



2018 Interim Results

China Telecom Corporation Limited
20 August 2018 | 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

Mr. Yang Jie

Chairman & CEO

Mr. Gao Tongqing

Executive Vice President

Mr. Liu Guiqing

Executive Vice President

Madam Zhu Min

Executive Vice President & CFO



| Overview

- | Business Review
- | Financial Performance

Highlights

1

Revenue growth surpassed industry with
profitability constantly increasing

2

Ecological collaboration promoted integration and mutual development;
emerging business growth accelerating

3

Strong mobile momentum with
significant result in data operation

4

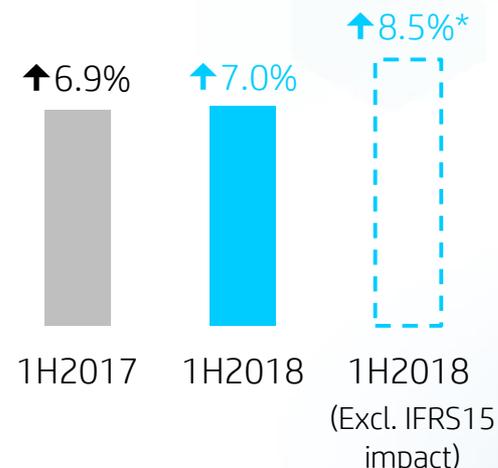
Network edge steadily enhancing;
innovative convergence powering growth

5

Reinforced edges to tackle challenges;
strong execution propelling development

Accelerating Revenue and Profit Growths

	1H2017	1H2018	Change
Operating Revenue (RMB Mil)	184,315	193,029	4.7 %
Service Revenue (RMB Mil)	165,996	177,588	7.0 %
EBITDA (RMB Mil)	52,444	55,858	6.5 %
EBITDA Margin	31.6%	31.5%	-0.1pp
Net Profit (RMB Mil)	12,555	13,570	8.1%
EPS (RMB)	0.155	0.168	8.1%
Free Cash Flow (RMB Mil)	7,235	18,383	154.1%



* Service revenue growth was 8.5% if applying the revenue standards in effect in 1H2017 for both periods

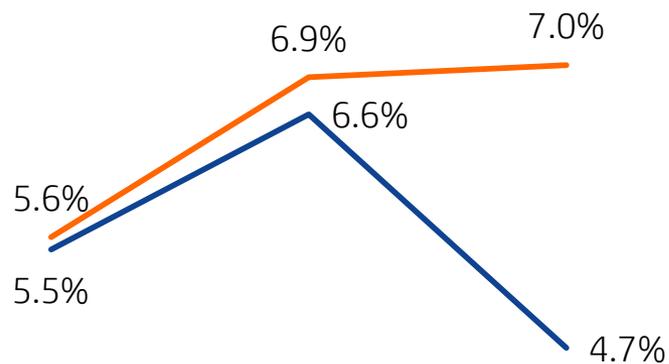


Note: Unless otherwise stated in this presentation

1. Service Revenue = Operating Revenue – Sales of Mobile Terminals (1H2017: RMB15,951 mil; 1H2018: RMB12,079 mil) – Sales of Wireline Equipment (1H2017: RMB1,890 mil; 1H2018: RMB2,773 mil) – Other Non-service Revenue (1H2017: RMB478 mil; 1H2018: RMB589 mil)
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. Free Cash Flow (FCF) = EBITDA – CAPEX – Income Tax Expenses
5. 1H2017 financial data are restated according to relevant accounting standards to include the retrospective impact of the acquisition of satellite communications business and Shaanxi Zhonghe Hengtai Insurance Agent Limited
6. Unless otherwise specified, all % and percentage point (pp) changes in this presentation are either 1H2018 vs 1H2017, or 2018.6 vs 2017.6

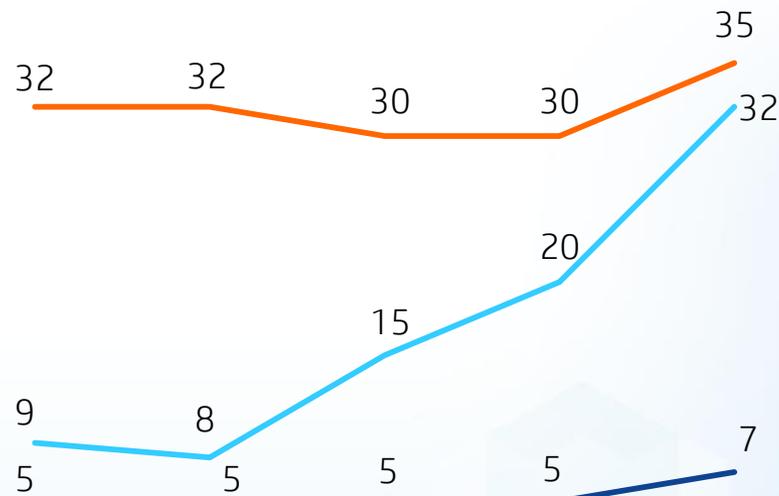
Revenue and Subs Growth Prompted by Step-up Transformation

Service Revenue Growth Constantly Surpassed Industry



Subs Net Add Hit Historical High

Mil



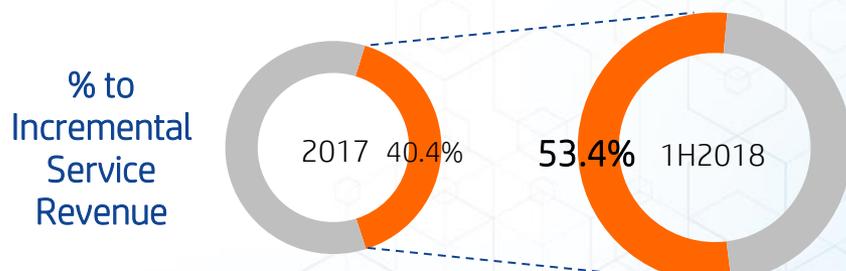
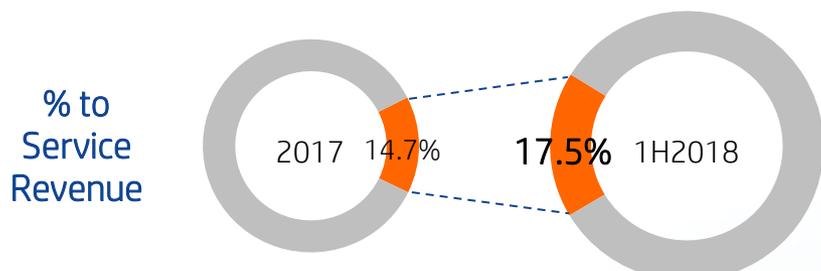
— China Telecom — Industry

