

2019 Interim Results

China Telecom Corporation Limited

22 August 2019 | www.chinatelecom-h.com



Forward-Looking Statements

Certain statements contained in this document may be viewed as “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933 (as amended) and Section 21E of the U.S. Securities Exchange Act of 1934 (as amended). Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of China Telecom Corporation Limited (the “Company”) to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements. In addition, we do not intend to update these forward-looking statements. Further information regarding these risks, uncertainties and other factors is included in the Company’s most recent Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission (the “SEC”) and in the Company’s other filings with the SEC.

Presented by



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Overview & Business Review

Financial Performance



Highlights

1

Revenue growth surpassed industry with strong scale development momentum sustained

2

Convergence fostered scale and quality with prominent results in informatization

3

Network strength enhanced by cloud-network integration with proactive and pragmatic 5G development

4

Effective precision cost management increased corporate efficiency

5

Reform and innovation to boost corporate vitality while open cooperation to facilitate win-win

6

Customer-oriented and enhance capabilities to focus on high-quality development

Solid Results

	1H2018	1H2019	Change	
Service Revenue (RMB Mil)	177,588	182,589	2.8%	Surpassed industry average
EBITDA (RMB Mil)	55,858	63,287	13.3%	
EBITDA Margin	31.5%	34.7%	3.2p.p.	
Net Profit (RMB Mil)	13,570	13,909	2.5%	Surpassed industry average
EPS (RMB)	0.168	0.172	2.5%	
Free Cash Flow (RMB Mil)	18,383	18,309	-0.4%	

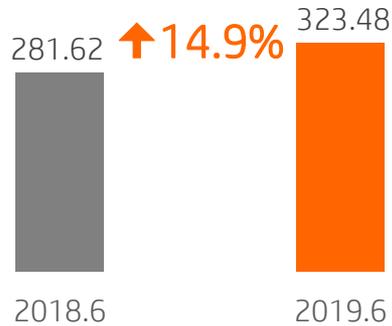
Note: Unless otherwise stated in this presentation,

1. Service Revenue = Operating Revenue – Sales of Mobile Terminals (1H2018: RMB12,079Mil; 1H2019: RMB5,480Mil) – Sales of Wireline Equipment (1H2018: RMB2,773Mil; 1H2019: RMB1,686Mil) – Other Non-service Revenue (1H2018: RMB589Mil; 1H2019: RMB733Mil)
2. EBITDA = Operating Revenue – Operating Expenses + Depreciation & Amortization; EBITDA Margin = EBITDA / Service Revenue
3. Net Profit represents profit attributable to equity holders of the Company
4. In order to more objectively reflect the Company's free cash flow, enable a comparable basis to free cash flow of prior periods and avoid incomparability of free cash flow resulting from the application of IFRS 16, the original free cash flow calculation "Free Cash Flow = EBITDA – CAPEX – Income Tax Expenses" has been changed to "Free Cash Flow = EBITDA – CAPEX – Income Tax Expenses – Depreciation Charge for Right-of-Use Assets Other than Land-Use-Rights"
5. All % and percentage point (p.p.) changes in this presentation are either 1H2019 vs 1H2018, or 2019.6 vs 2018.6

Scale Development Achieved Prominent Results

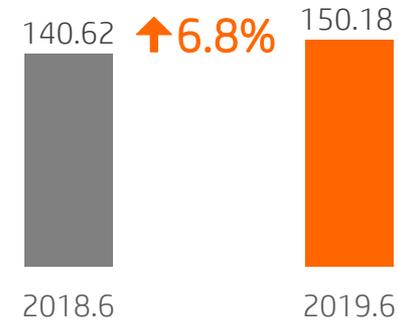
Mobile Subs

Mil



Wireline Broadband Subs

Mil



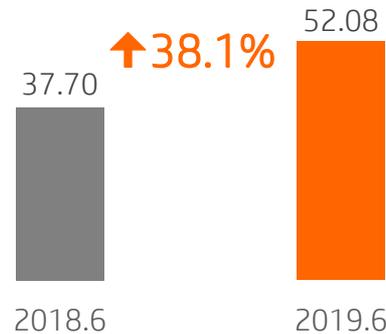
e-Surfing HD (IPTV) Subs

Mil



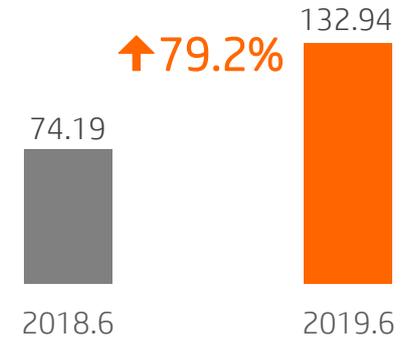
Bestpay Monthly Active Users

Mil



Internet of Things (IoT) Connected Devices

Mil



Fundamental Businesses: Convergence Fostering Scale and Quality

Triple-play penetration¹
63.3%
↑7.4p.p.

