



2017

Third Quarter Results Presentation

November 15, 2017

Tencent 腾讯

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This presentation also contains some unaudited non-GAAP financial measures which should be considered in addition to, but not as a substitute for, measures of the Company's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies. The Company's management believes that the non-GAAP financial measures provide investors with useful supplementary information to assess the performance of the Company's core operations by excluding certain non-cash items and certain impact of acquisitions. For further explanation of our non-GAAP measures and reconciliations between our GAAP and non-GAAP results, please refer to our earnings announcement.

In addition, information relating to other companies and the market in general presented in these materials has been obtained from publicly available information and other sources. The accuracy and appropriateness of that information has not been verified by Tencent and cannot be guaranteed.

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 RMB6.6369 for 3Q2017.

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Financial Highlights

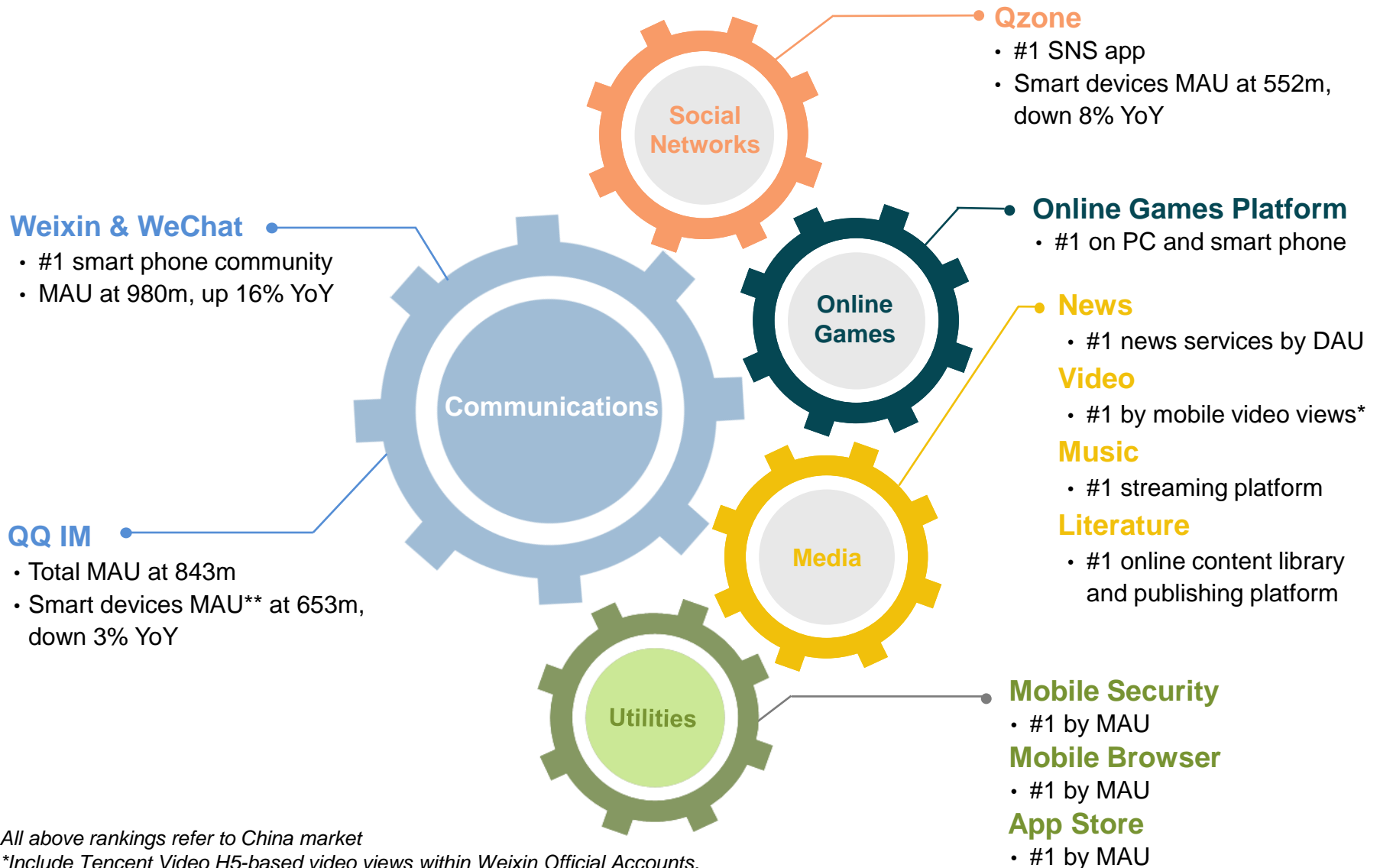
in billion RMB	3Q2017	3Q2016	YoY	2Q2017	QoQ
Total Revenue	65.2	40.4	+61%	56.6	+15%
Value Added Services	42.1	28.0	+51%	36.8	+14%
Social Networks	15.3	9.8	+56%	12.9	+18%
Online Games	26.8	18.2	+48%	23.9	+13%
Online Advertising	11.0	7.4	+48%	10.1	+9%
Media	4.1	3.2	+29%	4.1	+1%
Social and Others	6.9	4.2	+63%	6.0	+14%
Others	12.1	5.0	+143%	9.7	+25%
Gross Profit	31.7	21.8	+45%	28.3	+12%
Operating Profit	22.7	14.5	+57%	22.6	+1%
Net Profit to Shareholders	18.0	10.6	+69%	18.2	-1%

