



ANNUAL RESULTS

2018

13 March 2019

Forward-looking Statements



Certain statements contained in this presentation 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 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.

OVERALL RESULTS

OPERATING
PERFORMANCE

FINANCIAL
PERFORMANCE



Highlights

1

Profit continued to grow remarkably, driven by deepened execution of the Strategy of Focus, Innovation & Cooperation

2

Mixed-ownership reform started delivering notable enhancement in growth momentum, quality & efficiency

3

Innovative business model posted remarkable results, sustaining fast & effective mobile service growth

4

Innovative businesses registered robust growth, gradually becoming a key revenue driver

5

Accelerate “Five New” establishment to drive high-quality sustainable growth

Profit Continued to Grow Remarkably



Focus, Innovation & Cooperation

(RMB Mil)	2017	2018	Change YoY
Service Revenue ¹	249,015	263,683	5.9%
EBITDA ²	81,425	84,913	4.3%
<i>As % of Service Revenue</i>	32.7%	32.2%	-0.5pp
Net Profit ³	1,828	10,197	457.8%
Basic EPS (RMB)	0.074	0.333	347.9%

Outperformed the industry average of 3.0%⁴

Beat the key unlocking targets for 2018 under Unicom A Share Company's Employee Share Incentive Scheme

Note: Unless otherwise stated in this presentation,

1. Service revenue = operating revenue – sales of telecommunications products.
2. EBITDA = profit for the year before finance costs, interest income, shares of net profit of associates, share of net profit of joint ventures, other income - net, income tax, depreciation & amortisation.
3. Net profit represented profit attributable to equity shareholders of the Company.
4. Industry data was based on the disclosure on MIIT's website.

Turnaround Momentum Further Strengthened

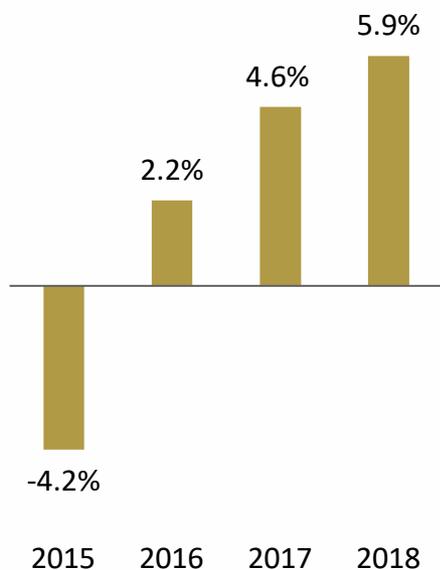


Accelerating Service Revenue Growth

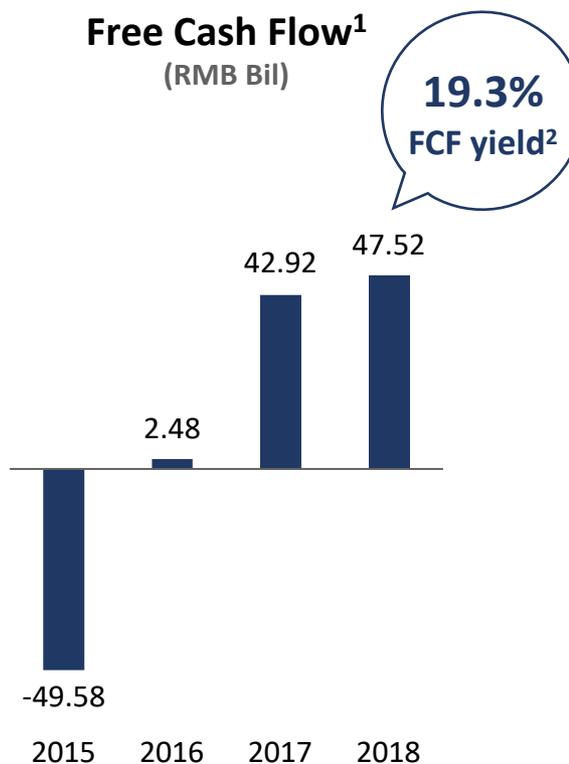
Industry-leading FCF Yield

V-shaped Rebound in Net Profit

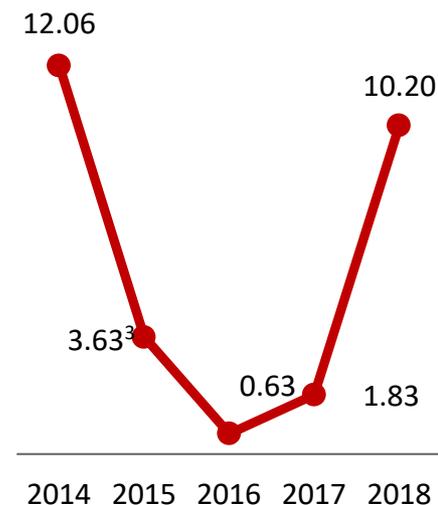
Service Revenue Growth
(YoY)



Free Cash Flow¹
(RMB Bil)



Net Profit
(RMB Bil)