Uplifting scale

Mobile subs net add

20.48 Mil

Industry #1

Mobile service revenue

↑**5.6%**

Industry #1

In which:
handset Internet access revenue

↑**11.5%**

Industry #1

Enhancing subs quality

% of ≥100Mbps subs

↑**13.9** p.p.

Broadband blended ARPU²

RMB **44.2**

Industry #1

- Mobile: Persisted in Large Data Traffic tactic with equal emphasis on scale and value

- Broadband: Continued to promote product and service upgrade for fundamental and differentiation edges, and more value creation

¹ Triple-play penetration = Wireline broadband subs (by identity document) subscribing mobile and e-Surfing HD (IPTV) services at the same time

² Broadband blended ARPU = Sum of monthly average of Smart Family and broadband access revenues / average broadband subs

Smart Family: Boosting Family Informatization Demand

Expanding all-round Smart Family services leveraging wireline broadband subs base

Wireline
broadband subs

150_{Mil}

e-Surfing HD subs penetration

73.9%

↑4.0p.p.

Family Cloud subs

32.15_{Mil}

↑67.6%

Smart Home Networking
revenue

RMB 420_{Mil}

↑40.0%

Smart Home Gateway
subs

61.80_{Mil}

↑76.0%

Unified family portal

- Promote e-Surfing Housekeeper App as the Smart Family informatization portal with one-click service and one-click to connect

Unified product portfolio

- Five “Smart” product modules: Smart Broadband, Smart Home Platform, Smart Application, Smart Security and Smart Service
- Key products: Smart Broadband, whole-home WiFi, e-Surfing Webcam, Family Cloud, etc.

Scene marketing

- Overall upgrade of service standards; enhance scene marketing capability
- ~100k Smart Family Engineers
- 3,500 key stores to deliver scene-based experience

Ecological cooperation

- With open cooperation, expedite establishment of Smart Family platform connecting smart family devices of multiple brands

DICT: Key Growth Engine Forging Edge for Future

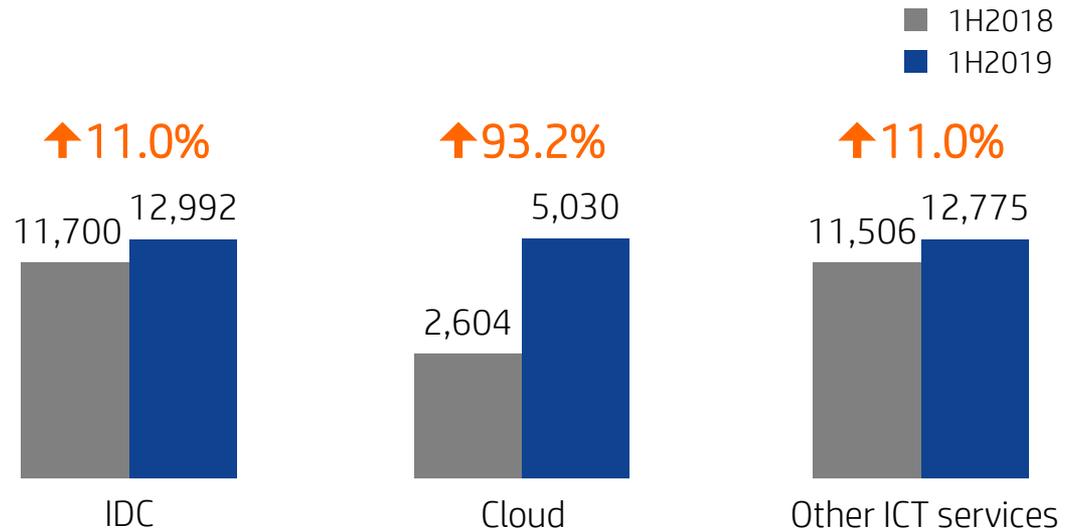
China Telecom's IaaS market share

World #7, and the only telecom operator ranking Top 10¹



Robust Revenue Growth

RMB Mil



- Promoted full commercialization and readiness for sale of 10 key cloud-based products

- Propelled marketing of cloudification³ with cloud-network integration products focusing on administration, enterprise, finance, education, medical service, and one-stop solutions for SMEs

¹ Source: IDC

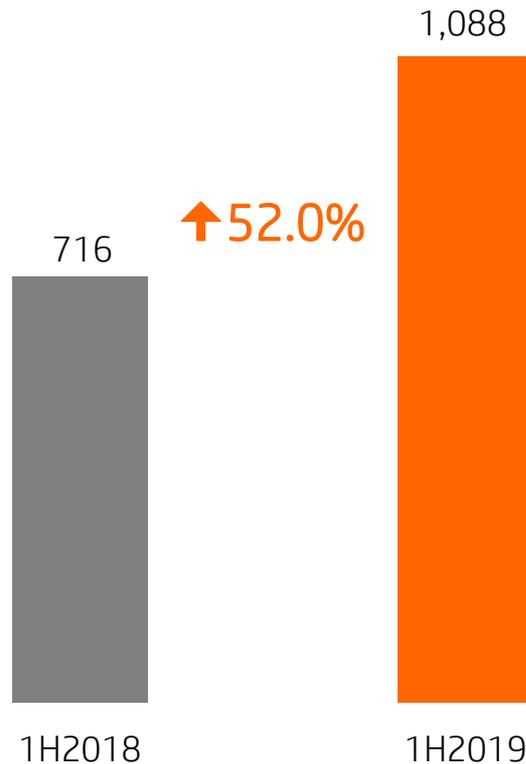
² DICT: Converged smart application service integrating three technologies, namely communications technology, information technology and cloud & Big Data technology