— Mobile — 4G — Wireline broadband

Note: Industry growth is calculated based on figures reported by the three listed Chinese telcos

Five Ecospheres Expanding Rapidly

Revenue of Intelligent Applications Ecospheres soared, gaining both revenue and incremental revenue shares

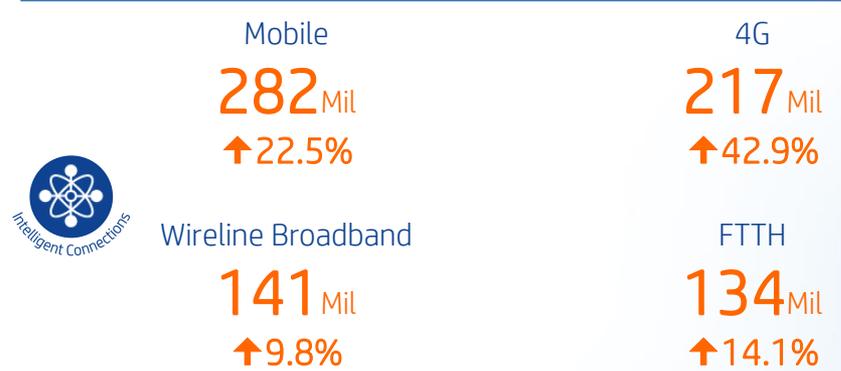


■ Intelligent Connections Ecosphere ■ Intelligent Applications Ecospheres

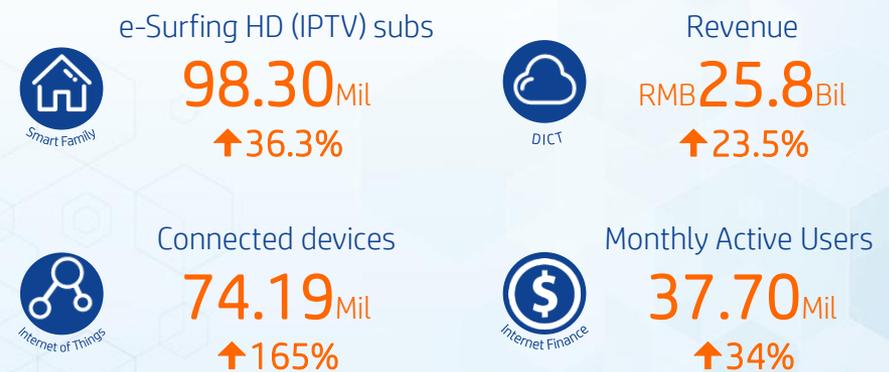
Note:
 1. Intelligent Applications Ecospheres = Ecospheres of Smart Family, DICT, Internet of Things (IoT) and Internet Finance
 2. DICT = Converged smart application service integrating three technologies, namely communications technology, information technology and cloud & Big Data technology

Scale expansion of Five Ecospheres

Intelligent Connections Ecosphere Subs Scale



Intelligent Applications Ecospheres



Network Intelligentization Strengthening Edges



4G

1.2 mil BTS with **98%** population coverage and **36%** utilization rate; leverage Big Data for dynamic capacity expansion to support 4G large data service scale development



Fibre

96% FTTH home pass coverage in cities and towns; Gbps broadband deployed in **>170** cities on demand; IP metropolitan network and backbone network bandwidth reached **500Tbps** and **170Tbps** respectively, maintaining industry leadership



IoT

Enhanced NB-IoT, accelerated eMTC trial; high-/mid-/low-speed IoT network architecture basically formed for differentiated service capability on demand



IDC

Enhanced entire network planning and forged a premium network of IDC clusters; deployment focused on Inner Mongolia, Guizhou, Beijing-Tianjin-Hebei, Yangtze River Delta, southern China, Chengdu-Chongqing-Shaanxi and other key regions, to match the cloud-based network planning



SDN

SDN application in product innovation and increasing network operating efficiency; conducted commercial trial, targeting SMEs, on intelligent self-selective dedicated line products, cloud-network integration with adjustable scale; scale deployment of SDN connecting cloud resources pools, shortening business activation process from weeks to minutes



NFV

Commenced trial of fully decoupled vIMS to lay foundation for fully cloud-based 5G in future based on the NFV Infrastructure (NFVI) standard unified with cloud network



No. 1 customer satisfaction in handset Internet access and wireline broadband in industry by MIT survey