Non-GAAP*

Operating Profit	21.6	15.0	+44%	20.0	+8%
Operating Margin	33%	37%	-4 ppt	35%	-2 ppt
Net Profit to Shareholders	17.1	11.7	+45%	16.4	+4%

*Please refer to slide [19] for details of non-GAAP adjustments

Key Platforms Update



All above rankings refer to China market

*Include Tencent Video H5-based video views within Weixin Official Accounts.

** Include smart devices QQ users who logged in and sent a message, or participated in certain activities such as Moments, Games, Interest Tribes, live broadcast, online music & literature.

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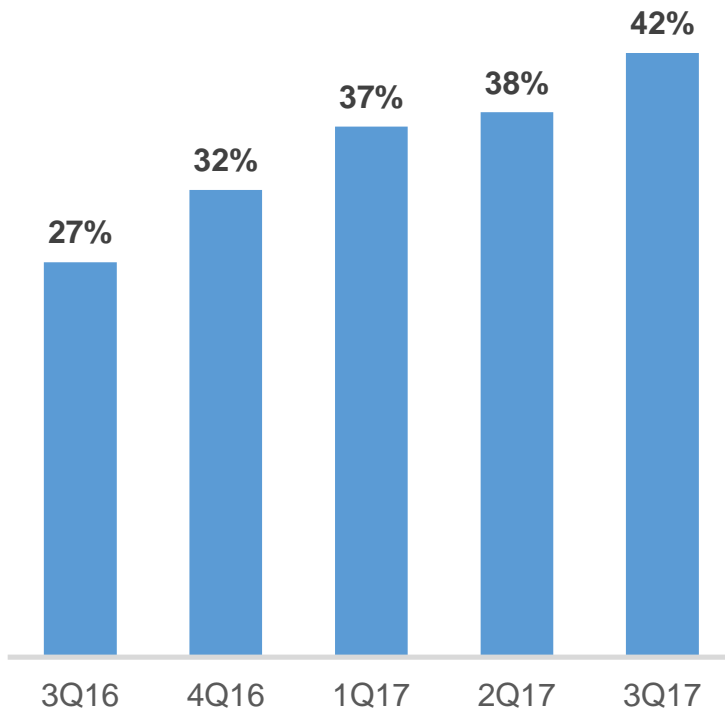
4 Financials

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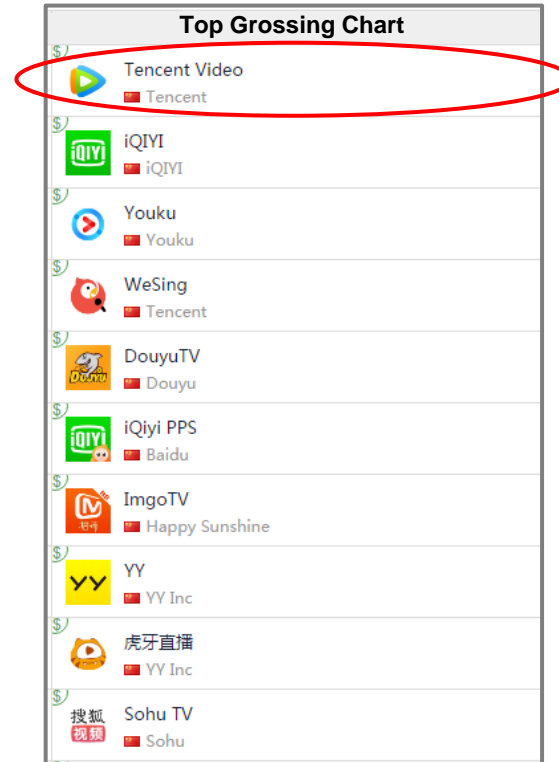
Tencent Video Strengthens Leadership

