

## **For Immediate Release**

### **TENCENT ANNOUNCES 2015 FIRST QUARTER RESULTS**

**Hong Kong, May 13, 2015** – Tencent Holdings Limited (“Tencent” or the “Company”, SEHK 00700), a leading provider of Internet services in China, today announced the unaudited consolidated results for the first quarter of 2015 ended March 31, 2015 (“1Q2015”).

#### ***Key Highlights:***

- Total revenues were RMB22,399 million (USD3,647 million<sup>1</sup>), an increase of 22% over the first quarter of 2014 (“YoY”).
- Operating profit was RMB9,372 million (USD1,526 million), an increase of 20% YoY. Operating margin was 42%, the same as the first quarter of 2014.
- Profit for the period was RMB6,930 million (USD1,128 million), an increase of 8% YoY. Net margin decreased to 31% from 35% last year.
- Profit attributable to equity holders of the Company for the period was RMB6,883 million (USD1,121 million), an increase of 7% YoY.
- Basic earnings per share<sup>2</sup> were RMB0.741. Diluted earnings per share<sup>2</sup> were RMB0.733.
- On a non-GAAP basis, excluding share-based compensation, deemed disposal gains, amortization of intangible assets and impairment provision:
  - Operating profit was RMB9,399 million (USD1,530 million), an increase of 45% YoY. Operating margin increased to 42% from 35% last year.
  - Profit for the period was RMB7,144 million (USD1,163 million), an increase of 37% YoY. Net margin increased to 32% from 28% last year.
  - Profit attributable to equity holders of the Company for the period was RMB7,053 million (USD1,148 million), an increase of 36% YoY.
  - Basic earnings per share were RMB0.759. Diluted earnings per share were RMB0.752.

Mr. Ma Huateng, Chairman and CEO of Tencent, said, “During the first quarter of 2015, we continued to expand our mobile user base and improve our engagement with users, while delivering solid financial results. Our key mobile properties extended their leadership in China and continued to broaden user activities from social and communications to gaming, entertainment, media content, payment, and beyond. Driven by mobile social and video advertisements, our total advertising revenue more than doubled year-on-year. Our Red Envelope gifting initiative spurred increased adoption of our payment solutions and boosted total payment volumes. Looking ahead, we aim to bring further technology benefits to users through our “Internet +” strategy of connecting users with services in various vertical industries through collaboration with a broad range of partners.”

#### **1Q2015 Financial Review**

**Value Added Services (“VAS”)<sup>3</sup>.** Revenues from our VAS business increased by 29% YoY to RMB18,626 million.

<sup>1</sup> Figures stated in USD are based on USD1 to RMB6.1422.

<sup>2</sup> Since the second quarter of 2014, EPS has been stated after taking into account the effect of the Share Subdivision. Comparative figures have been restated on the assumption that the Share Subdivision had been effective since the commencement of prior corresponding period.

<sup>3</sup> Since the fourth quarter of 2014, we recognise revenues from smart phone games we publish on an exclusive basis on a gross basis, primarily to reflect changes in our co-operation models that qualify us the principal, rather than agent, for certain licensed titles. Correspondingly, we recorded revenue sharing with third-party developers and channel costs of these titles in costs of revenues, instead of treating them as contra-revenue items.

Online game revenues increased by 28% to RMB13,313 million. The increase was mainly driven by revenue growth from smart phone games, primarily reflecting our diversified game portfolio and, to a lesser extent, the impact of the adoption of gross revenue recognition. Revenues from PC client games also contributed to the increase, driven by growth in our key genres. Social networks revenues grew by 32% to RMB5,313 million. The increase primarily reflected revenue growth from in-game item sales within mobile platforms, and higher subscription revenues from our QQ Membership, Qzone and digital content subscription services. If gross revenue recognition for smart phone games was adopted for the first quarter of 2014, revenues from our VAS business, online games, and social networks would have increased by 26%, 24% and 29% respectively for the first quarter of 2015.