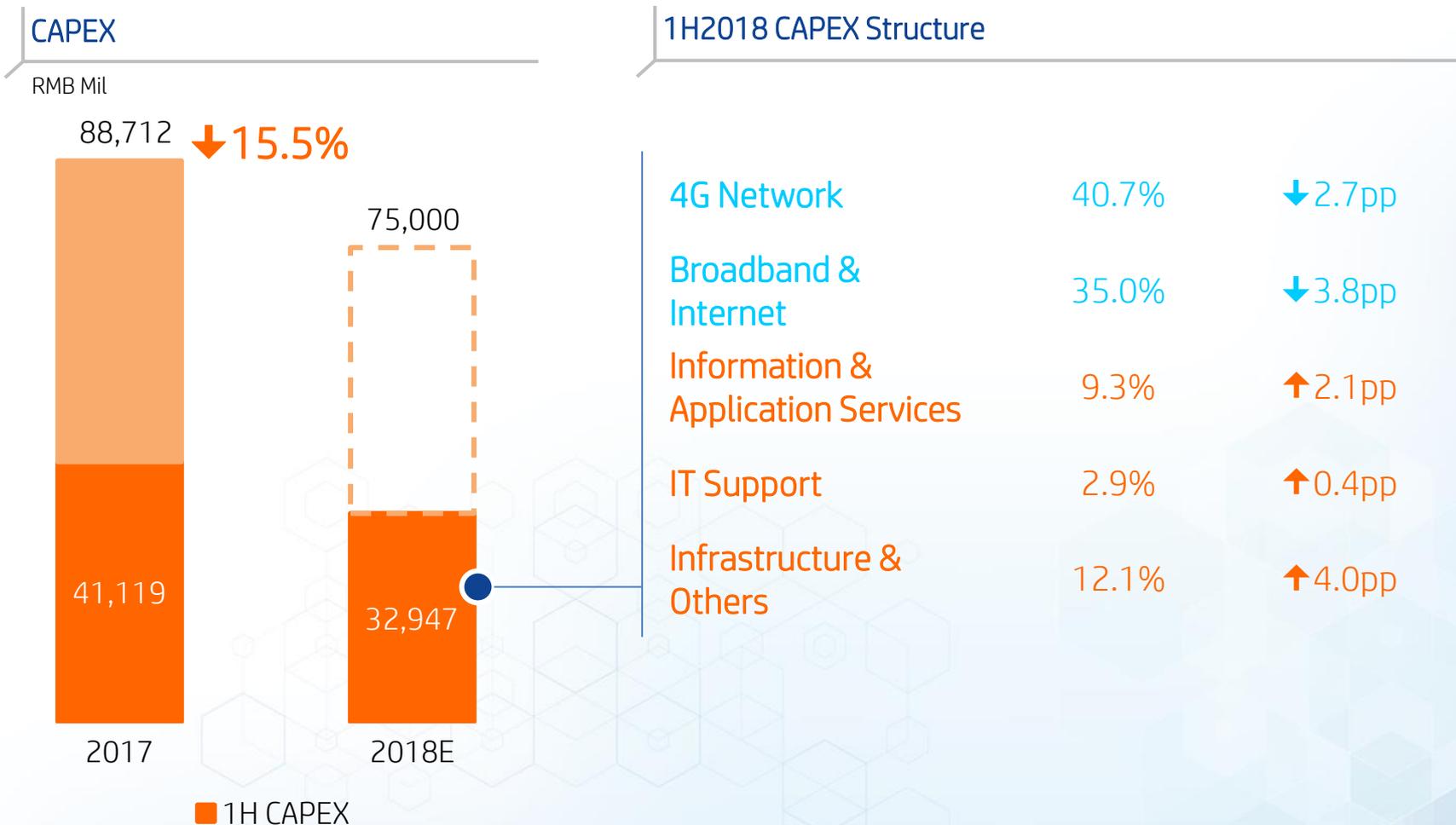


Asia's largest IDC on aggregate and standalone scale

CTNet 2025 network reconstitution

Optimized CAPEX Structure Increasing Efficiency

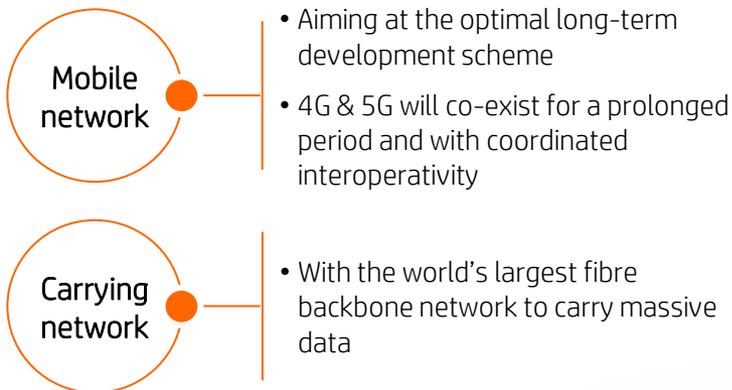
Persist in precision investment with stringent control and optimized structure amid robust business growth



5G: Planning Ahead

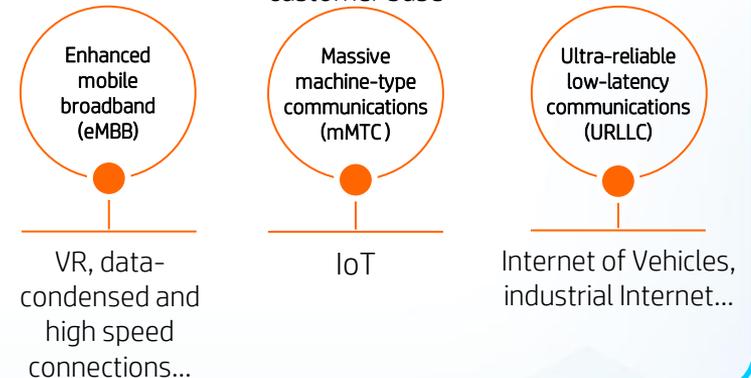
Proactive and in-depth participation and research & development;
persist in return-oriented approach for future growth opportunities

Network

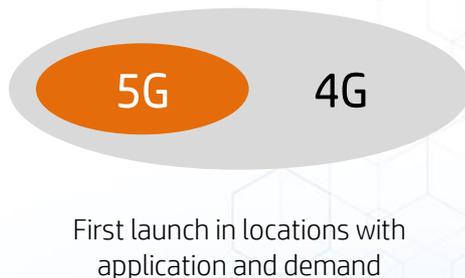


Application

Industry-focused leveraging government and enterprises customer base



Coverage



Investment Principle



Timetable



Implementing “Speed Upgrade and Tariff Reduction”

- ✓ Ceased charging mobile data “roaming tariff” since 1 July
- ✓ Reduced tariffs for international, Hong Kong, Macau and Taiwan roaming
- ✓ Reduced tariffs for Internet dedicated line for SMEs and commercial dedicated line products since 1 May
- ✓ Increased access bandwidth for subscribers

Mobile		Wireline Broadband	
Handset Data Traffic Growth	4G Penetration	% of >100Mbps Subs	Subs Average Access Bandwidth
379% ↑253pp	77% ↑11pp	56% ↑19pp	85Mbps ↑37%



2H2018 Measures

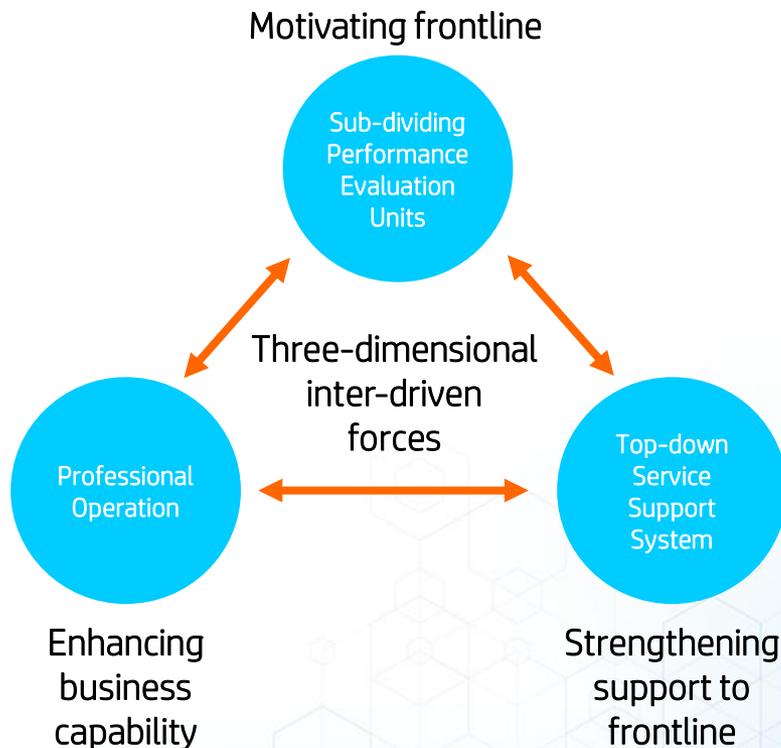
Expediting step-up transformation, boosting innovative businesses, persisting in cost reduction and efficiency enhancement, in order to promote corporate development