Accelerated Growth in User Traffic over Past Quarters

Consistently Gained App Audience Market Share



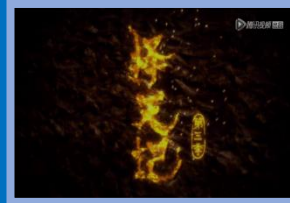
#1 in Fee-based Subscriptions (43 million, more than doubled YoY)



AppAnnie, September 2017

Successful Video Content Strategy

Expanding Breadth and Depth of Content Catalogue



Drama

- exclusive content
- leverage large user base
- better serve young female users

Variety Show

- accumulate co-production expertise
- tailor to young audience

Animation

- commission cartoons based on Chinese online literature
- synergy with games

Movie

- full selection
- better recommendation

Documentary

- content from famous producers
- commission tailored top Chinese content

Increasing Investment in Original Video Content

Differentiation to Generate Traffic and Revenue



Candle in the Tomb



Candle in the Tomb II



The Eternal Love



Dinner Temptation



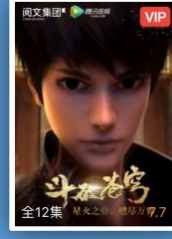
Roast



Go Fridge!



The King's Avatar



Battle Through the Heavens

Path to success:

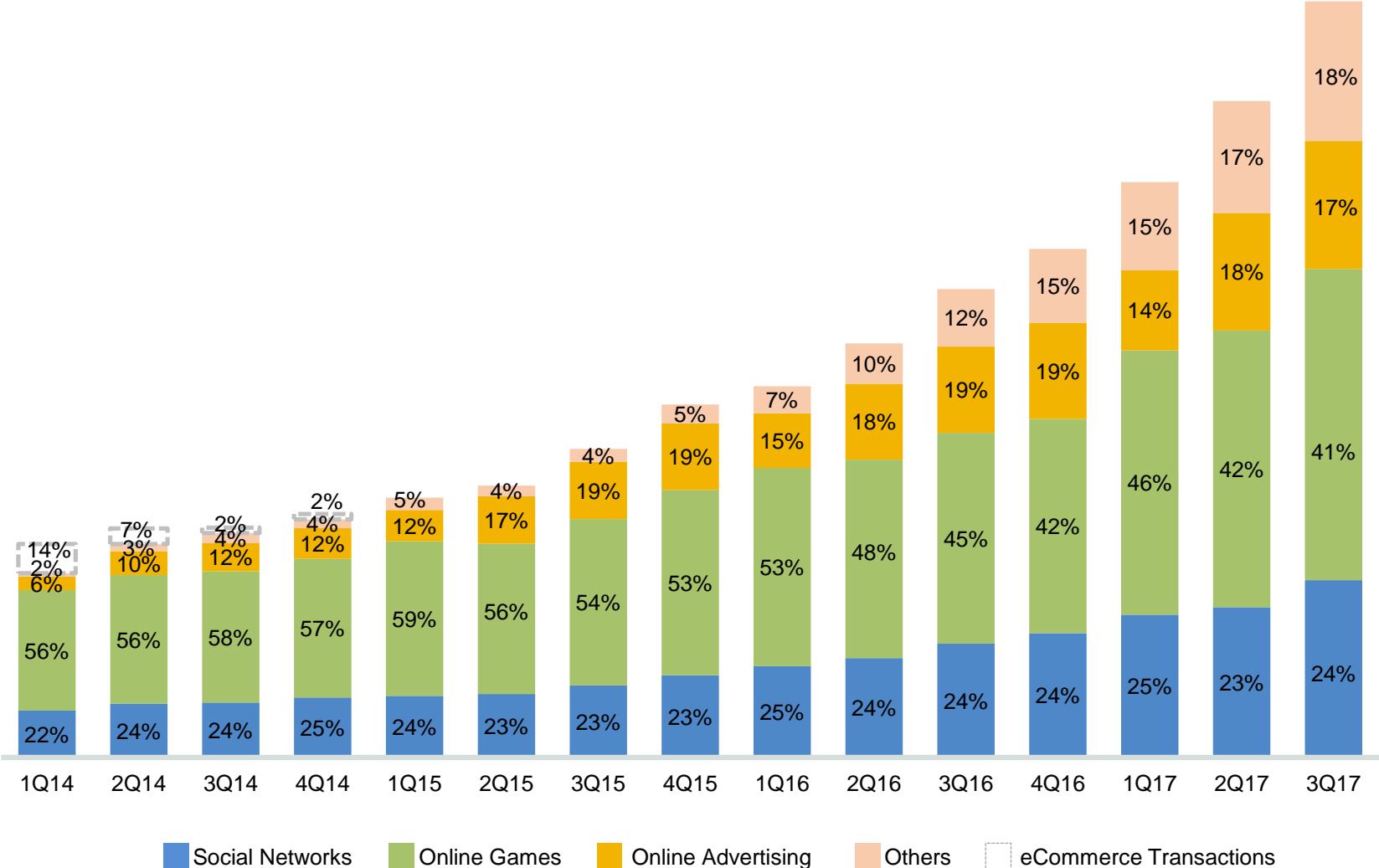
- Established production teams internally and introduced review mechanism to manage original content production
- Partnered or invested in over 10 leading studios in different genres
- Leverage China Literature as an important source of IP
- Extended successful IP across media (novel, anime, games)