³ Cloudification: The comprehensive upgrade of service and network to cloud in terms of infrastructure, products service capabilities and sales mode, with a focus on cloud computing

IoT: Leveraging Integrated Edge of All Networks to Build an Omnipresent Network for IoT

Rapid Revenue Growth

RMB Mil



Leverage the integrated edge of
2/3/4/5G network
+
NB-IoT network
+
Fibre network
+
Cloud

5G network
To expedite the construction of standalone (SA) core network

NB-IoT network
To perform network upgrade and optimization

Fibre network
To provide dedicated line service for IoT leveraging ubiquitous metropolitan fibre network and high quality CN2¹ carrying network

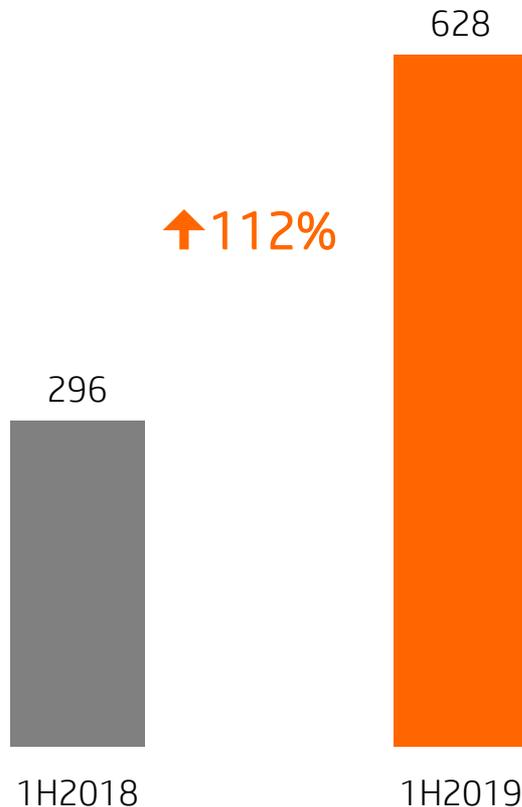
Cloud
To build distributed IoT open platform leveraging e-Surfing Cloud deployed in multiple regions

¹ CN2: China Telecom's ChinaNet Next Generation Carrying Network

Internet Finance: Fast Growth Maintained with Strategic Investors Bringing New Prospects

Revenue Doubled

RMB Mil



GMV¹
RMB **890.5** Bil
↑40.4%

Aggregate GMV¹ of
personal accounts

↑**92.1**%

- Selected as “Double-Hundred Action” enterprise, leveraging mixed ownership reform to establish a more market-oriented corporate governance, incentive and restraint mechanisms to enhance competitiveness
- Completed series A financing which introduced four investors with strategic synergy and business complementation; to promote series B financing proactively
- Upgraded financial cloud application platform with enhanced capability; established Big Data platform to empower business scenes, such as sales and marketing, risk control, personalized recommendation and etc.; developed AI-based risk control system

¹ GMV = Gross Merchandise Value

Leading Network Edge and User Experience

4G

- **1.52Mil** 4G BTS¹; three frequency bands (800MHz/1.8GHz/2.1GHz) highly and effectively coordinated with dynamic capacity expansion on-demand to support scale development for **VoLTE and NB-IoT**
- Network utilization rate **44%**



Handset Internet access satisfaction

Industry #1²

Fibre

- Full fibre coverage with **180** cities Gbps-enabled
- Built **the world's biggest ROADM all-fibre network**



Fixed broadband Internet access satisfaction

Industry #1²

Cloud

- **>100** cloud resource pools

e-Surfing Cloud
Secure Cloud



No. of products and solutions accredited by industry reputable trusted cloud certification

Industry #1³

- **The PRC's largest in operation** with **340k** IDC cabinets

Security

- Dual-layer (headquarters and provincial) security structure enabling “cloud, pipe, terminal” 3-in-1 service management capability
- **“Cloud Dam”**: the benchmark security product in the PRC with **5TB**-grade ultra-large capacity in anti-DDoS capability

Supporting business scale development and laying foundation for future network

¹ 4G BTS number includes outdoor base stations and indoor distribution systems

² Result from MIIT's 1Q2019 national user satisfaction survey on telecommunication service quality

³ Source: China Academy of Information and Communications Technology (CAICT)