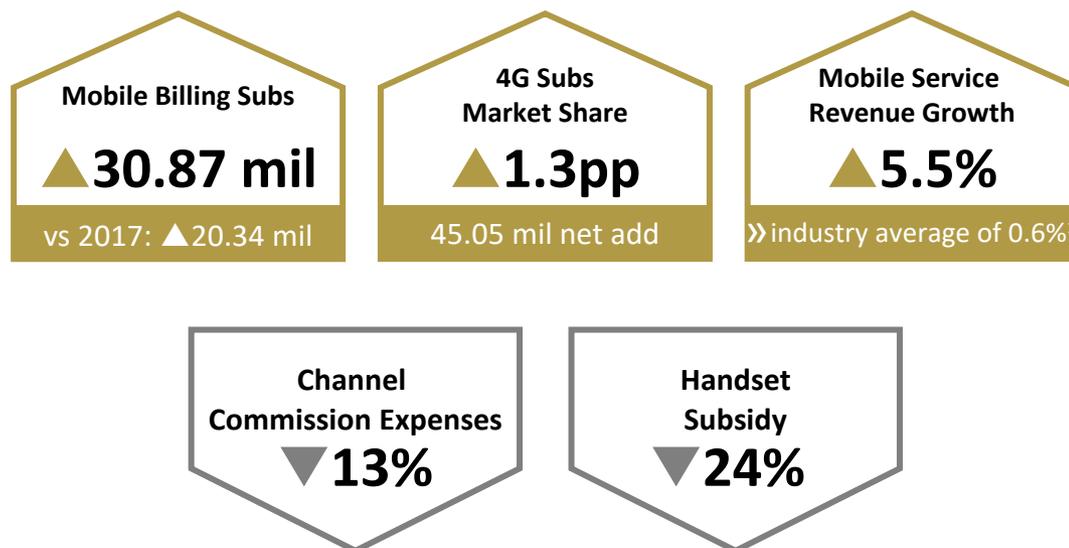


Note:

- Free cash flow = operating cash flow – CAPEX.
- FCF yield = free cash flow / average market capitalisation of the Company.
- Net profit excluded gain on disposal of Tower Assets in 2015.

Innovative Business Model Posted Remarkable Results

Despite keen competition, mobile service revenue achieved robust & above-industry growth at reduced channel commission & handset subsidy



- Not simply follow the low-price “unlimited” plans introduced by peers
- Ongoing Internet-oriented transformation for marketing functions
- Leveraged highly efficient yet low costs online touchpoints of Internet companies to effectively acquire new customers, especially youth market with huge growth potential (212C subs reached 94 mil)
- Launched differentiated products to address the unanswered demand of heavy data users (4G subs DOU: 8.6GB, ▲ 96% yoy)
- Unified O2O touchpoint operation to enhance customer flow with emphasis on light touchpoints e.g. online channels, cross-industry alliances, natural persons, etc. to raise efficiency

Note:

1. Industry data was based on the disclosure on MIIT's website.

Mixed-ownership Reform Started Delivering

Growth momentum, quality & efficiency notably enhanced

Leverage External Resources

Introduce strong & solid strategic investors via Unicom A Share Company



Create Powerful Alliance

Deepen synergetic cooperation with strategic investors



Reform System & Mechanism

Establish well-coordinated governance system & market-oriented incentive mechanism with effective checks-and-balances



Boost financial strength to enhance future business development capacity



Strengthen new energy for innovative development concurrently lifting fundamental business



Lift vibrancy & efficiency to drive returns for shareholders & employees

Deepened System & Mechanism Reform

Lift vibrancy, promote growth & control costs

Streamlining & Re-organisation as a Norm

- Number of departments at the headquarters ▼1/3; Number of institutions at provincial branches ▼1/4; On average ≈15% of mid-level management withdrawn
- Raised staff productivity to reduce outsourcing
- Further optimised staff structure by encouraging staff migration from offices to sub-divided units & from fundamental businesses to innovative businesses

Market-oriented Incentive Mechanism

- Established remuneration system with differentiated compensation based on returns & efficiency
- Better achieved “staff in & out” & “posts up & down”
- Issued ≈810 mil restrictive shares of Unicom A Share Company to ≈8,000 key managerial staff & core talents

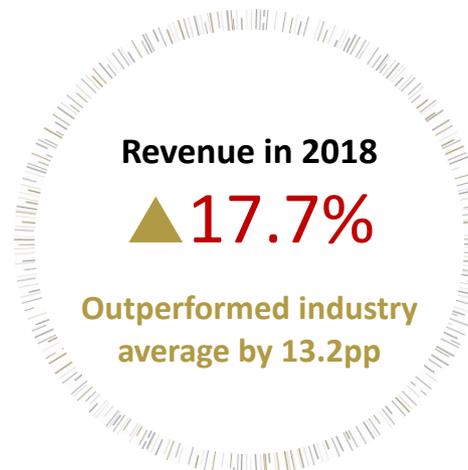
Deepened Sub-division Reform

- Shared incremental return with revenue & gross profit as KPIs
- Aligned responsibilities with authorities & rewards, and strengthened the top-down business support
- Established 21k sub-divided units nationwide with 20k mini-CEOs

Initial Contract-out Reform of Yunnan Branch Showed Brilliant Results

- Delegated management of the access network assets, network deployment & maintenance, overall business dealing to privately-owned operating companies, in compliance with the applicable laws & regulations
 - Contracted out operation with profit target set
 - >90% of the Company's employees migrated to the operating companies
 - Stock ownership to key staff to better align staff & operating company's interests
- 
- **4G network construction sped up with private capital**
 - **Accelerated business growth with higher staff motivation**
 - **Enhanced operating efficiency with refined cost management**

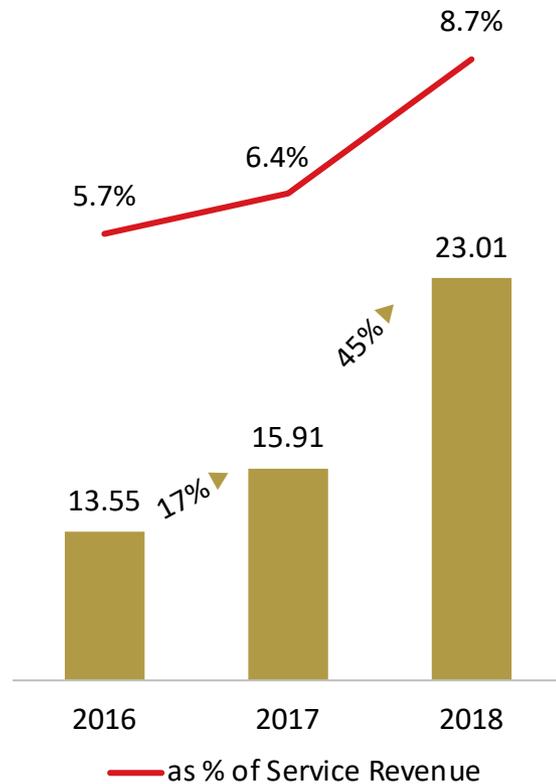
Initial reform in 7 local networks of Yunnan branch delivered remarkable results, now expanding to the whole province