Online advertising. Revenues from our online advertising business increased by 131% YoY to RMB2,724 million whereas brand display advertising revenues and performance-based advertising revenues increased by 90% and 199% YoY, respectively. The increase was mainly driven by revenue growth in video advertising due to more video views, and higher contributions from performance-based social advertising on mobile driven by Mobile Qzone and Weixin Official Accounts.

## Other Key Financial Information for 1Q2015

Share-based compensation was RMB593 million, up 5% YoY.

EBITDA was RMB9,945 million, up 47% YoY. Adjusted EBITDA was RMB10,506 million, up 48% YoY.

Capital expenditure was RMB1,332 million, up 17% YoY.

Free cashflow was RMB8,350 million, up 52% YoY.

Net cash position totaled RMB25,319 million, down 26% YoY, due to strategic investments, partly offset by an increase in free cash flows generated during the year. Fair value of our stakes in listed investee companies (both associates and available-for-sale financial assets) totalled RMB74 billion as at March 31, 2015.

## Strategic Highlights

In the first quarter of 2015, we conducted several initiatives to enhance our mobile ecosystem and develop our digital content businesses, such as:

- (1) Promoting our payment services through enriched payment scenarios, including our Chinese New Year Red Envelope gifting initiative, to attract more users to our payment platforms;
- (2) Expanding our social advertising inventory on mobile, via selected advertisements inside Weixin Moments and via our third party advertising network; and
- (3) Partnering with NBA to exclusively offer users in China online video streams of NBA games and related digital content.

In terms of balance sheet management, in April 2015 we upsized the limit on the aggregate principal amount of our Global Medium Term Note Programme by USD5 billion to USD10 billion. In addition, Moody's and Standard & Poor's upgraded our long-term corporate credit ratings from A3 to A2 in March 2015 and from A- to A in April 2015, respectively.

## Business Review and Outlook

### Divisional and Product Highlights

#### *Operating information*

- Monthly active user accounts (“MAU”) of QQ was 832 million, a decrease of 2% YoY.
- Smart device MAU of QQ was 603 million, an increase of 23% YoY.
- Peak concurrent user accounts (“PCU”) of QQ was 228 million, an increase of 14% YoY.
- Combined MAU of Weixin and WeChat were 549 million, an increase of 39% YoY.
- MAU of Qzone was 668 million, an increase of 4% YoY.
- Smart device MAU of Qzone was 568 million, an increase of 22% YoY.
- Fee-based VAS registered subscriptions were 82 million, a decrease of 7% YoY.

#### *Key Platforms*

In the first quarter of 2015, QQ and Qzone benefited from further growth in mobile user base and enhanced user engagement.

- For QQ, smart device MAU increased by 23% YoY to 603 million at the end of the quarter, while overall PCU increased by 14% YoY to 228 million. Mobile QQ usage benefited from enhanced features in areas such as location-based groups, voice and video calls, short video sharing and document transmission.
- For Qzone, smart device MAU increased by 22% YoY to 568 million at the end of the quarter. User metrics increase was partly due to favourable seasonal effect of Chinese New Year festival. Further, user activity and stickiness continued to improve, benefiting from enhanced features in areas such as short video posting and photo editing.

Combined MAU of Weixin and WeChat reached 549 million at the end of the quarter, representing YoY growth of 39%.

- For Weixin, we deepened user engagement by providing users in major cities access to local public services such as transportation, utilities, healthcare and municipal services. We also extended the “shake” function to allow selected merchants to offer promotion coupons to users.
- For WeChat, we continued to drive user engagement in selected overseas markets.

Weixin Payment and Mobile QQ Wallet gained popularity as we launched initiatives to build user awareness and habit, such as Red Envelope gifting during the Chinese New Year festival.

Our online media platforms extended their leadership in China. Tencent News leveraged enhanced content, improved user experience and plug-ins to Mobile QQ and Weixin to consolidate its positions as the leading

mobile news platform in China. Tencent Video solidified its position as the broadest-reach mobile video platform in China, thanks to enriched content and enhanced user experience.

## VAS

In the first quarter of 2015, our social networks business benefited from YoY growth from in-game item sales on our mobile platforms, and higher subscription revenues as we enhanced the mobile privileges and mobile user experience for QQ Membership, Qzone and digital content subscription services. We will continue to add premium content for our literature, music and video subscription services.