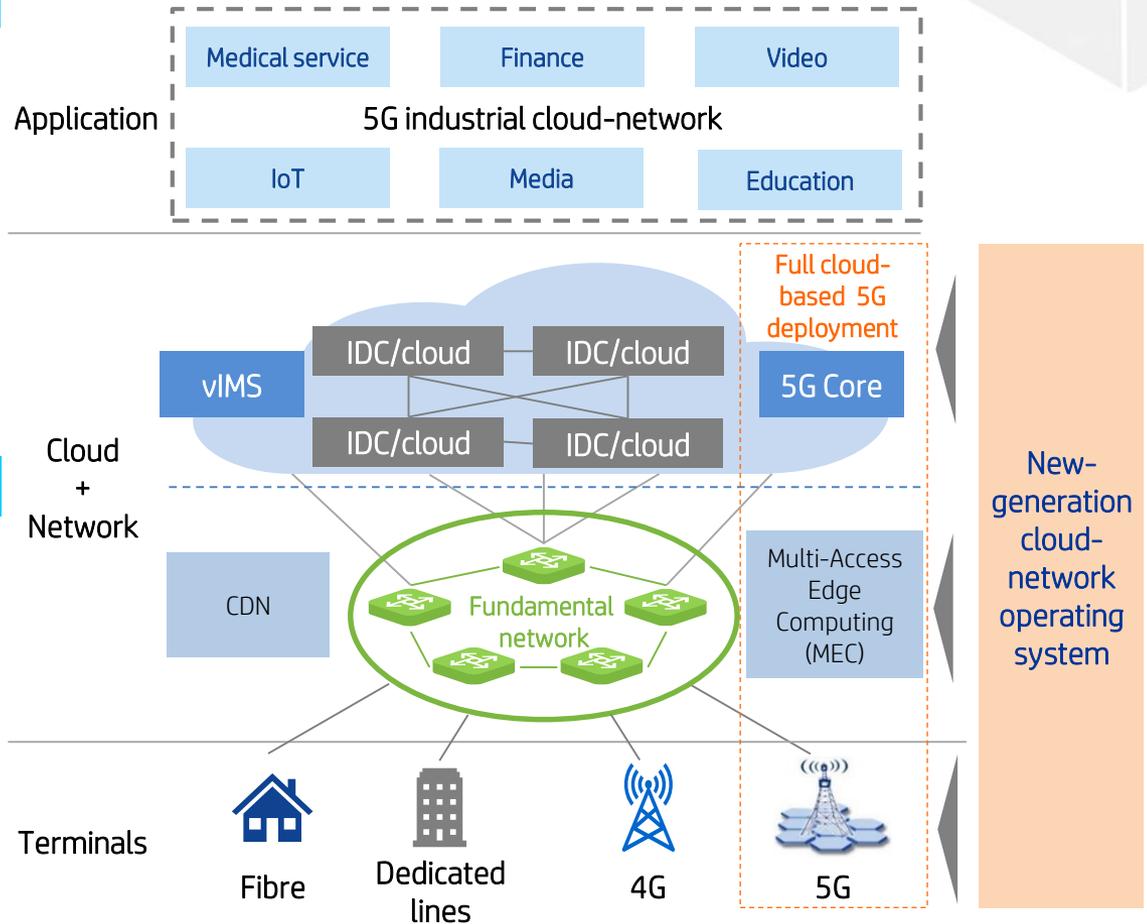
Leading in New Generation Cloud-Based Network to Create New Competitive Edge

Deepening cloudification

- Sizable enterprise customers: Build high quality optical transport network (OTN)-based carrying network
SMEs: Build software-defined network (SDN)-based intelligent dedicated network
- Optimize “2+31+X”¹ IDC/cloud resource pool layout to provide localized cloud computing service
- Accelerate the set up of new generation cloud-network operating system driven by products, new network deployment and operation

In-depth integration of 5G and cloud-network

- Support rapid deployment of full cloud-based 5G Core and MEC on cloud-network integration system
- Coordinate closely between 5G and cloud-network to provide differentiated 5G cloud-network industry solutions for media, medical service, education, finance, IoT, video and etc.
- Leverage 5G as a driver and cloud-edge coordination to empower industries, such as industrial Internet, Internet of Vehicles, campus/enterprise parks, VR live broadcast and etc.



Building a simplified, agile, efficiently-centralized, open and secure **new generation network**

- To support **flexible, personalized services** which uplift quality of life and operating efficiency
- To lead **brand new user experience** and forge **new competitive edge**

¹“2+31+X”: The two data centers in Inner Mongolia and Guizhou, 31 provincial-level IDCs and flexible urban edge nodes according to customers’ demand



Leveraging Edges and Co-Build & Co-Share to Deploy 5G Network Proactively & Pragmatically



Driven by market and customer demand, commence **standalone/non-standalone (SA/NSA) hybrid network construction** with **SA as the target network**

Planned no. of
5G BTS by end 2019

40k

No. of cities with
5G coverage

≈50

Leveraging edges

- Promptly started 5G network planning and deployment to speed up the building of continuous scale coverage of urban areas in key cities
- Accelerated the construction of platforms for edge computing and network slicing management
- Launched full cloud-based and all-fibre 5G cloud-network industry solutions for enterprise customers