Proactively Advanced Scale Development of Innovative Businesses

Industry Internet Revenue

(RMB Bil)

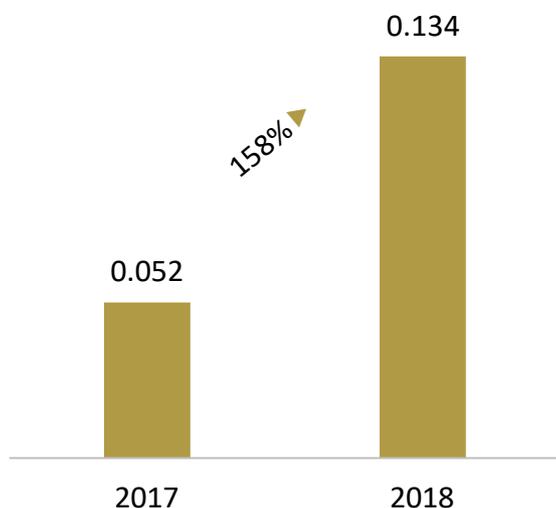


- 2018, 2019: Focus on capability development & scale
2020: Leverage scale benefits to progressively expand margin
- Leveraged cloud services to scale develop smart industry applications in key industries
- Formed 12 industry Internet companies with innovative mechanism segregated from fundamental service; incremental return sharing & long-term incentive initiatives aligning the risks & rewards of the Company & employees
- Added 4,500 technical talents in industry Internet business
- Business cooperation with strategic investors & industry vertical leaders; actively explored cooperation through investment or capital financing to diversify ownership & achieve asset-light operation

Strong Dividend Hike Tracked Profit Growth

Final Dividend Per Share

(RMB)



- High regard for shareholder returns
- With due regards to the Company's profitability, debts, cash flow & capital requirements for future development, etc., the Board recommended to pay a final dividend per share of RMB0.134, representing a dividend payout ratio of 40%
- Will continue to strive to enhance profitability & shareholder returns in future

Proactive Deployment of 5G Scale Trial to Advance Industry Ecosystem



Actively promote 5G scale trial to foster industry applications & network innovation

- 2018: 5G network & application trial in 17 cities with ≈100 BTS in each city and in each provincial capital city with 10 BTS
- To appropriately expand the trial scale based on the testing results & maturity of equipment

Lay foundation for scale deployment with comprehensive planning & advance preparation of auxiliary setting

- Step up assessment & upgrade of existing network in stages to enable agile 5G network construction in future

Closely track the industry progress & timely kick off “pre-commercial” service

- Capitalise on the value chain advantage of 3.5GHz to strengthen the synergetic development of terminal, network & business
- Promote the value chain maturity of NSA/SA concurrently
- To timely kick off scale deployment in key cities, subject to MIIT’s 5G temporary licensing schedule

Advance industry ecosystem with open & win-win cooperation

- Established 5G Joint Innovation Lab with various partners to explore & showcase applications in 10 key industries (e.g. smart manufacturing, Internet of Vehicles, smart city, etc.)

Dynamic & precise investment, with due regards to technological advancement, regulatory policies, market demand & competitive landscape, etc

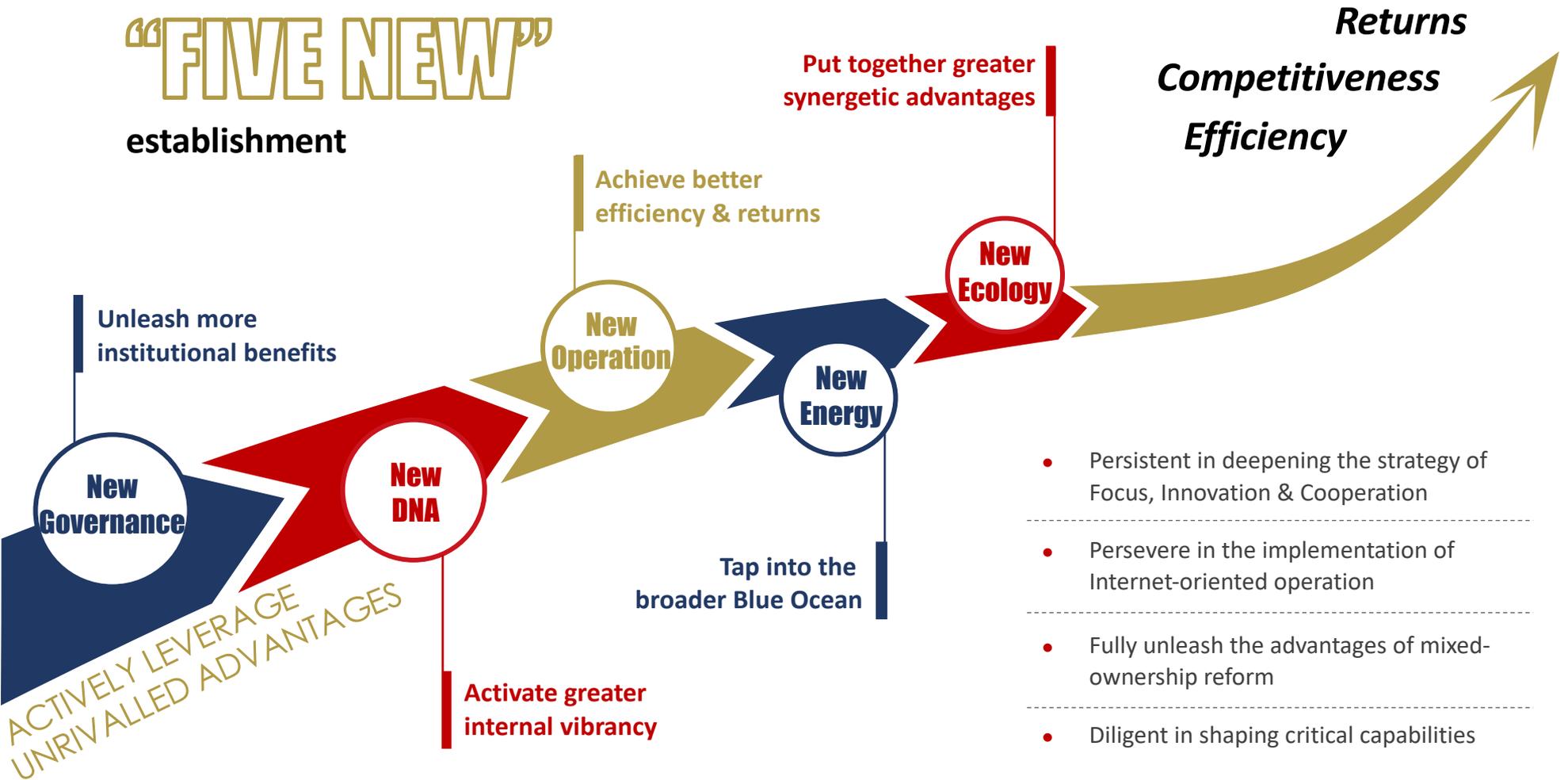
Actively research & drive 5G network sharing & explore various cooperation modes to reduce construction cost