Benefits:

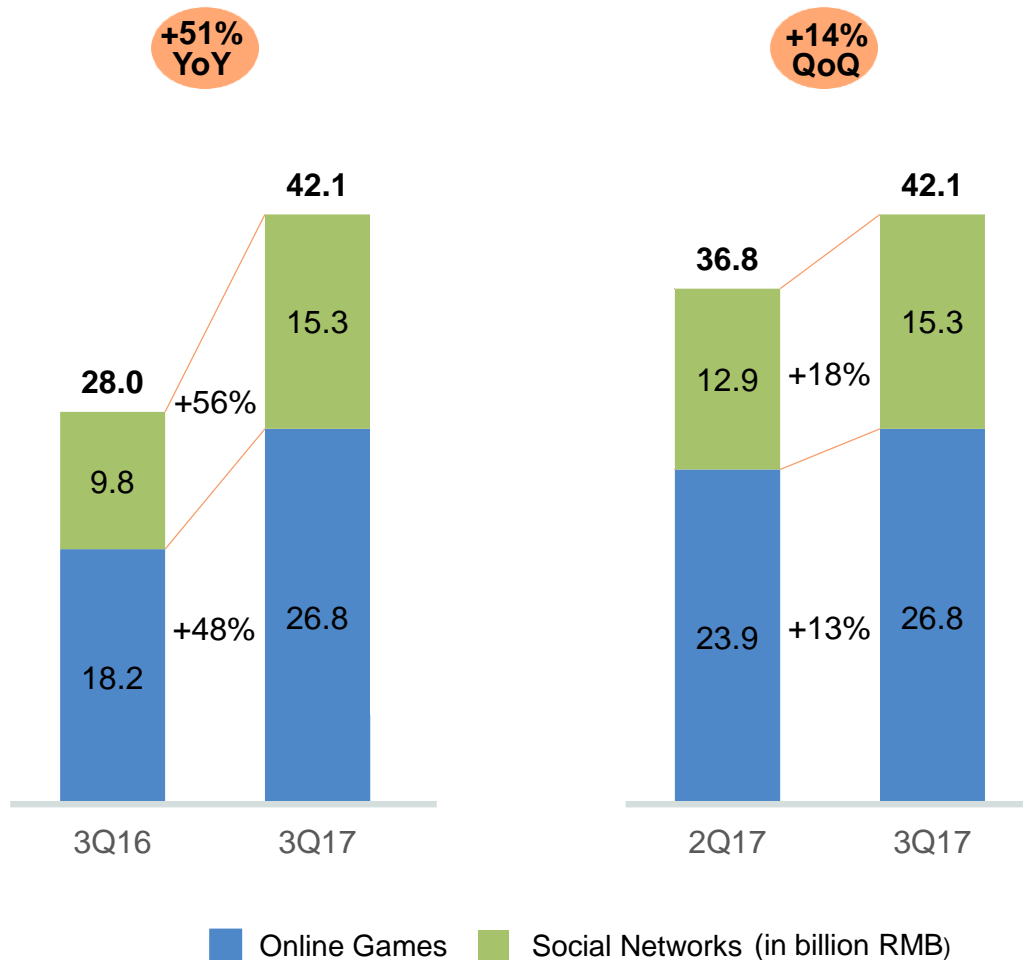
- Tailor content to audience needs
- Accumulate library of content and IP
- Share profit pool from content production
- Leverage exclusivity to drive subscriptions