In online games, we extended our leadership in China:

- For PC client games, the quarter saw a healthy YoY revenue increase as we benefited from growth in key genres. For instance, League of Legends registered a robust performance with an enlarged user base, and FIFA Online 3 contributed to the revenue growth with more in-game micro-transactions, including sales of player cards.
- For mobile games, we achieved strong YoY revenue growth with more paying users in the quarter. In the first quarter of 2015, total revenues from smart phone games (including those distributed via Mobile QQ and Weixin game centers, YingYongBao app store, and elsewhere) amounted to approximately RMB4.4 billion, increasing by 82% YoY and 8% quarter-on-quarter on a gross-to-gross basis, respectively<sup>4</sup>. Consolidating our position as China's leading publisher of mobile games, we diversified our portfolio for smart phone games via introducing new genres, such as shooting games and quiz show games, and via licensing of sequels to popular PC and mobile games, and licensing of non-game IPs, such as I am MT2, Infinity Blade Saga, Carrot Fantasy 3, Naruto, and the mobile version of DnF.

Looking ahead, we aim to enrich our PC and mobile game portfolios in different genres and solidify our market leadership.

## Online Advertising

Our online advertising business achieved rapid YoY revenue growth in the first quarter of 2015, mainly reflecting revenue growth in video advertising supported by higher viewer traffic, and increased revenues from performance-based social advertising driven by Mobile Qzone and Weixin Official Accounts. Approximately 40% of our brand display advertising revenues and 75% of our performance-based advertising revenues were generated on mobile platforms in the first quarter of 2015. Looking forward, we will continue to invest aggressively in key content to further build our traffic, and we will expand our mobile advertising inventory and enhance our performance-based advertising service capabilities.

For other detailed disclosure, please refer to our website [www.tencent.com/ir](http://www.tencent.com/ir).

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<sup>4</sup> In the first quarter of 2015, total revenues from smart phone games distributed via Mobile QQ and/or Weixin game centers amounted to approximately RMB4.0 billion, increasing by 80% year-on-year and 5% quarter-on-quarter on a gross-to-gross basis, respectively.

## About Tencent

Tencent uses technology to enrich the lives of Internet users. Every day, hundreds of millions of people communicate, share experiences, consume information and seek entertainment through our integrated platforms. Tencent's diversified services include QQ, Weixin/ WeChat for communications; Qzone for social networking; QQ Game Platform for online games; QQ.com and Tencent News for information and Tencent Video for video content.

Tencent was founded in Shenzhen in 1998 and went public on the Main Board of the Hong Kong Stock Exchange in 2004. The Company is one of the constituent stocks of the Hang Seng Index. Tencent seeks to evolve with the Internet by investing in innovation, providing a hospitable environment for partners, and staying close to users.

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## Non-GAAP Financial Measures

To supplement the consolidated results of the Company prepared in accordance with IFRS, certain non-GAAP financial measures, including non-GAAP operating profit, non-GAAP operating margin, non-GAAP profit for the period, non-GAAP net margin and non-GAAP profit attributable to equity holders of the Company, have been presented in this press release. These unaudited non-GAAP financial measures should be considered in addition to, 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.