Drive High-quality Sustainable Growth

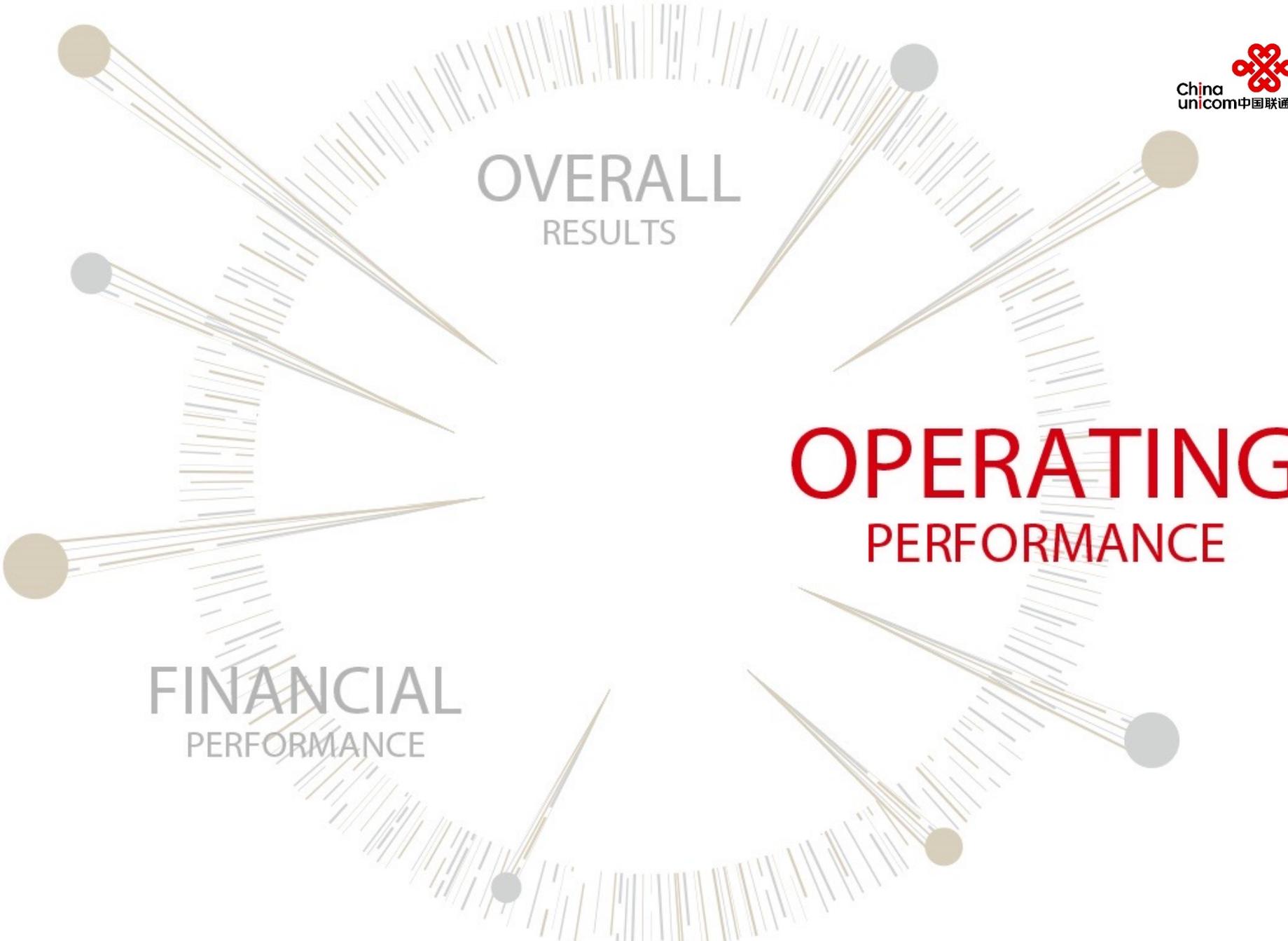
Accelerate CHINA UNICOM'S

"FIVE NEW"

establishment



- Persistent in deepening the strategy of Focus, Innovation & Cooperation
- Persevere in the implementation of Internet-oriented operation
- Fully unleash the advantages of mixed-ownership reform
- Diligent in shaping critical capabilities



OVERALL
RESULTS

OPERATING
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Revenue Breakdown



(RMB Mil)	2017	2018	Change YoY
Mobile Service Revenue	156,441	165,064	5.5%
Voice	41,473	35,482	-14.4%
Data Traffic	93,283	105,582	13.2%
Others	21,685	24,000	10.7%
Fixed-line Service Revenue	90,866	96,295	6.0%
Voice	12,045	10,583	-12.1%
Broadband Access	42,712	42,314	-0.9%
Others ¹	36,109	43,398	20.2%
Other Service Revenue	1,708	2,324	36.1%
Sales of Telecommunications Products	25,814	27,194	5.3%
Total	274,829	290,877	5.8%