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Business Review



Value Added Services



Social Networks

- Digital content services, particularly video subscriptions and live broadcast; and game-related item sales drove YoY and QoQ growth
- Total subscriptions grew by 19% YoY to 125 million driven by video streaming and music services

Online Games

- Existing and newly launched smart phone games, and content updates for key PC games, contributed to YoY and QoQ growth

Social Networks



Weixin



Weixin Smart Transport

Enables express payment for public transport fares by scanning QR code, even without internet access at point of transaction



KanDian

Daily active users and time spent continue to grow; introduced “Topics” to help users discover trending content



Mini Programs

Empower retailers to integrate online and offline resources, e.g., marketing, sales, payment and loyalty programmes



Penguin eSports

Increasingly popular live broadcast service for game video, leveraging our leadership in games and eSports tournaments

PC Client Games

- Revenue at RMB14.6 billion, up 27% YoY and 7% QoQ
- Active users declined YoY, due to users shift to smart phone games
- ARPU broadly increased YoY and QoQ, particularly for *LoL*, *DnF* and *CrossFire*

ACG

- *LoL* released popular new skins and held LoL World Championship 2017 in China-unique viewers more than doubled YoY
- *FIFA Online 3* promotions synchronized with China national team's World Cup qualifying games and European leagues' season kick-offs



MMOG

- *DnF* released National Day and summer gift packs, increasing users and ARPU
- *DnF*-themed cartoon series, commissioned by Tencent, accumulated 500 million video views from Jun to Sep
- *Maple Story 2* started open-beta testing in September and is trending well



Smart Phone Games

- Revenue at RMB18.2 billion, up 84% YoY and up 23% QoQ
- Double-digit sequential growth in active users and ARPU, driven by mid-core games
- Released 6 mobile games in the quarter, 3 developed in-house



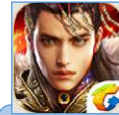
Honour of Kings



Contra Return

Competitive games

- *HoK eSports* season average UV tripled versus previous season
- *Contra Return* recorded first full quarter monetization



Kings of Chaos

Strategy games

- Launched *Kings of Chaos* in August, ranked #8 in September iOS China Top Grossing Chart*



Legend of Xuan Yuan Mobile



Journey to the Fairyland Mobile

Role-playing games

- Successful adaptation of PC IP titles, *Legend of Xuan Yuan Mobile* and *Journey to the Fairyland Mobile*, contributing to revenue growth