Co-building and co-sharing

- Take the initiative and be proactive to drive co-building and co-sharing
- Savings in network construction investment and maintenance costs, and increase in resource utilization
- Assurance of customer experience, service quality and differentiation servicing capability



Customer-Oriented and Promote 5G Commercialization Proactively & Pragmatically



Customer-oriented and forge differentiation edges

Build 5G network with precision 5G coverage	Develop differentiated 5G products featuring latency, content, interactive experience, etc.
Customer densification	Customer experience
Customer security	Customer service
Develop secure and reliable 5G service	Establish 5G membership privilege scheme with multiple pricing models and expand smart living services

Provide applications for different scenes addressing customer needs

- **Enterprise customers (2B):** Introduce **5G+industry applications** focusing on media live broadcast, industrial Internet, transportation, education, medical service and other industries
- **Personal customers (2C):** Introduce **unique AV, gaming and entertainment experience** focusing on 5G ultra HD video, 5G VR/AR, 5G cloud-based games and other key applications
- **Family customers (2H):** Introduce Smart Family applications with **5G + Gbps broadband + cloud** to create the competitive edge of dual application access via cloud

Leverage resource endowment and strengthen product development investment

Leverage edges

Convergence

Cloud-network	2B customer foundation
---------------	------------------------

To manifest **integrated capability**

To form **5G core capabilities**

- Edge computing platform
- Network slicing management platform
- AI capability platform
- Full cloud-based, all-fibre AI cloud-network infrastructure



Persist open cooperation and foster industry chain maturity

Jointly promote **5G content innovation** with capability sharing, value co-creation and win-win across industry

Jointly conduct SA experiments to **expedite industry chain readiness**

Content partners

Equipment & handset vendors

AI partners

Vertical industry customers

Jointly promote **innovation of 5G+cloud+AI convergence**

Join hands with >400 customers consented for **5G+industry innovation**

Proactively Advancing Reform and Innovation with Further Deepening of Open Cooperation

Reform

- **Cloudification:** Advance cloud-network integration and perform reform in network, organization, mechanism and workflow, to form differentiation capability in cloud computing, Big Data, AI and 5G; fully leverage integrated edge in 5G and fibre networks to form informatization servicing capability
- **2B service structure reform:** Deepen the reform to build professional DICT teams; attract top talents, strengthen incentives and empower high quality teams
- Enhance the operational mechanism of **sub-dividing performance evaluation units** to strengthen the capability of mini-CEOs and nurture talents
- Promote sub-dividing of **cost management**

Innovation and R&D

- Reform R&D structure and increase R&D input
- Focus on core and key technologies to build core capabilities
- Nurture top talent teams

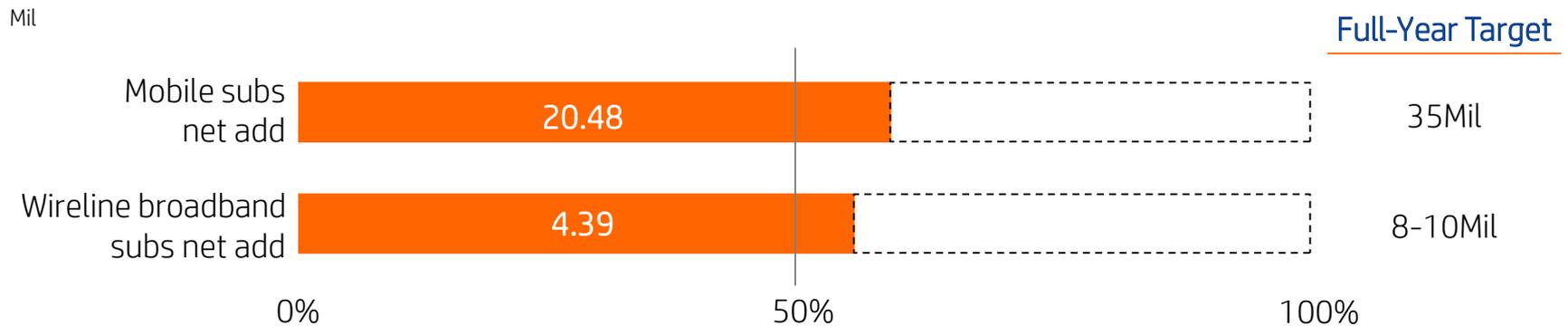
Cooperation

- **Network:** Co-building and co-sharing
- **Strategic cooperation:** Governments, campuses, automobile manufacturers, Internet companies...
- **Ecological cooperation:** 5G ecosystem, Smart Family, innovative products and solutions, key tech projects, joint business innovation...
- **Capital cooperation:** Equity investment, stakeholding in investment funds, compile investment whitelist, funding platform

To boost **corporate vitality** and jointly promote **industry prosperity**

Solid Progress in High-Quality Development

Strong execution driving good progress in scale development



- To seize 5G opportunity and the trend of integrated smart informatization services
- To maintain the robust development momentum in 1H2019
- To strengthen corporate capabilities
- To be customer-oriented to accelerate value-focused scale development
- To strive to achieve full-year subscriber addition targets and to sustain healthy growth in service revenue and net profit