Note:

1. Mainly included revenue from IDC, IT services & leased line services & others.

Mobile Revenue Sustained Robust Growth

✓ Implemented “Speed Upgrade & Tariff Reduction” policy

✓ Proactively countered intensified mobile market competition

To enhance competitiveness by strengthening differentiated operation

- Drove mobile data demand with differentiated products & marketing tactics to satisfy sub-divided markets
- Leveraged centralised IT system & Internet-oriented operation edges to expand 2I2C/2B2C subscriber base
- Strived to achieve win-win leveraging mobile data price elasticity
- Frequent product upgrade bundled with privileges & content
- Strengthened integrated services & bundling to promote mutual growth

2018 Mobile Handset
Data Unit Price

▼ **>30%** yoy
(policy requirement)

▲ **1.8x**

Total Handset Data Traffic

▲ **13.7%**

Mobile Handset
Internet Access Revenue

▲ **5.5%**

Mobile Service Revenue

Cloud-Network Integration Expedited Government & Enterprise Business Growth

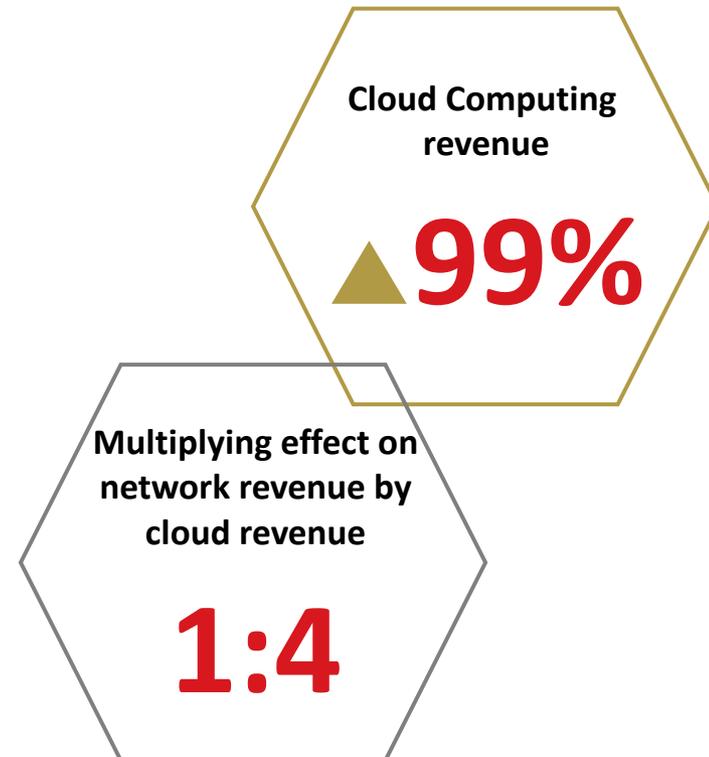
Cloud + Smart Networks + Smart Applications

Industry Internet
business revenue ▲ **45%**

Internet dedicated line
access revenue ▲ **9%**

Leased line
service revenue ▲ **9%**

- Provided government & enterprise customers with intelligent services integrating cloud & network, based on SDN/NFV, while developing a new integrated sales model (“cloud + network + X”) to lift fundamental business concurrently
- Entered into cloud business cooperation with Alibaba & Tencent, launching public cloud products “WO Cloud”; set up a JV with Alibaba to offer customised application software services to enhance fast revenue growth in cloud & network services
- Secured >300 projects in the first year



Actively Expanded Cooperation with Strategic Investors (1)



Leverage external force to boost new energy for innovative development

Touchpoints

- Further expanded Internet touchpoints cooperation with Tencent, Alibaba, Baidu, JD.com & Didi, etc.
- 2018: 212C subs reached 94 mil, a net addition of 44 mil

Content Aggregation

- IPTV & mobile video – deeply cooperated with Baidu's iQiyi on IPTV content & with Tencent Video, etc. on mobile video

Payment & Finance

- Online: WO Wallet integrated with e-commerce platforms of JD.com, Alibaba & Suning, etc.; Offline: made use of digital vouchers to launch cross-sector cooperation with Suning, increasing pilot-run store productivity by 40%
- Jointly promoted instalment credit services with Ant Financial

Smart Home

- Home applications – deeply integrated top-selling products from Baidu, Tencent & Alibaba with telecom services to drive mutual growth of broadband VAS & fundamental telecom services

Actively Expanded Cooperation with Strategic Investors (2)



Cloud Computing & Big Data

- Cooperated with Alibaba & Tencent on public cloud products under “WO Cloud” & hybrid cloud products
- Actively collaborated in anti-fraud API, digital marketing, advertising, corporate risk management, joint model-building, etc.

Tencent – jointly built models on financial anti-fraud API

Baidu & JD Wanxiang – risk management API

Didi – traffic analytics reporting services

IoT

- Released ID2-SIM security capability with Alibaba & jointly created smart products e.g. smart door lock & smart watch
- Released TUSI-SIM security capability with Tencent
- Connectivity management platform linked with the operation platform of JD.com

Joint Ventures

- Established a JV (Yunlizhahui Technology) with Alibaba to provide government & enterprise customers with customised application software services
- Established a JV (Yunjizhahui Technology) with Wangsu to jointly develop CDN market
- Established a JV (Yunjing Wenlv Technology) with Tencent to develop smart cultural tourism products

AI & Telecommunications

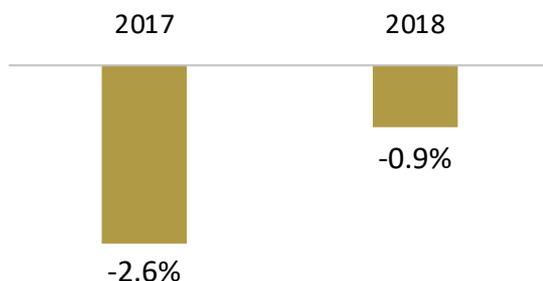
- Baidu’s AI-based customer services application to enhance customer perception & operating efficiency
- Cooperated with Baidu to promote smart security products powered by Baidu’s AI, targeting government & enterprise customers
- Maintained extensive cooperation in fundamental telecom services with strategic investors, e.g. China Life, Alibaba, Tencent, Baidu, JD.com