Glorious Mission



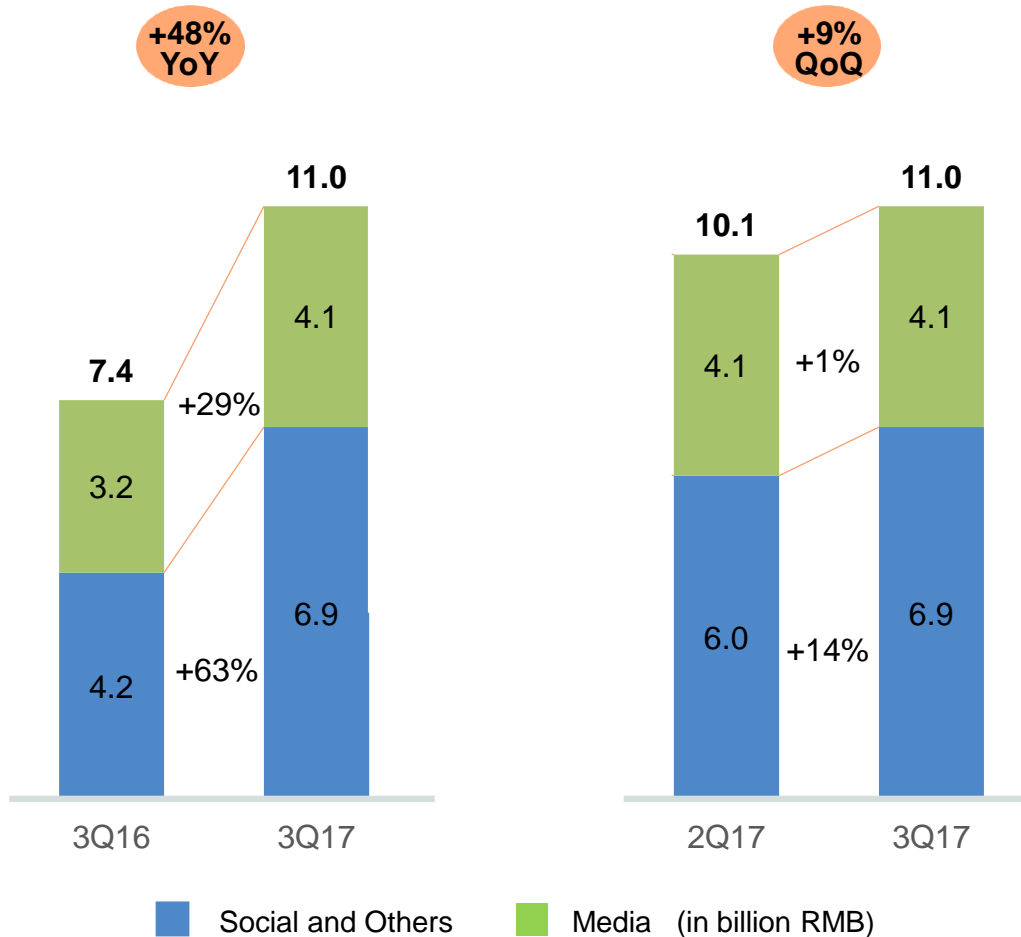
CrossFire Mobile

Survival Shooter games

- *Glorious Mission* pre-registrations hit 25 million users in a week
- *CrossFire Mobile* update - *Deserted Island* launching in mid-November

* AppAnnie data

Online Advertising



Media

- Video platform grew strongly, benefitting from popular drama series (*那年花开月正圆*) and self-commissioned variety shows (*饭局的诱惑第2季*)
- News ad revenue decreased YoY versus high base during the Olympics, and QoQ soft growth due to reduced inventory in KuaiBao while we revamped its advertising system

Social and Others

- Weixin, YYB and ad network were main contributors to YoY and QoQ growth
- Weixin Moments increased ad fill rate and further expanded advertiser base

* Based on previous classification, brand ad revenue was RMB 4.0 billion in 3Q17, up 31% YoY and 5% QoQ. Performance ad revenue was RMB7.0 billion, up 61% YoY and 11% QoQ.