Overview & Business Review

▶ **Financial Performance**



Key Financials

RMB Mil	1H2018	1H2019	Change
Operating Revenue	193,029	190,488	-1.3%
Service Revenue	177,588	182,589	2.8%
Sales of Terminals & Equipment and Others	15,441	7,899	-48.8%
Operating Expenses	(173,872)	(170,544)	-1.9%
Operating Profit	19,157	19,944	4.1%
Net Finance Costs	(1,514)	(2,057)	35.9%
Investment Income, Share of Profits of Associates	516	631	22.3%
Net Profit	13,570	13,909	2.5%
Free Cash Flow	18,383	18,309	-0.4%

Effective Precision Cost Management

RMB Mil	1H2019	Change	Change as a % of Service Revenue	
Operating Expenses	170,544	Decreased  -1.9%	-	Growth rate less than Operating Revenue
Incl.: Depreciation & Amortization	43,343	18.1%	↑3.0p.p.	Growth rate decreased due to enhanced precision investment while maintaining network edge
	37,877	3.2%	↑0.1p.p.	
Network Operations & Support	50,780	-6.3%	↓2.7p.p.	Growth rate decreased remarkably due to strengthened cost control while continuing to enhance network capability and quality
	56,463	4.2%	↑0.4p.p.	
Personnel	33,316	2.0%	↓0.2p.p.	
SG&A	29,216	0.6%	↓0.4p.p.	Continued optimization of sales and marketing management to increase return on resources
Interconnection	6,289	1.0%	↓0.1p.p.	

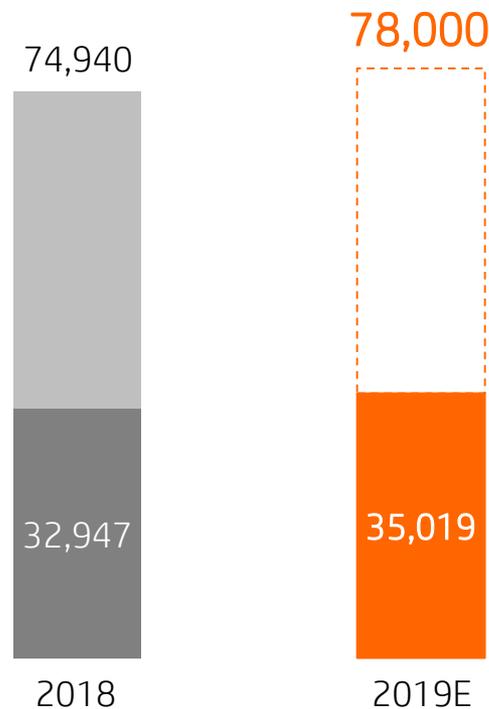


Pro-forma figures excluding the impact resulting from the application of IFRS 16

Precision Investment Strengthening Network Edge for Scale Development

CAPEX

RMB Mil



■ 1H CAPEX

Forge high-quality and efficient network to enhance user experience and support emerging business development

FY19 CAPEX guidance RMB78Bil (including 5G) remains unchanged

4G+ Broadband

- Continued to optimize 4G coverage with dynamic capacity expansion in busy and key areas; supported nationwide VoLTE commercial service and data demand
- Maintained fibre network edge and strengthened the benchmark and leadership position of Gbps service in key areas

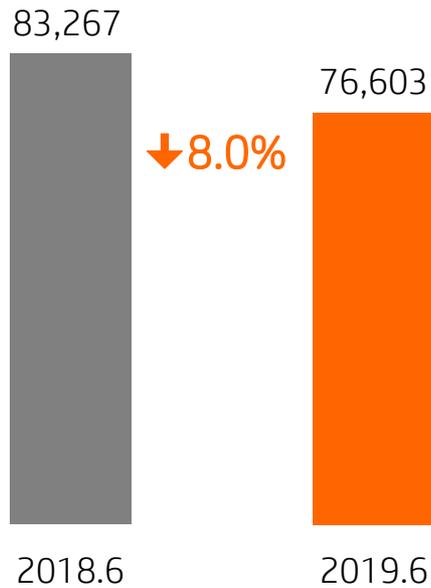
DICT

- Further invested to perfect IDC/cloud resource framework to uplift network agility and strengthen end-to-end servicing capability of cloud-network integration