Continuous Improvement in Broadband Amid Keen Competition

Focus on integration while highlighting content & high-speed edges

Fixed-line Broadband Access Revenue

(Change YoY)



Fixed-line Broadband Sub Net Add

(Mil)



- **Big video:** leveraged the strength of strategic investors to further enrich video content for stronger loyalty & competitiveness (video products penetration: 44%, ▲9pp yoy). IPTV revenue: RMB1.89 bil, ▲17% yoy
- **Big integration:** developed an array of integrated products satisfying various demand of families; strived to increase penetration to drive mutual development (integrated products penetration: 51%, ▲7pp yoy)
- **Big bandwidth:** promoted 200Mbps products in Northern China & selected regions in Southern China; further enhanced network coverage & quality with increased private capital cooperation
- Expedited deployment in smart home services. Accelerated integrated grid-based contract-out reform to stimulate front-line vitality to enhance sales & service capabilities
- Leveraged the new integrated sales model (“Cloud + Smart networks + Smart applications”) to drive government & enterprise broadband, as well as Internet private line business growth

Breakthroughs in 5G Application Trials in Key Industries



Established 5G Joint Innovation Lab with various partners to explore & showcase applications in 10 key industries, creating new demand & new revenue

New Media

Showcased benchmark on new media 5G transmission in partnership with CCTV



5G+VR real-time 360° live broadcast at the Two Sessions in Shandong

Healthcare

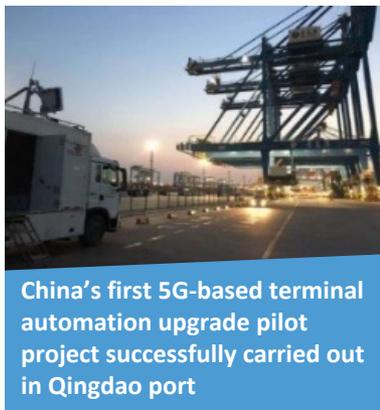


Showcased the world's first 5G remote animal surgery



Conducted ultrasound checkup via 5G network

Industrial Internet



China's first 5G-based terminal automation upgrade pilot project successfully carried out in Qingdao port



Completed China's first 5G drone with 4K HD VR demo on river inspection

Internet of Vehicles



Conducted 5G remote autonomous driving in Beijing



Implemented Bus Rapid Transit (BRT) intelligent transportation system

Deploy Premium Network to Enhance Competitive Edge

Leverage focus & cooperation, precise investment to shape network leadership, facilitating fast & effective business growth

2018

- CAPEX: RMB44.9 bil
(≈10% saving vs budget of RMB50.0 bil)
- Network quality & customers' perception on the rise in focused regions
 - NPS for mobile & broadband up by 5.1 & 9.5 points respectively from 2017
 - Industry-leading 4G downlink & uplink average speed
 - Industry-best network latency performance
- Network investment efficiency significantly improved – Built "order-driven + data-driven" network construction model leveraging Big Data to enhance the ability to satisfy front-end demand

2019E

- CAPEX budget: ≈RMB58.0 bil
(including 5G trial)
- Accelerate 900MHz LTE network deployment leveraging the addition of 2 X 5MHz spectrum resources at 900MHz
 - Vastly enhance the width & depth of 4G network coverage for better customer experience
 - Achieve 2G/3G function with SDR, driving lower maintenance cost, simplified network & decommission of aged equipment
 - Improve coverage for NB-IoT
 - Drive full network VoLTE deployment in a bid to deliver high quality voice service in 5G era

2019 Priorities



Devote to **“Five New”** establishment & high-quality development

Strive to exceed the key unlocking targets¹ under the employee share incentive scheme of Unicom A Share Company for collaborative growth in returns of shareholders, corporate & employees

Network Deployment

- Dynamic capacity expansion with focus

Network Operation & Maintenance

- Lower unit maintenance cost with continuous optimisation

Fundamental Businesses

- Exploit online channels & new touchpoints while strengthening customer retention

Innovative Businesses

- Nurture capabilities with emphasis on revenue growth

IT Systems

- Lay solid foundation to drive innovation & cost efficiency

Reform

- Deeply advance reform to unleash maximum benefits

Note:

1. See page 37 Appendix IV.

OVERALL
RESULTS

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Key Financial Information



(RMB Mil)	2017	2018	Change YoY
Operating Revenue	274,829	290,877	5.8%
Operating Expenses	(270,896)	(281,741)	4.0%
Operating Profit	3,933	9,136	132.3%
Finance Costs	(5,734)	(1,625)	-71.7%
Interest Income	1,647	1,712	3.9%
Share of Net Profit of Associates ¹	893	2,477	177.4%
Share of Net Profit of Joint Ventures ²	574	598	4.3%
Other Income – Net	1,280	783	-38.9%
Income Tax	(743)	(2,824)	280.4%
Net Profit	1,828	10,197	457.8%

Note:

1. In August 2018, China Tower Corporate Limited (“China Tower”), an associate company of the Group, was listed on the Stock Exchange of Hong Kong and issued new shares, leading to a change in the Group’s shareholding percentage in China Tower and causing the Group’s share of net profit of associates accounted for under equity method to increase by RMB1,474 mil.
2. Share of net profit of joint ventures mainly included share of net profit of Merchants Union Consumer Finance.