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Income Statement

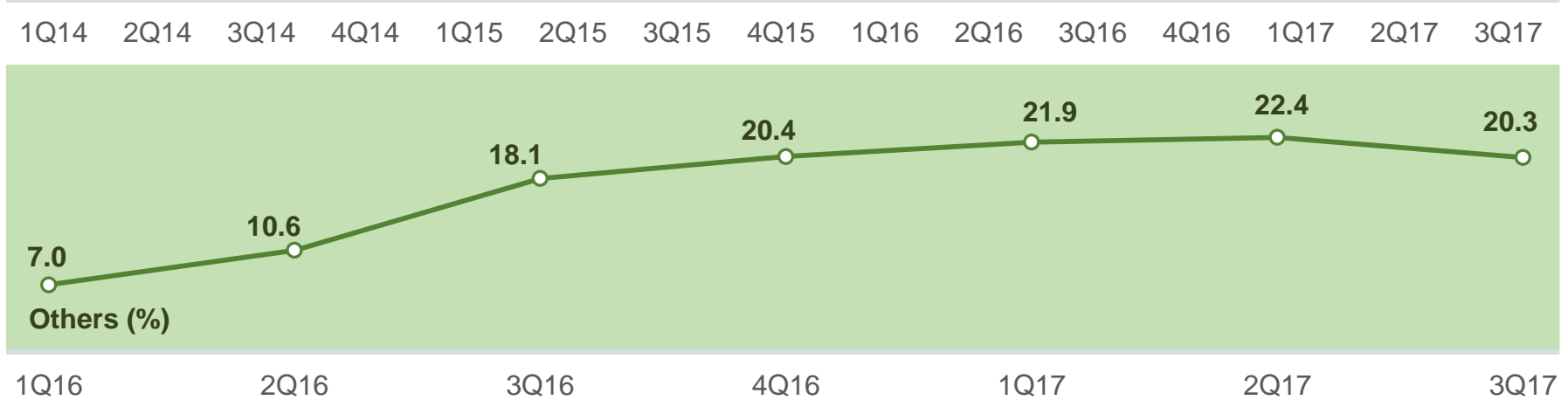
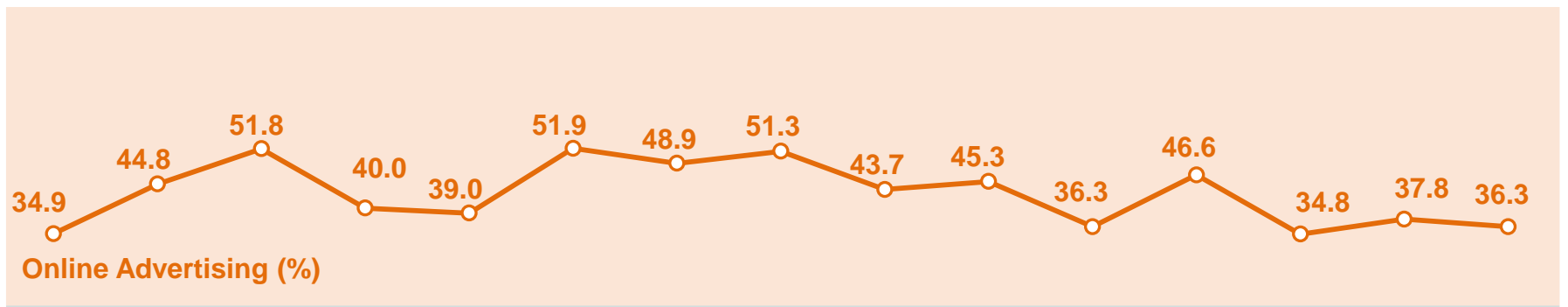
in million RMB	3Q2017	3Q2016	YoY	2Q2017	QoQ
Revenues	65,210	40,388	+61%	56,606	+15%
COPS	(33,529)	(18,560)	+81%	(28,300)	+18%
Gross profit	31,681	21,828	+45%	28,306	+12%
Interest income	1,017	637	+60%	959	+6%
Other gains, net	3,918	1,155	-	5,125	-
Operating expenses	(13,870)	(9,160)	+51%	(11,830)	+17%
Operating profit	22,746	14,460	+57%	22,560	+1%
Finance costs, net	(524)	(604)	-13%	(834)	-37%
Share of profit/ (losses) of associates & JV	818	(619)	-	498	-
Income tax expense	(4,993)	(2,461)	+103%	(3,970)	+26%
Net profit	18,047	10,776	+67%	18,254	-1%
Net profit to shareholders	18,006	10,646	+69%	18,231	-1%
Diluted EPS in RMB	1.888	1.121	+68%	1.914	-1%
Non-GAAP:					
Net profit to shareholders	17,070	11,737	+45%	16,391	+4%
Diluted EPS in RMB	1.790	1.236	+45%	1.721	+4%

Non-GAAP Adjustments

in million RMB	GAAP 3Q2017	SBC	Net (gains)/losses from investee companies*	Amortisation of intangible assets	Impairment provision	Non-GAAP 3Q2017	YoY change	QoQ change
Operating profit	22,746	1,632	(3,169)	110	295	21,614	+44%	+8%
Net profit	18,047	1,851	(3,475)	395	356	17,174	+44%	+4%
Net profit to shareholders	18,006	1,816	(3,475)	367	356	17,070	+45%	+4%
Operating margin	35%					33%	-4 ppt	-2ppt
Net margin	28%					26%	-3 ppt	-3ppt

*Including net (gains)/ losses on deemed disposals, disposals of investee companies and businesses, and fair value changes arising from investments