## 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 realized in future. Underlying the forward-looking statements is a large number 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		Unaudited	
	1Q2015	1Q2014	1Q2015	4Q2014
<b>Revenues</b>	<b>22,399</b>	<b>18,400</b>	<b>22,399</b>	<b>20,978</b>
VAS	18,626	14,413	18,626	17,137
Online advertising	2,724	1,177	2,724	2,627
Others <sup>1</sup>	1,049	2,810	1,049	1,214
<b>Cost of revenues</b>	<b>(8,965)</b>	<b>(7,800)</b>	<b>(8,965)</b>	<b>(8,332)</b>
<b>Gross profit</b>	<b>13,434</b>	<b>10,600</b>	<b>13,434</b>	<b>12,646</b>
<i>Gross margin</i>	<i>60%</i>	<i>58%</i>	<i>60%</i>	<i>60%</i>
Interest income	521	375	521	443
Other gains, net	411	1,607	411	343
Selling and marketing expenses	(1,326)	(1,855)	(1,326)	(2,063)
General and administrative expenses	(3,668)	(2,937)	(3,668)	(3,975)
<b>Operating profit</b>	<b>9,372</b>	<b>7,790</b>	<b>9,372</b>	<b>7,394</b>
<i>Operating margin</i>	<i>42%</i>	<i>42%</i>	<i>42%</i>	<i>35%</i>
Finance costs, net	(433)	(238)	(433)	(273)
Share of (losses)/profits of associates and joint ventures	(310)	44	(310)	(275)
<b>Profit before income tax</b>	<b>8,629</b>	<b>7,596</b>	<b>8,629</b>	<b>6,846</b>
Income tax expense	(1,699)	(1,164)	(1,699)	(892)
<b>Profit for the period</b>	<b>6,930</b>	<b>6,432</b>	<b>6,930</b>	<b>5,954</b>
<i>Net margin</i>	<i>31%</i>	<i>35%</i>	<i>31%</i>	<i>28%</i>
<b>Attributable to:</b>				
Equity holders of the Company	6,883	6,457	6,883	5,860
Non-controlling interests	47	(25)	47	94
Non-GAAP profit attributable to equity holders of the Company	7,053	5,194	7,053	6,723
<b>Earnings per share for profit attributable to equity holders of the Company (in RMB per share)</b>		Restated <sup>2</sup>		
- basic	0.741	0.700	0.741	0.632
- diluted	0.733	0.690	0.733	0.625

<sup>1</sup> In light of the reduction in size of our eCommerce transactions business, we include the eCommerce transactions in the "Others" business segment in our financial statements from the first quarter of 2015 onwards. Comparative figures have been reclassified to conform to the new presentation.

<sup>2</sup> Comparative figures have been restated on the assumption that the Share Subdivision had been effective since the commencement of prior corresponding period.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

RMB in millions, unless specified

	Unaudited		Unaudited	
	1Q2015	1Q2014	1Q2015	4Q2014
<b>Profit for the period</b>	<b>6,930</b>	<b>6,432</b>	<b>6,930</b>	<b>5,954</b>
<b>Other comprehensive income, net of tax:</b>				
Items that may be subsequently reclassified to profit or loss				
Share of other comprehensive income of associates	70	8	70	38
Net gains/(losses) from changes in fair value of available-for-sale financial assets	1,764	(37)	1,764	(1,439)
Currency translation differences	187	17	187	(280)
<b>Total comprehensive income for the period</b>	<b>8,951</b>	<b>6,420</b>	<b>8,951</b>	<b>4,273</b>
<b>Attributable to:</b>				
Equity holders of the Company	8,898	6,441	8,898	4,183
Non-controlling interests	53	(21)	53	90

## OTHER FINANCIAL INFORMATION

RMB in millions, unless specified

	Unaudited		
	1Q2015	1Q2014	4Q2014
<b>EBITDA (a)</b>	<b>9,945</b>	6,787	<b>7,929</b>
Adjusted EBITDA (a)	10,506	7,121	8,424
<b>Adjusted EBITDA margin (b)</b>	<b>47%</b>	39%	<b>40%</b>
Interest expense	329	112	264
<b>Net cash (c)</b>	<b>25,319</b>	34,245	<b>22,758</b>
<b>Capital expenditures (d)</b>	<b>1,332</b>	1,138	<b>1,603</b>

Note:

- EBITDA consists of operating profit less interest income and other (gains)/losses, net, and plus depreciation of fixed assets and investment properties and amortisation of intangible assets. Adjusted EBITDA consists of EBITDA plus equity-settled share-based compensation expenses.
- Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenues.
- Net cash represents period end balance and is calculated as cash and cash equivalents, term deposits, minus borrowings and notes payable.
- Capital expenditures consist of additions (excluding business combinations) to fixed assets, construction in progress, land use rights and intangible assets (excluding game and other content licenses).