Vitalizing by Reform & Innovation

Development Powered by Ecological Collaboration

Deepening managerial reform

Ecological collaboration for integration and mutual development



Creating value for Intelligent Connections Ecosphere via collaboration on data, handset and third-party app privileges



Promoting all-rounded ecological collaboration on Smart Family with sales channel and service edges



Enriching cloud service offering via cloud-network / IoT-cloud integration



Innovating IoT business model by focusing on in-depth collaboration with industries which the Company has advantage



Expanding financial services via collaboration backed by subs and sales channel edges

Strengthening Step-up Transformation to Enhance Corporate Value

Value Enhancement

Customers' Value

Shareholders' Value

Corporate Value

Building Cyberpower • Building First-class Enterprise • Building Better Lives

Strengthen Information Infrastructure

Deepen Application Convergence

Enhance Total Factor Productivity

Network
Intelligentization

Service
Ecologicalization

Operation
Intellectualization

Continuous enhancement of network capability, customer experience and network operating efficiency

Continuous growth in scale and revenue

Continuous promotion of digitalization and Big Data-based management

Step-up Transformation Strategy



Strong Execution

Fully leverage competitive edges to tackle challenges and seize opportunities



| Overview

| **Business Review**

| Financial Performance

Revenue Breakdown

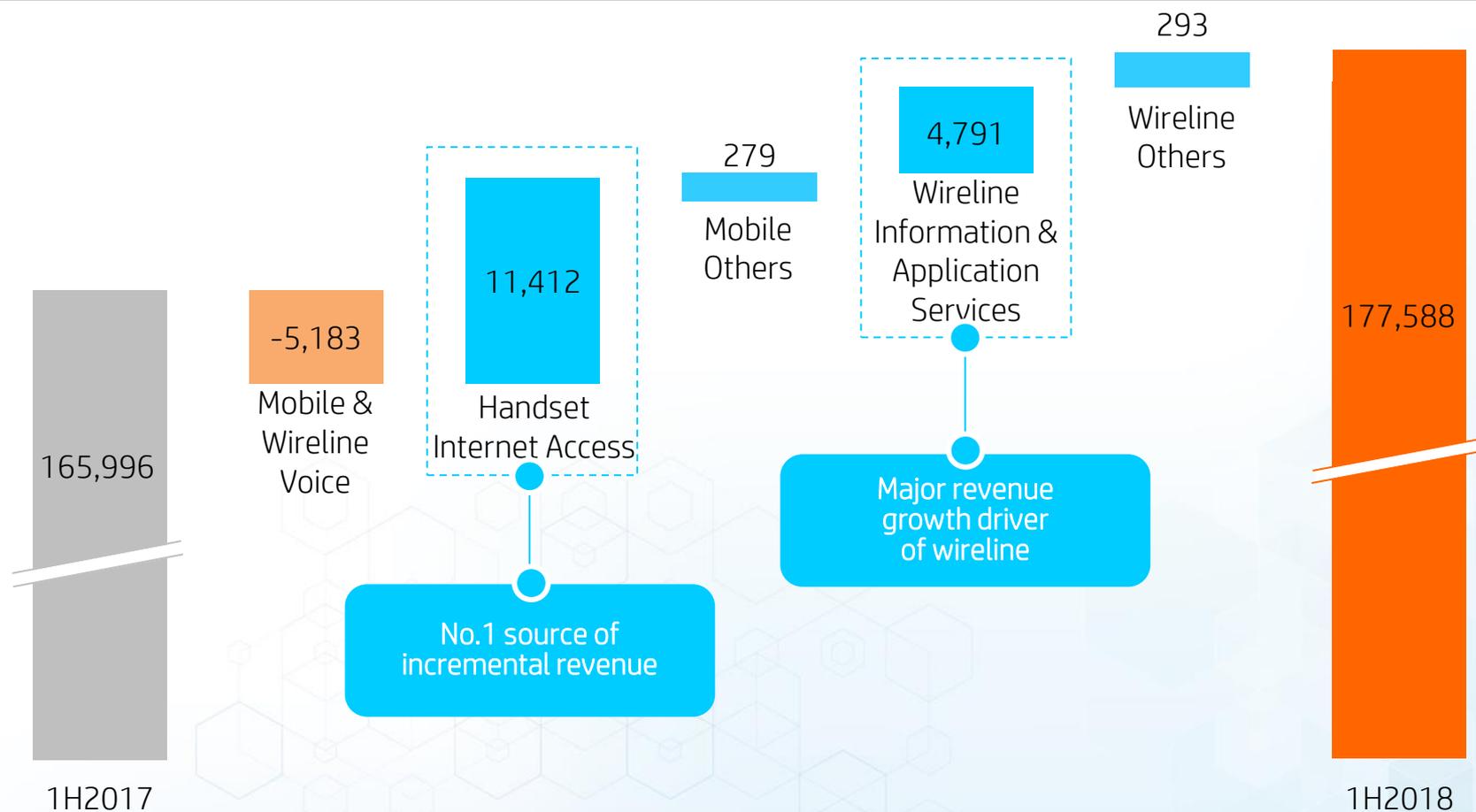
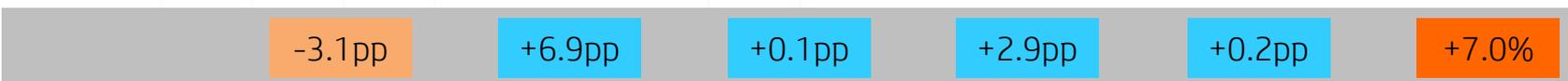
RMB Mil	1H2017	1H2018	Change
Mobile Service Revenue	75,772	83,552	10.3%
Incl.: Voice	20,425	16,514	-19.1%
Data	55,293	66,992	21.2%
Incl.: Handset Internet Access	43,133	54,545	26.5%
Wireline Service Revenue	90,224	94,036	4.2%
Incl.: Voice	11,437	10,165	-11.1%
Data	76,638	81,632	6.5%
Incl.: Broadband	39,223	38,831	-1.0%
Information & Application Services	26,652	31,443	18.0%
Service Revenue	165,996	177,588	7.0%

Note: Mobile Service Revenue includes revenues from voice, data and MVNOs

Prominent Revenue Growth Engines

Service Revenue

RMB Mil



Note: Wireline Information & Application Services include IDC, cloud, Big Data, e-Surfing HD, etc.