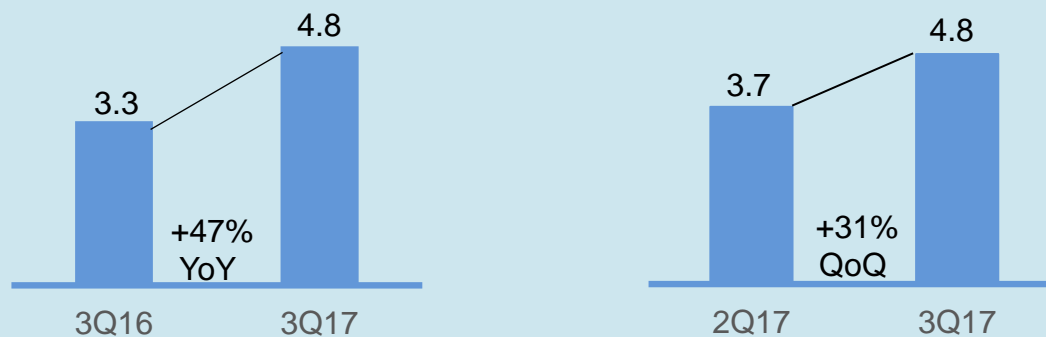
Segment Gross Margin



Operating Expenses

S&M

(in billion RMB)



R&D

(in billion RMB)

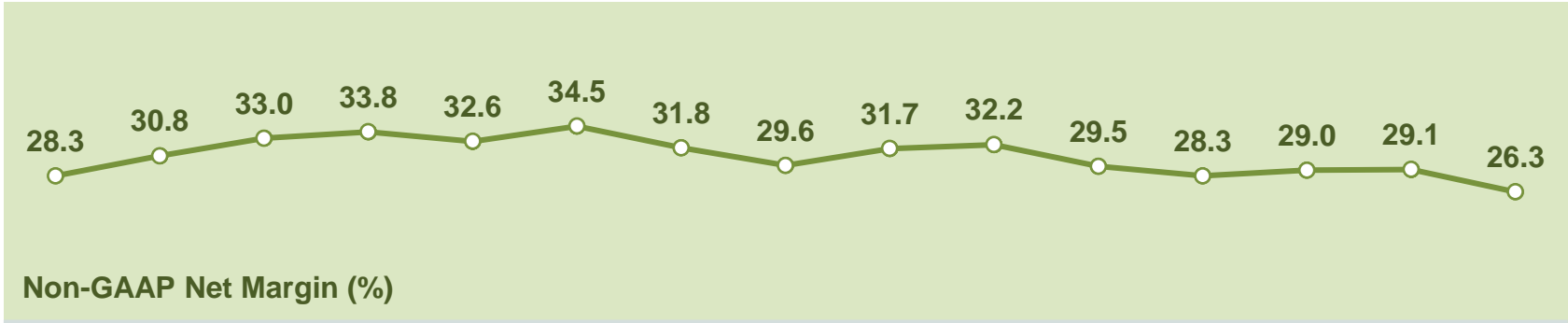


G&A excl. R&D

(in billion RMB)



Margin Ratios



1Q14 2Q14 3Q14 4Q14 1Q15 2Q15 3Q15 4Q15 1Q16 2Q16 3Q16 4Q16 1Q17 2Q17 3Q17

CAPEX, FCF and Net Cash

in million RMB	3Q2017	3Q2016	YoY	2Q2017	QoQ
Operating CAPEX	2,277	2,043	+11%	2,327	-2%
Non-operating CAPEX	1,215	1,608	-24%	683	+78%
Total CAPEX	3,492	3,651	-4%	3,010	+16%
Operating Cash Flow	30,464	16,669	+83%	20,468	+49%
Less: CAPEX Paid	3,002	2,548	+18%	2,957	+2%
Free Cash Flow	27,462	14,121	+94%	17,511	+57%
Total Cash	150,797	100,336	+50%	137,859	+9%
Less: Total Debt	131,935	91,968	+43%	116,592	+13%
Net Cash	18,862	8,368	+125%	21,267	-11%

Fair market value of our listed associates and Available-For-Sale financial assets was approximately RMB171 billion as at September 30, 2017

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Tencent Holdings Ltd.

*2017 Third Quarter Results
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Thank you!



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