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RMB millions (unless otherwise stated)

	<b>Unaudited</b>	<b>Audited</b>
	<b>31 March 2015</b>	<b>31 December 2014</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Fixed assets	7,774	7,918
Construction in progress	4,402	3,830
Investment properties	266	268
Land use rights	748	751
Intangible assets	10,441	9,304
Investments in associates	53,161	51,131
Investments in redeemable preference shares of associates	4,276	2,941
Investment in joint ventures	563	63
Deferred income tax assets	432	322
Available-for-sale financial assets	17,171	13,277
Prepayments, deposits and other assets	996	1,209
Term deposits	4,121	4,831
	<b>104,351</b>	<b>95,845</b>
<b>Current assets</b>		
Inventories	279	244
Accounts receivable	5,195	4,588
Prepayments, deposits and other assets	9,153	7,804
Term deposits	14,147	10,798
Restricted cash	13,832	9,174
Cash and cash equivalents	55,583	42,713
	<b>98,189</b>	<b>75,321</b>
<b>Total assets</b>	<b>202,540</b>	<b>171,166</b>



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

In RMB millions (unless otherwise stated)

	Unaudited	Audited
	31 March 2015	31 December 2014
<b>EQUITY</b>		
<b>Equity attributable to the Company's equity holders</b>		
Share capital	-	-
Share premium	5,599	5,131
Shares held for share award schemes	(1,363)	(1,309)
Other reserves	3,070	2,129
Retained earnings	80,940	74,062
	<b>88,246</b>	80,013
<b>Non-controlling interests</b>	<b>2,424</b>	2,111
<b>Total equity</b>	<b>90,670</b>	82,124
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	5,835	5,507
Notes payable	37,322	25,028
Long-term payables	2,644	2,052
Deferred income tax liabilities	2,739	2,942
Deferred revenue	3,256	3,478
	<b>51,796</b>	39,007
<b>Current liabilities</b>		
Accounts payable	10,061	8,683
Other payables and accruals	23,125	19,123
Borrowings	3,534	3,215
Notes payable	1,841	1,834
Current income tax liabilities	1,546	461
Other tax liabilities	785	566
Deferred revenue	19,182	16,153
	<b>60,074</b>	50,035
<b>Total liabilities</b>	<b>111,870</b>	89,042
<b>Total equity and liabilities</b>	<b>202,540</b>	171,166
<b>Net current assets</b>	<b>38,115</b>	25,286
<b>Total assets less current liabilities</b>	<b>142,466</b>	121,131

**RECONCILIATIONS OF IFRS TO NON-GAAP RESULTS**

<i>RMB in millions, unless specified</i>	As reported	Adjustments				Impairment provision (d)	Non-GAAP
		Equity-settled share-based compensation	Cash-settled share-based compensation (a)	(Gains)/Losses on deemed disposal (b)	Amortisation of intangible assets (c)		
<b>Unaudited three months ended 31 March 2015</b>							
Operating profit	9,372	561	32	(839)	50	223	9,399
Profit for the period	6,930	561	32	(829)	227	223	7,144
Profit attributable to equity holders	6,883	541	31	(829)	220	207	7,053
<i>Operating margin</i>	42%						42%
<i>Net margin</i>	31%						32%
<b>Unaudited three months ended 31 December 2014</b>							
Operating profit	7,394	495	149	(1,153)	13	1,170	8,068
Profit for the period	5,954	495	149	(1,155)	228	1,170	6,841
Profit attributable to equity holders	5,860	488	136	(1,158)	227	1,170	6,723
<i>Operating margin</i>	35%						38%
<i>Net margin</i>	28%						33%
<b>Unaudited three months ended 31 March 2014</b>							
Operating profit	7,790	334	234	(2,717)	16	820	6,477
Profit for the period	6,432	334	234	(2,669)	55	820	5,206
Profit attributable to equity holders	6,457	328	219	(2,682)	52	820	5,194
<i>Operating margin</i>	42%						35%
<i>Net margin</i>	35%						28%

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) (Gains)/ Losses, net on deemed disposal of investee companies and disposals of investee companies and businesses
- (c) Amortisation of intangible assets resulting from acquisitions, net of related deferred tax
- (d) Impairment provision for associates, available-for-sale financial assets and intangible assets arising from acquisitions