Extending Convergence for Rapid Scale Expansion

Innovative convergence

Example

RMB199 / month

-  **Mobile** ✓ 40GB (with speed cap over limit)
-  **Wireline Broadband** ✓ Hundred Mbps broadband
-  **TV** ✓ e-Surfing HD
-  **Family Cloud** ✓ 2TB Family Cloud

Increasing bundling and stabilizing churn

Triple-play Penetration

59%
↑13pp

Mobile Bundling Rate

58%
↑5pp

Wireline Broadband Churn Rate

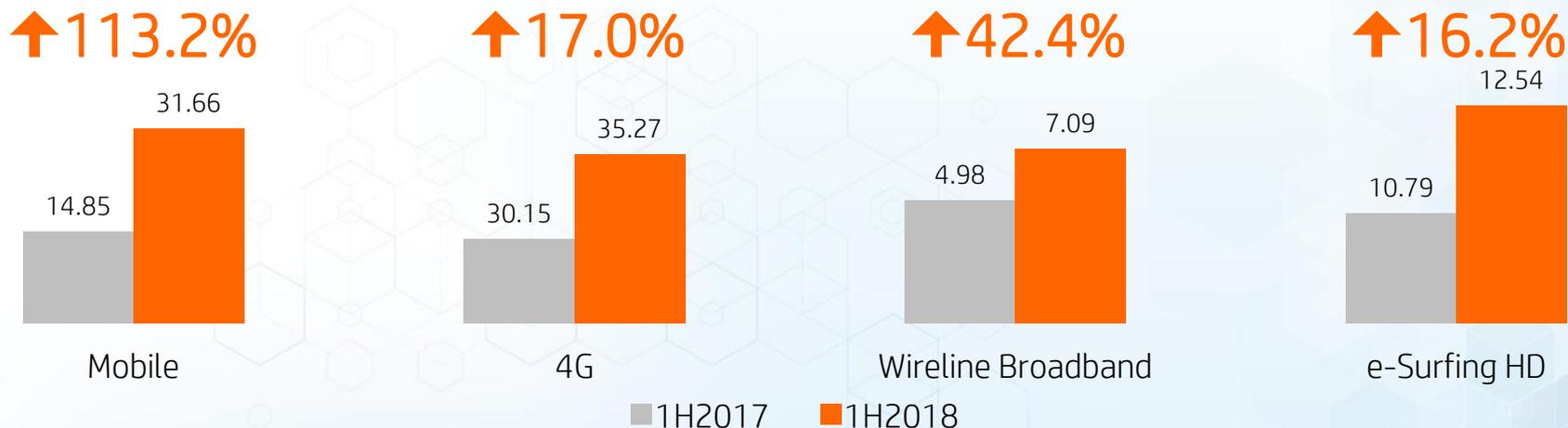
1.1%
↓0.1pp

Note:

1. Triple-play Penetration = Wireline Broadband Subs subscribing mobile and e-Surfing HD services at the same time
2. Mobile Bundling Rate = Bundled Subs / Mobile Subs