Effective Cost Control



(RMB Mil)	2017	2018	Change YoY	
Operating Expenses	(270,896)	(281,741)	4.0%	
Interconnection Charges	(12,617)	(12,579)	-0.3%	
Depreciation & Amortisation	(77,492)	(75,777)	-2.2%	• Mainly benefited from good control of CAPEX in recent years
Network, Operation & Support	(54,507)	(55,077)	1.0%	
- Tower Usage Fee	(16,524)	(15,982)	-3.3%	• Mainly benefited from the good control of new tower deployment & the new commercial pricing of the lease of towers effective Jan 2018
Employee Benefit	(42,471)	(48,143)	13.4%	• Mainly due to deepening the reform of incentive systems with strengthened performance-based incentives & recruitment of new talents in innovative business
Costs of Telecommunications Products Sold	(26,643)	(27,604)	3.6%	• Mainly due to increased sales of telecommunication products
- Handset Subsidy ¹	(1,255)	(957)	-23.7%	• Benefited from the comprehensive promotion of business model transformation
Selling & Marketing	(34,086)	(35,170)	3.2%	• Appropriately stepped up marketing initiatives to cope with keen market competition
G&A & Others	(23,080)	(27,391)	18.7%	• Mainly due to increasing costs associated with the rapid growth in ICT services & increased spending in technical support for innovative businesses

Note:

1. Costs of telecommunications products sold in 2018 was RMB27,604 mil, up by 3.6% YoY. Sales of telecommunications products was RMB27,194 mil, up by 5.3% YoY. Loss on telecommunications products sales was RMB410 mil, among which RMB957 mil was handset subsidy.

Appropriately Raised Human Capital Investment

Achieved collaborative growth to enhance value & accumulated talents to drive fast growth of innovative business in the future

▲ Corporate Development

▲ Shareholder Returns

▲ Employee Returns

▲ Vibrancy & Efficiency

▲ New Energy for Innovative Development

Strengthened performance-based incentives

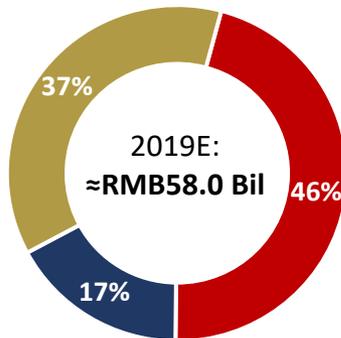
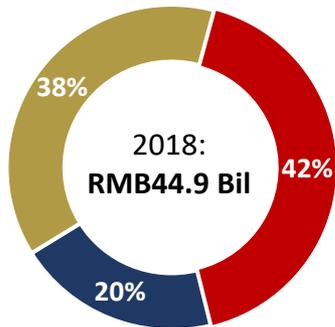
- Financial metrics-based appraisal: revenue, profit, free cash flow & EVA, etc.
- Share of incremental return: pay-for-performance without ceiling

Strengthened talent development

- Technical talents in innovative businesses to 16k (▲≈9k)
- System & mechanism segregated from fundamental service to boost energy for innovative business development

Return-Driven & Precise Investment

CAPEX Structure



- Mobile network
- Fixed-line broadband & data
- Infrastructure, transmission & others

Enhance network edges to maintain differentiated leadership, with due regards to the market, competition, technology & return

Focus on key innovative businesses & strengthen digital enabling capabilities

- Precise mobile investment backed by AI analytics, assuring network edges & highly-effective business growth
- Proactively launch 5G pre-commercial service; accelerate deployment of cloudified network & SDN, create the next generation cloud-based network operation & support system
- Expand OTN coverage to deploy “premium government & enterprise customers network”, while enhancing coverage of commercial buildings to maintain the leading edges in cloud-network integration
- Broadband: focus on raising network utilisation; maintain leadership in coverage, quality & experience in Northern China with further fibre network upgrade based on market demand; focus on private capital cooperation in regions of high value in Southern China

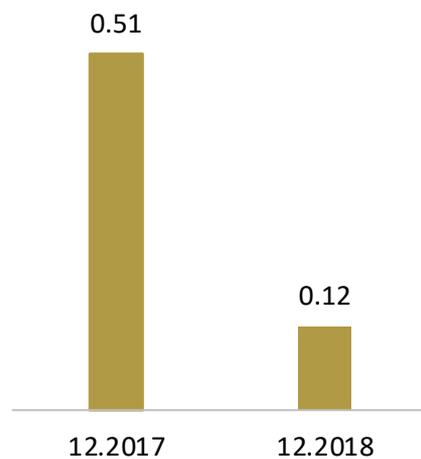
Financial Strength Improved Considerably

Strong free cash flow

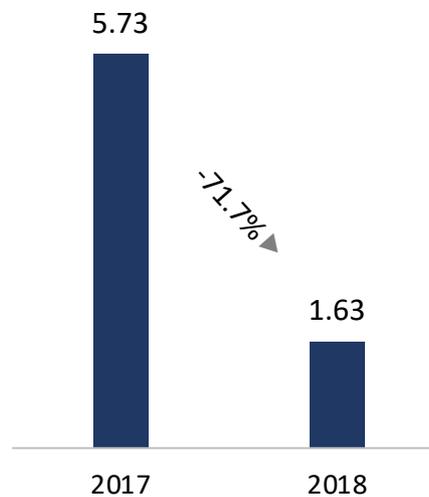
Substantial reduction
in finance costs
&
net debts