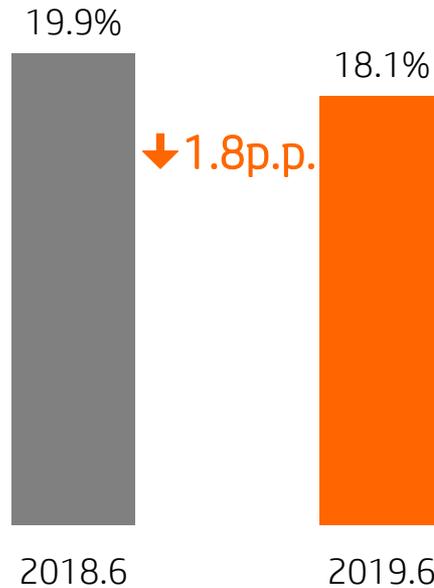
Enhancing Financial Position

Total Debt

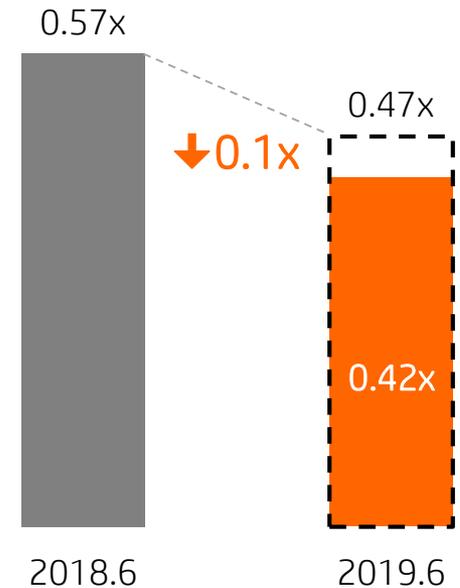
RMB Mil



Total Debt/ Total Capitalization



Net Debt/ Simplified Annualized EBITDA

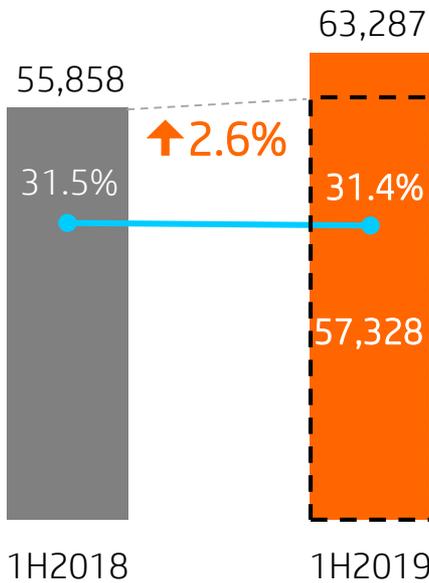


 Pro-forma figures excluding the impact resulting from the application of IFRS16

Solid Financial Strength

EBITDA

RMB Mil

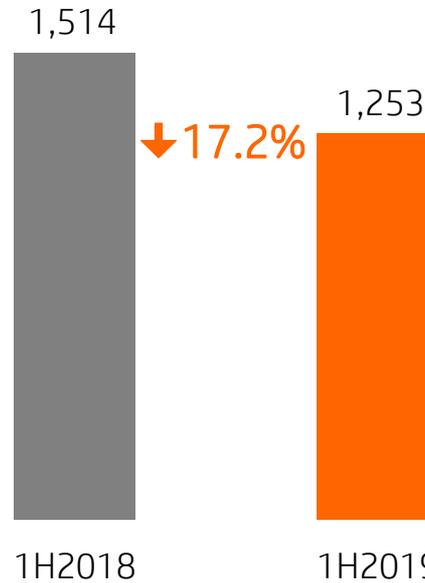


—●— EBITDA margin excluding the impact resulting from the application of IFRS16

⌈⌋ Pro-forma figures excluding the impact resulting from the application of IFRS16

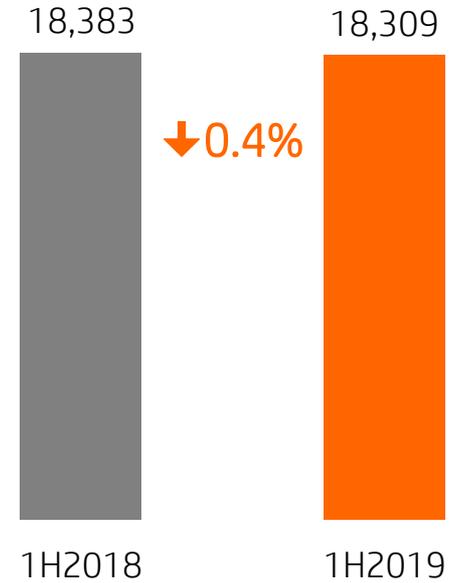
Finance Expenses

RMB Mil



Free Cash Flow

RMB Mil





Most Honored Company (2009-2018)



Asia's Most Honored Company



Asia's Icon on Corporate Governance



Platinum Award – Excellence in Environmental, Social and Governance



Thank You!