Strong Subs Net Add

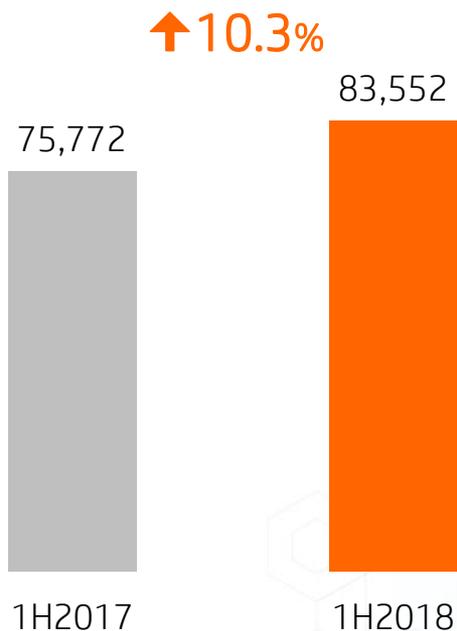
Mil



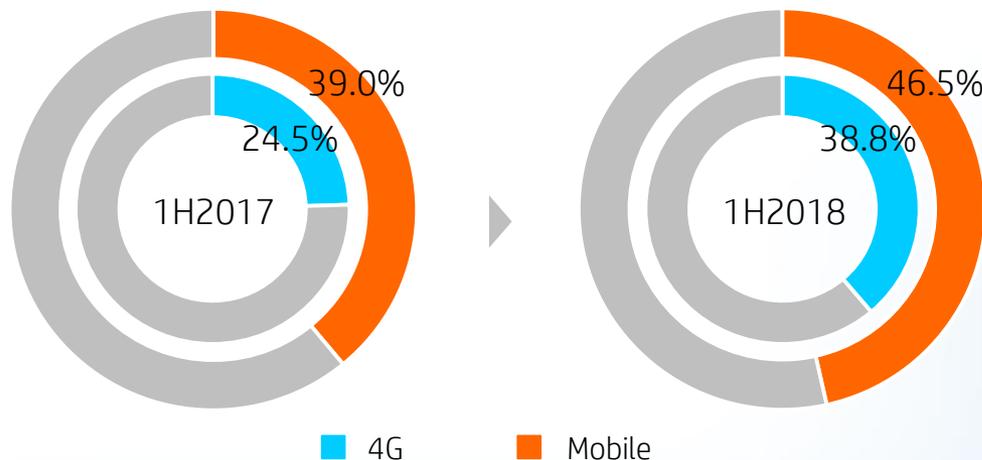
Strong Mobile Momentum

Mobile Service Revenue Growing Rapidly

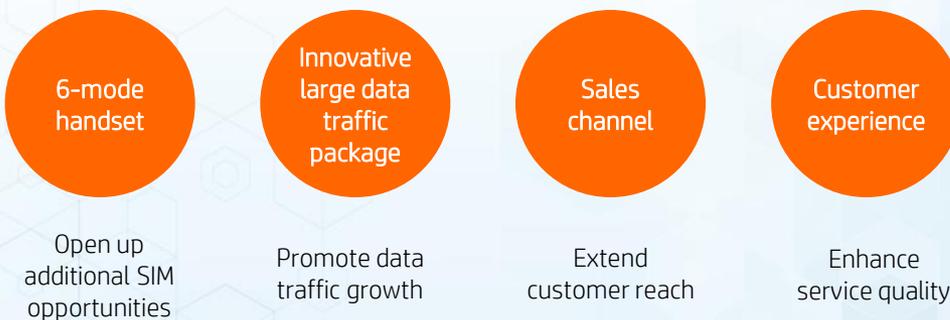
RMB Mil



Mobile and 4G Subs Net Add Market Share Gaining Remarkably



Mobile strategy effectively expediting scale development



ARPU

Mobile
RMB **52.4**

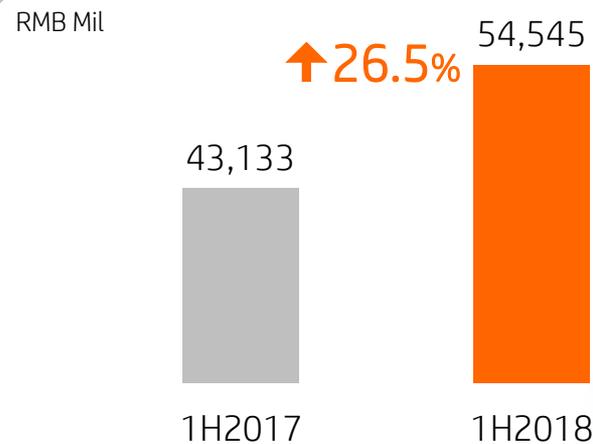
4G
RMB **58.3**

Data Operation Achieving Significant Results

Growing Mobile Subs Market Share



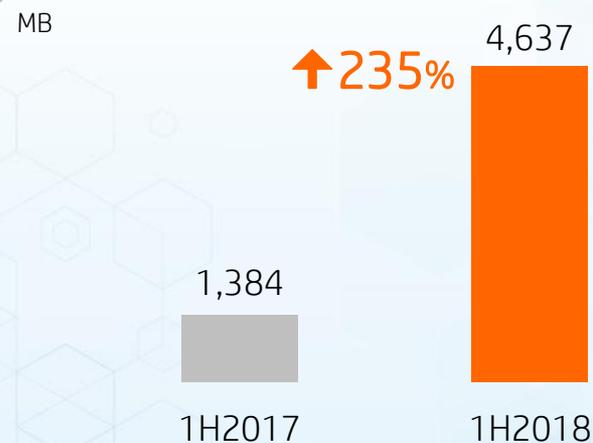
Robust Handset Internet Access Revenue



Expanding 4G Subs Market Share



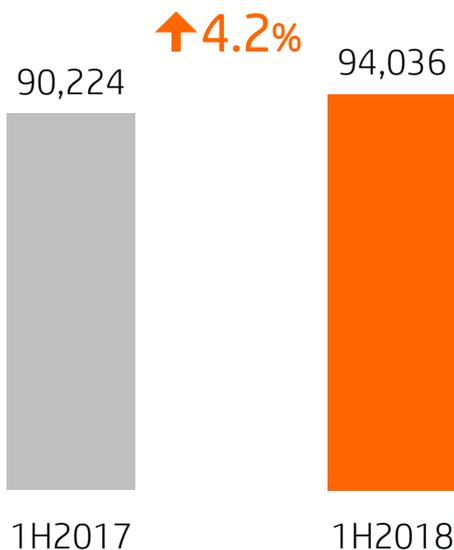
Booming 4G DOU



Healthy Wireline Development

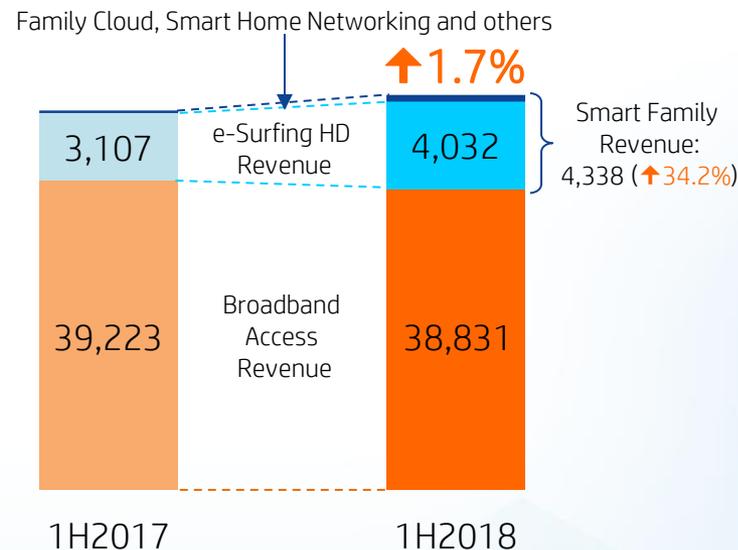
Continuous Wireline Service Revenue Growth

RMB Mil

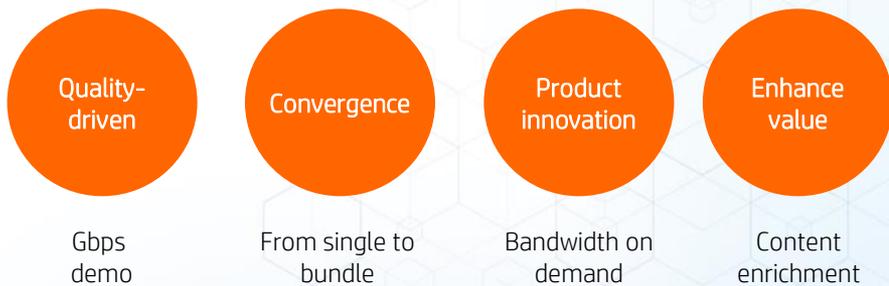


Broadband Edge and Innovative Convergence Fending Off Fierce Competition

RMB Mil



Effective strategy strengthening edges



ARPU

Broadband Access

RMB 47.2

Broadband Blended

RMB 52.5



Maintained industry-leadership

Note: Broadband blended ARPU = Sum of monthly average of Smart Family and Broadband Access Revenues / average broadband subs

Accelerating Emerging Business Development



Dual enhancement in scale and value

Scale: e-Surfing HD penetration reached **70%**; **9 mil** Smart Home Networking service delivered, Family Cloud subs ~**20 mil**

Value: Smart Family became new revenue growth driver with incremental ARPU of **RMB5.3**, up **23%**



IDC revenue ↑ 20% Cloud revenue ↑ 145% Big Data revenue ↑ 31%

Breakthrough in cloud-network integration capability

Won government and industry-leading customers by quality; “Secured Cloud” positioning well- recognized

 e-Surfing Cloud ranking in PRC public cloud market

1st among telcos **3rd overall**

Note: Ranking by IDC



Rapid subs scale increase

Scale breakthrough in Internet of Vehicles, smart surveillance, public services, bike-sharing and other markets

