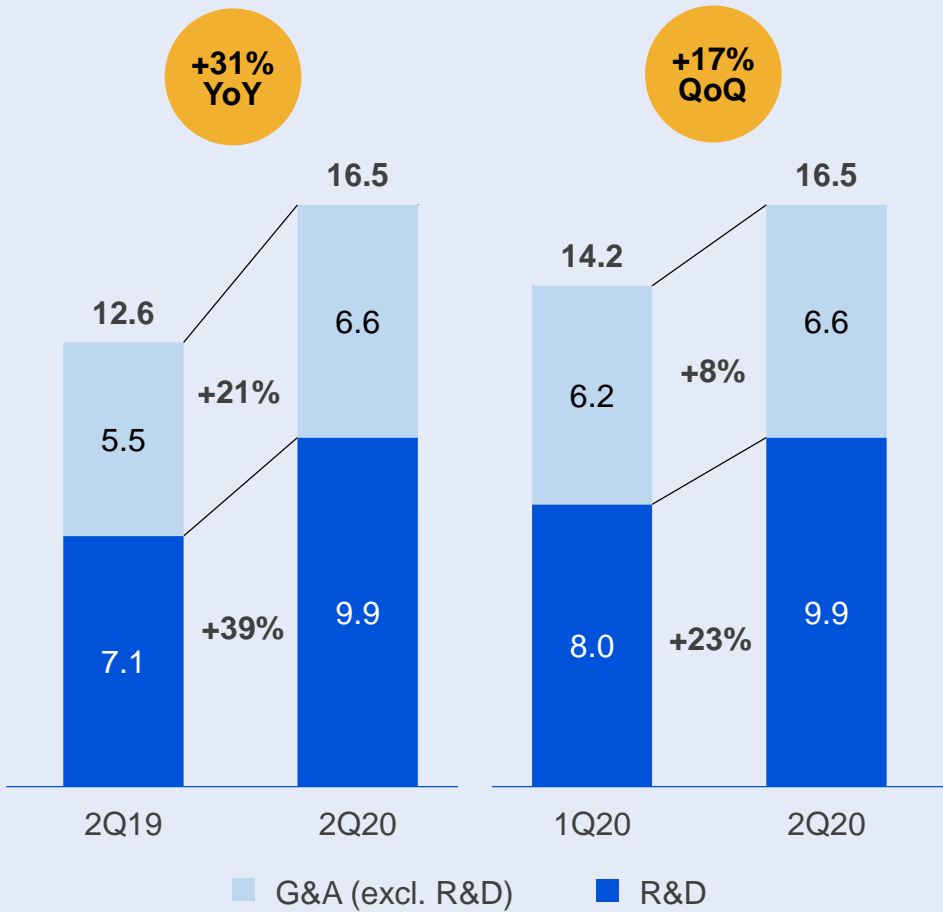
S&M

in billion RMB

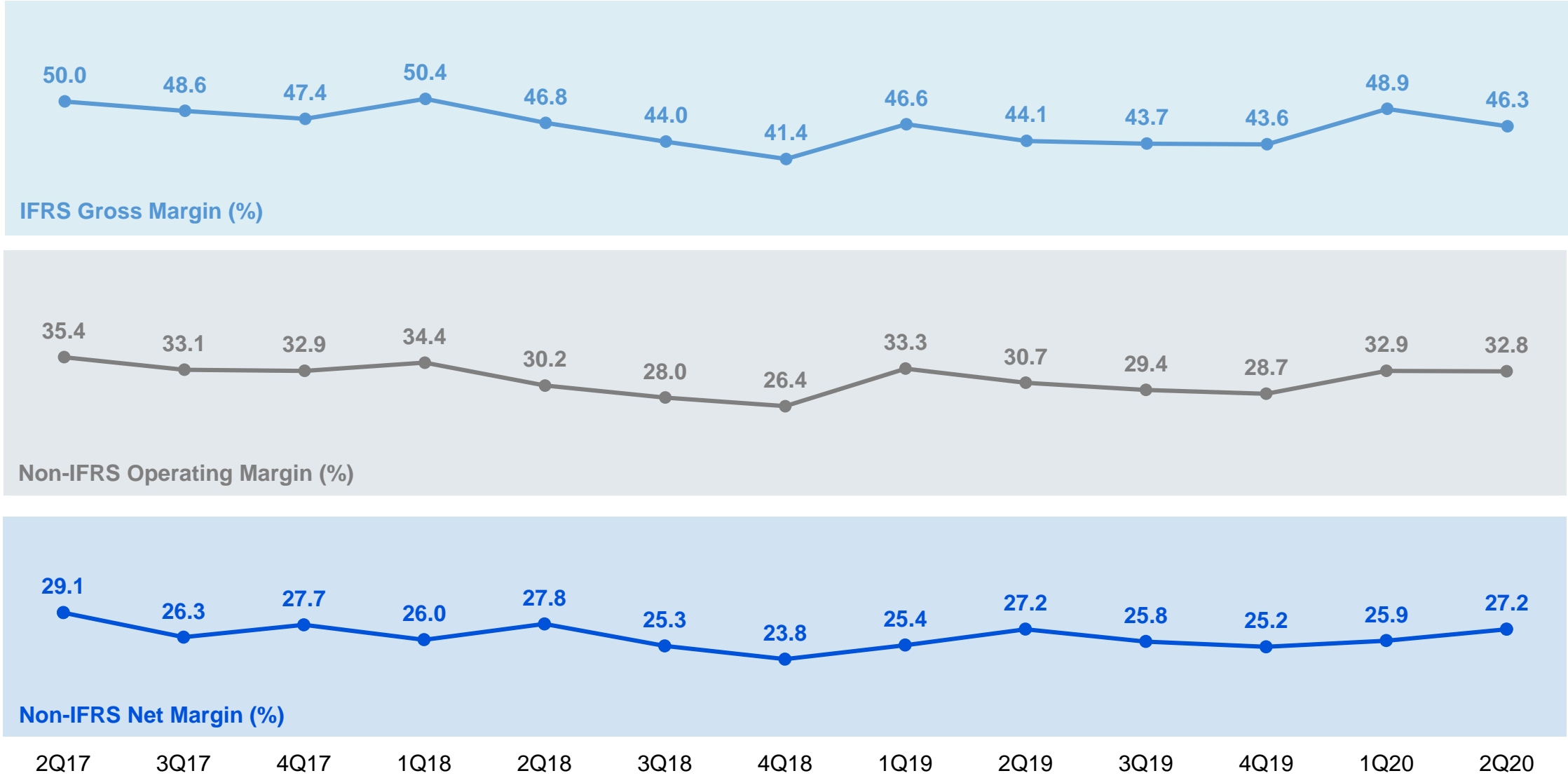


G&A (incl. R&D)

in billion RMB



Margin Ratios



CAPEX, FCF and Cash Position

In million RMB	2Q2020	2Q2019	YoY	1Q2020	QoQ
Operating CAPEX	8,286	3,760	120%	5,469	52%
Non-operating CAPEX	1,180	602	96%	682	73%
Total CAPEX	9,466	4,362	117%	6,151	54%
Operating Cash Flow	44,064	25,005	76%	54,661	-19%
Less: CAPEX Paid	(8,796)	(4,307)	104%	(9,442)	-7%
Payments for media content	(5,864)	(7,506)	-22%	(5,185)	13%
Payments for lease liabilities	(953)	(639)	49%	(824)	16%
Free Cash Flow ¹	28,451	12,553	127%	39,210	-27%
Total Cash	281,086	184,426	52%	220,584	27%
Less: Total Debt	(273,874)	(200,192)	37%	(226,300)	21%
Net Cash/ (Net Debt)	7,212	(15,766)	N.A.	(5,716)	N.A.

Fair value of our shareholdings in listed investee companies, excluding subsidiaries, was approximately RMB726.2 billion (USD102.6 billion) as at June 30, 2020

¹ 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. Comparative figures were restated.

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Tencent Holdings Limited

2020 Second Quarter and Interim Results Presentation

Thank you!



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