For further information & enquiries, please contact our Investor Relations Department at ir@chinatelecom-h.com or visit www.chinatelecom-h.com

Appendix 1: Revenue Breakdown

RMB Mil	1H2018	1H2019	Change
Service Revenue	177,588	182,589	2.8%
Mobile Service Revenue	83,552	88,236	5.6%
Incl.: Voice	16,514	14,124	-14.5%
Data	66,992	73,944	10.4%
Incl.: Handset Internet Access	54,545	60,825	11.5%
Others	46	168	265%
Wireline Service Revenue	94,036	94,353	0.3%
Incl.: Voice	10,165	9,405	-7.5%
Data	81,632	82,647	1.2%
Incl.: Broadband Access	38,831	35,127	-9.5%
Information & Application Services	31,443	35,230	12.0%
Others	2,239	2,301	2.8%
Sales of Terminals & Equipment and Others	15,441	7,899	-48.8%
Sales of Mobile Terminals & Equipment	12,079	5,480	-54.6%
Sales of Wireline Equipment & Other Non-service Revenue	3,362	2,419	-28.0%
Total	193,029	190,488	-1.3%

Mobile Service Revenue

- 1 Voice
- 2 Data
- 3 Others

Sales of Mobile Terminals & Equipment

Wireline Service Revenue

- 4 Voice
- 5 Data
- 6 Others

Sales of Wireline Equipment & Other Non-service Revenue

2.1 Handset Internet Access and Other Data
 2.2 IoT Data & Application
 2.3 Mobile DICT
 2.4 BestPay and Other Internet Finance
 2.5 Other Mobile Data

5.1 Broadband Access
 5.2 e-Surfing HD and Other Smart Family
 5.3 Wireline DICT
 5.4 Other Wireline Data

RMB Mil	1H2018	1H2019	Change
Intelligent Connections	146,428	145,968	-0.3%
Intelligent Applications	31,160	36,621	17.5%
Incl.: Smart Family	4,338	4,108	-5.3%
DICT	25,810	30,797	19.3%
IoT	716	1,088	52.0%
Internet Finance	296	628	112%
Service Revenue	177,588	182,589	2.8%

Note: Smart Family revenue decreased due to change in business cooperation model

$$\text{Intelligent Connections} = 1 + 2.1 + 2.5 + 3 + 4 + 5.1 + 5.4 + 6$$

$$\text{Smart Family} = 5.2$$

$$\text{DICT} = 2.3 + 5.3$$

$$\text{IoT} = 2.2$$

$$\text{Internet Finance} = 2.4$$

Appendix 2: Key Financial Information

RMB Mil	1H2018	1H2019	Change
Operating Revenue	193,029	190,488	-1.3%
Service Revenue	177,588	182,589	2.8%
Sales of Terminals & Equipment and Others	15,441	7,899	-48.8%
Operating Expenses	173,872	170,544	-1.9%
Depreciation & Amortization	36,701	43,343	18.1%
Network Operations & Support	54,184	50,780	-6.3%
<i>Incl.: Tower Usage Fee</i>	7,841	4,920	-37.3%
Personnel	32,649	33,316	2.0%
SG&A	29,048	29,216	0.6%
<i>Incl.: Selling Expense</i>	25,031	25,021	-0.0%
Interconnection & Others	21,290	13,889	-34.8%
<i>Incl.: Interconnection</i>	6,226	6,289	1.0%
<i>Cost of Terminals & Equipment Sold</i>	14,266	6,876	-51.8%
Operating Profit	19,157	19,944	4.1%
Net Profit	13,570	13,909	2.5%

Note: Excluding the impact resulting from the application of IFRS 16, the tower usage fee in 1H2019 was RMB8,586Mil

Appendix 3

Extracted from Unaudited Consolidated Statement of Comprehensive Income for the Period Ended 30 Jun 2019

RMB Mil	1H2018	1H2019
Operating Revenue	193,029	190,488
Operating Expenses	(173,872)	(170,544)
Net Finance Costs	(1,514)	(2,057)
Investment Income, Share of Profits of Associates	516	631
Profit Before Taxation	18,159	18,518
Income Tax	(4,528)	(4,493)
Profit for the Period	13,631	14,025
Equity Holders of the Company	13,570	13,909
Non-controlling Interests	61	116

Extracted from Unaudited Consolidated Statement of Financial Position as at 30 Jun 2019

RMB Mil	2018.12	2019.6
Current Assets	73,005	82,799
Non-current Assets	590,377	628,165
Total Assets	663,382	710,964
Current Liabilities	258,920	274,530
Non-current Liabilities	60,363	88,039
Total Liabilities	319,283	362,569
Total Equity	344,099	348,395
Equity Attributable to Equity Holders of the Company	343,069	345,783
Non-controlling Interests	1,030	2,612

Appendix 4

Selected Operating Metrics for the Period Ended 30 Jun 2019

	2018.12	2019.6	Change
Subscriber (Mil)	2018.12	2019.6	Change
Mobile	303.00	323.48	20.48
Incl.: 4G	242.43	266.14	23.71
Wireline Broadband	145.79	150.18	4.39
Access Lines in Service	116.48	113.57	-2.91
e-Surfing HD	105.35	111.01	5.66
BestPay Monthly Active Users	43.41	52.08	8.67
IoT Connected Devices	106.93	132.94	26.01
	1H2018	1H2019	Change
Mobile ARPU (RMB)	52.4	46.9	-10.5%
4G ARPU (RMB)	58.3	51.2	-12.2%
4G DOU (GB / Sub / Month)	4.5	7.3	62.2%
Handset Data Traffic (kTB)	5,389	10,896	102%
Wireline Broadband ARPU (RMB)	47.2	39.6	-16.1%