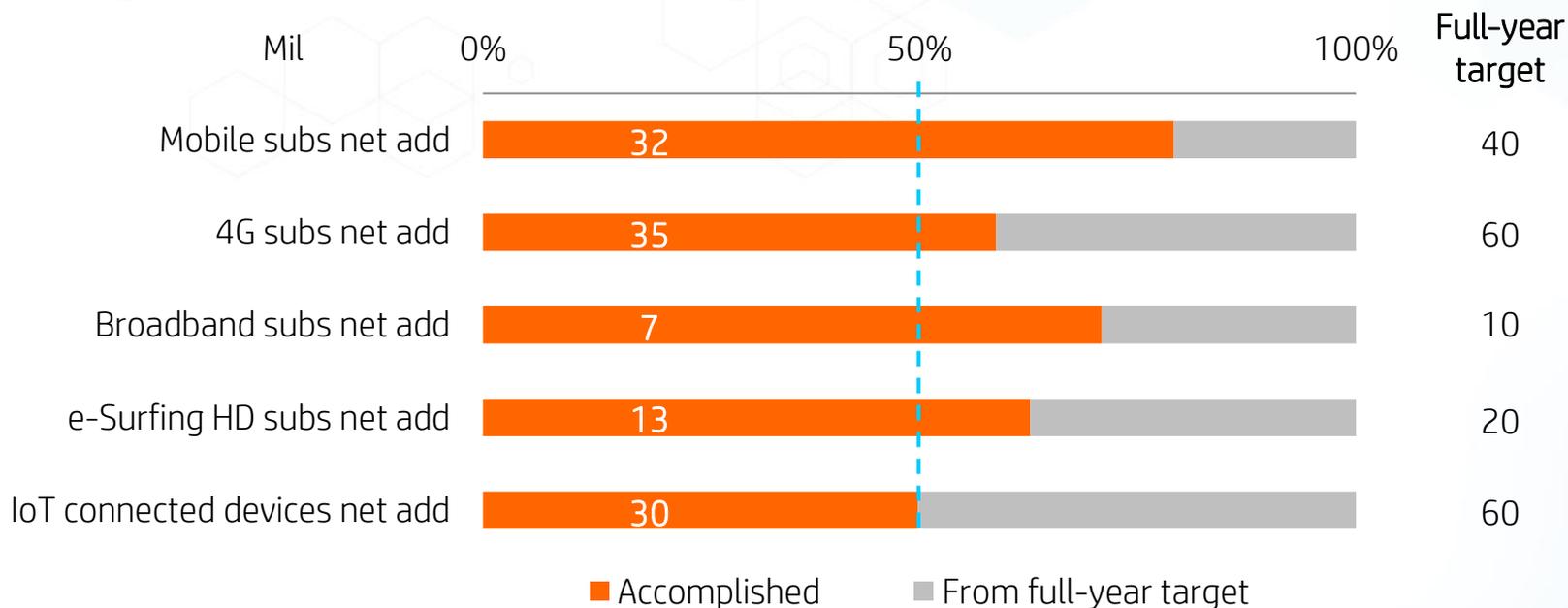


Breakthrough in business model for coordinated development with mobile

Red packet: increase customer loyalty and activeness

Instalment: lower users' subscription barrier to boost scale development

Strong Execution Propelling Development



2H2018 Initiatives

-  Persist in promoting step-up transformation and strengthening competitive advantages to escalate to next level
-  Persist in building a three-pillar system in value operation system in marketing, with convergence for scale expansion, integration and mutual development for more applications, and intelligentization for higher service efficiency
-  Persist in reform & innovation, and strengthening execution to improve corporate vitality and return



Overview

Business Review

Financial
Performance

Key Financial Information

RMB Mil	1H2017	1H2018	Change
Operating Revenue	184,315	193,029	4.7%
Service Revenue	165,996	177,588	7.0%
Sales of Terminals & Equipment and Others	18,319	15,441	-15.7%
Operating Expenses	166,308	173,872	4.5%
Depreciation & Amortization	34,437	36,701	6.6%
Network Operations & Support	48,461	54,184	11.8%
<i>Incl.: Tower Leasing Fee</i>	7,569	7,841	3.6%
Personnel	30,777	32,649	6.1%
SG&A	28,742	29,048	1.1%
<i>Incl.: Selling Expense</i>	25,300	25,031	-1.1%
Interconnection & Others	23,891	21,290	-10.9%
<i>Incl.: Interconnection</i>	5,914	6,226	5.3%
<i>Cost of Terminals & Equipment Sold</i>	17,136	14,266	-16.7%
Operating Profit	18,007	19,157	6.4%
Net Profit	12,555	13,570	8.1%

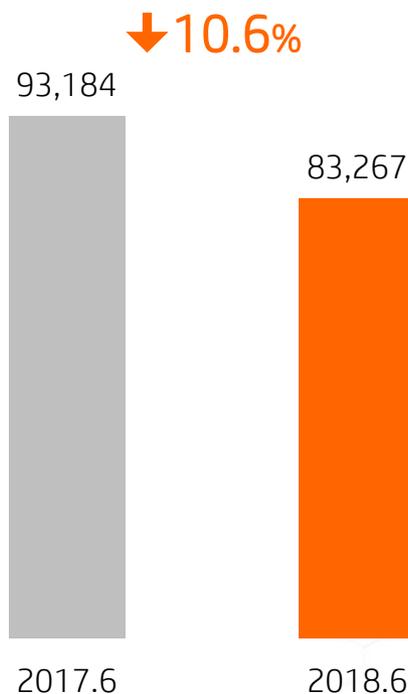
Optimizing Cost Structure

	Share of Operating Revenue	Share Change	Yoy Growth	
Operating Expenses	90.1%	↓0.1pp	4.5%	Highly efficient resource allocation, cost structure optimized, resource utilization efficiency and return improved
Depreciation & Amortization	19.0%	↑0.3pp	6.6%	Increased investment in 4G and fiber network in recent years, with relatively high CAPEX levels
Network Operations & Support	28.1%	↑1.8pp	11.8%	Enhanced network capability and quality to support scale development
Personnel	16.9%	↑0.2pp	6.1%	Increase in incentives for frontline employees, emerging business talents and technical experts
SG&A	15.1%	↓0.5pp	1.1%	Mainly due to optimized sales mode and adoption of new accounting standard
Interconnection	3.2%	-	5.3%	
Cost of Terminals Sold & Others	7.8%	↓1.9pp	-16.2%	Mainly due to less mobile terminals sold

Enhancing Financial Strength

Total Debt

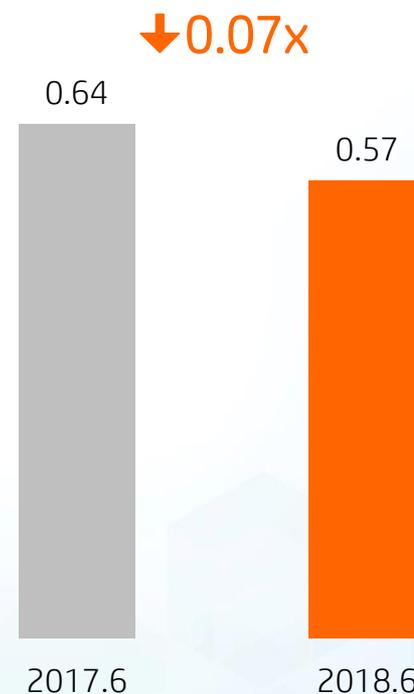
RMB Mil



Total Debt / Total Capitalization

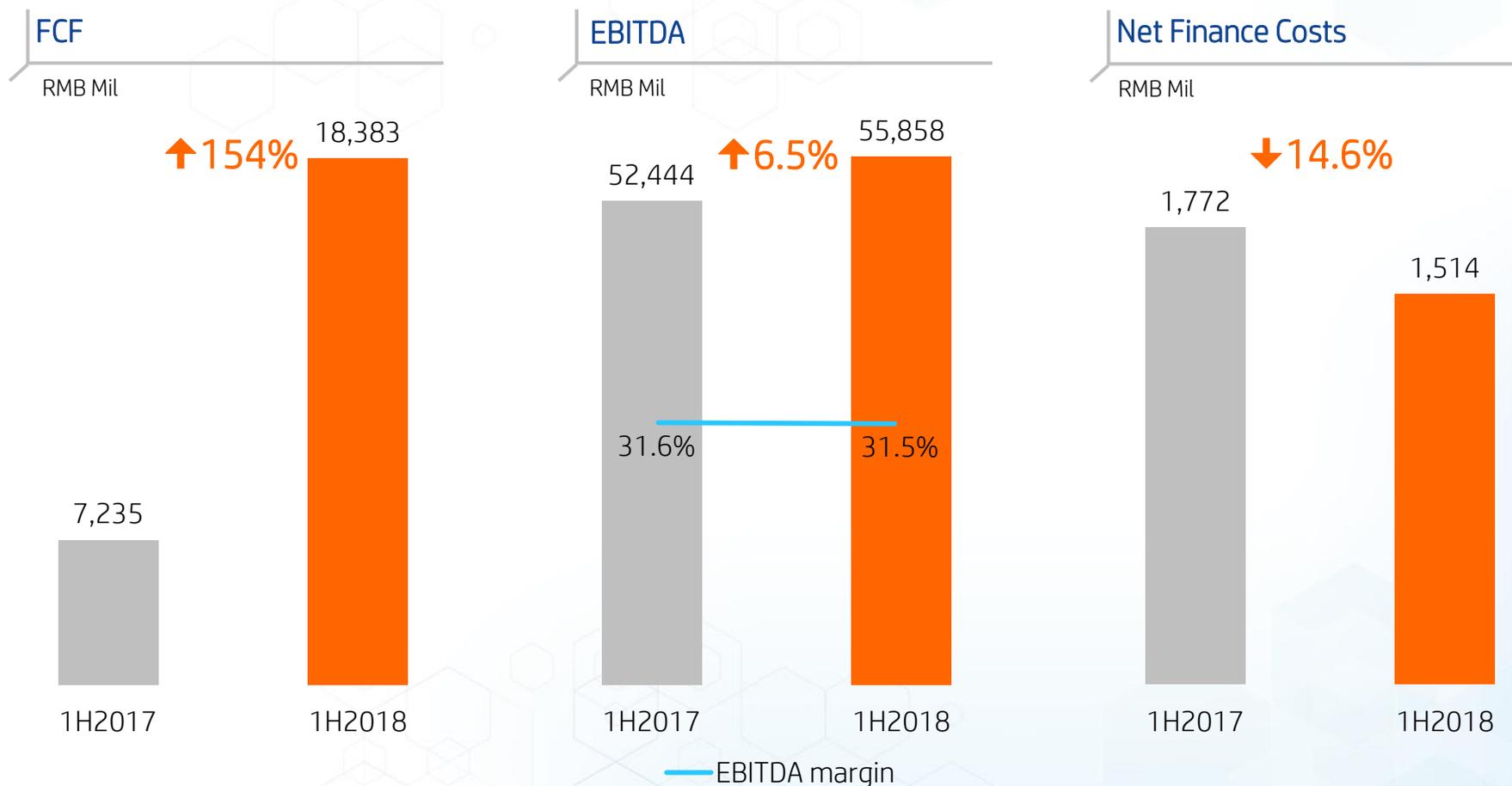


Net Debt / Simplified Annualized EBITDA



- ✓ Efficiently-centralized capital management lowered the size of interest-bearing debt
- ✓ Healthy capital structure to support sustainable development

Strengthening Financial Position



- ✓ FCF improved significantly
- ✓ EBITDA achieved solid growth
- ✓ EBITDA margin held stable
- ✓ Financing cost declined



*"Most Honored
Company
(2009-2018)"*



*"Platinum
Award –
Excellence in
Environmental,
Social and
Corporate
Governance"*



*"Asia's
Most Honored
Company"*



*"The Best of
Asia –
Icon on
Corporate
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

Extracted from Unaudited Consolidated Statement of Comprehensive Income for the Period Ended 30 Jun 2018

RMB Mil	1H2017	1H2018
Operating Revenue	184,315	193,029
Operating Expenses	(166,308)	(173,872)
Net Finance Costs	(1,772)	(1,514)
Investment Income, Share of Profit of Associates	468	516
Profit Before Taxation	16,703	18,159
Income Tax	(4,090)	(4,528)
Profit for the Period	12,613	13,631
Equity Holders of the Company	12,555	13,570
Non-controlling Interests	58	61

Note: 2017 interim financial data were restated according to relevant accounting standards to include the retrospective impact of the acquisition of satellite communications business and Shaanxi Zhonghe Hengtai Insurance Agent Limited

Appendix 2

Extracted from Unaudited Consolidated Statement of Financial Position as at 30 Jun 2018

RMB Mil	2017.12	2018.6
Current Assets	71,550	76,480
Non-current Assets	589,644	585,819
Total Assets	661,194	662,299
Current Liabilities	275,408	265,672
Non-current Liabilities	59,089	61,082
Total Liabilities	334,497	326,754
Total Equity	326,697	335,545
Equity Attributable to Equity Holders of the Company	325,867	334,655
Non-controlling Interests	830	890

Appendix 3

Selected Operating Metrics for the Period Ended 30 Jun 2018

	2017.12	2018.6	Change
Subscriber (Mil)			
Mobile	249.96	281.62	+31.66
Incl.: 4G	182.04	217.31	+35.27
Wireline Broadband	133.53	140.62	+7.09
Incl.: FTTH	126.17	133.81	+7.64
Access Lines in Service	121.80	119.50	-2.30
e-Surfing HD	85.76	98.30	+12.54
BestPay Mau	33.00	37.70	+4.70
IoT Connected Devices	44.30	74.19	+29.89

	1H2017	1H2018	Change
Mobile ARPU	56.8	52.4	-7.7%
4G ARPU	67.2	58.3	-13.2%
4G DOU (MB / Sub / Month)	1,384	4,637	+235%
Handset Data Traffic (kTB)	1,125	5,389	+379%
Wireline Broadband ARPU	52.0	47.2	-9.2%