Boost future business
development capacity &
enhance risk control
capability

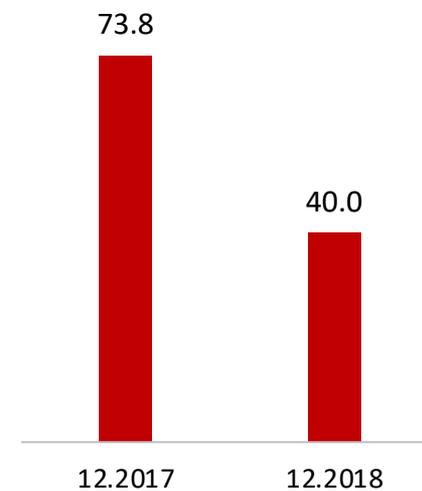
Net Debt/EBITDA



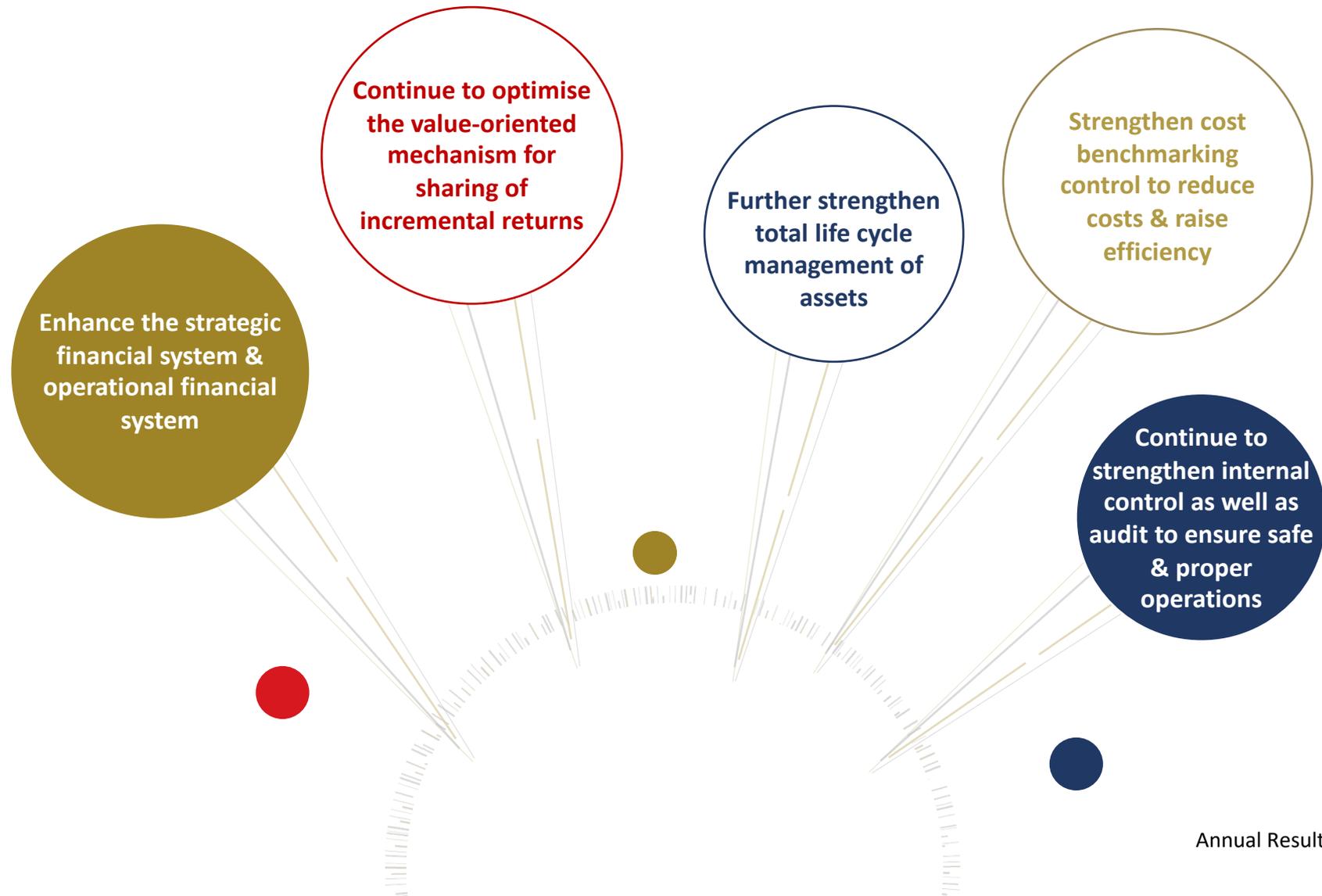
Finance Costs
(RMB Bil)



Interest-bearing debts
(RMB Bil)



To Elevate Shareholder Value through Quality & Efficiency Enhancement



Thank You!



Appendix I: Extracts from Audited Consolidated Statement of Financial Position as at 31 Dec 2018



(RMB Mil)	2017.12.31	2018.12.31
Current Assets	76,722	75,909
Non-current Assets	495,261	464,411
Total Assets	571,983	540,320
Current Liabilities	242,622	214,910
Non-current Liabilities	25,014	11,124
Total Liabilities	267,636	226,034
Total Equity	304,347	314,286

Appendix II: Key Operating Metrics

		Unit	2017	2018
	Billing Subscribers	Mil	284.163	315.036
	Billing Subscriber ARPU	RMB	48.0	45.7
Mobile Business	Handset User MOU	Mins	258	222
	Total Handset Data Traffic	Bil MB	7,786.0	21,686.5
	Handset User DOU	GB	2.4	5.9
Incl.: 4G	Subscribers	Mil	174.876	219.925
	ARPU	RMB	63.4	53.3
	DOU	GB	4.4	8.6
Fixed-line Broadband Business	Subscribers	Mil	76.539	80.880
	Access ARPU	RMB	46.3	44.6
Fixed-line Local Access Business	Subscribers	Mil	59.997	55.899
	ARPU	RMB	15.8	14.3

Appendix III: Industry Internet Revenue Breakdown

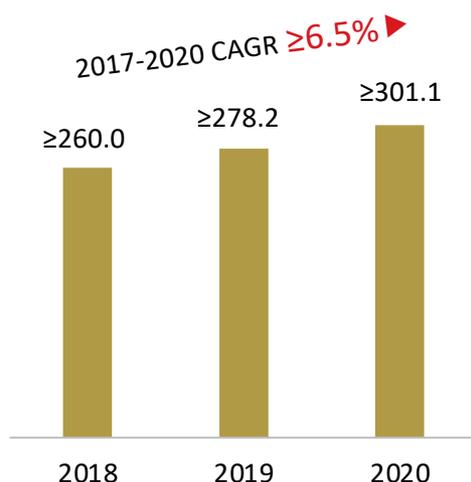


(RMB Bil)	2017	2018	Change YoY
IDC	10.54	13.75	30.4%
IT Services	3.32	5.61	69.2%
Internet of Things	1.41	2.08	47.8%
Cloud Computing	0.48	0.96	98.7%
Big Data	0.16	0.61	283.5%
Total	15.91	23.01	44.6%

Appendix IV: Key Unlocking Conditions under Unicom A Share Company's Employee Share Incentive Scheme¹

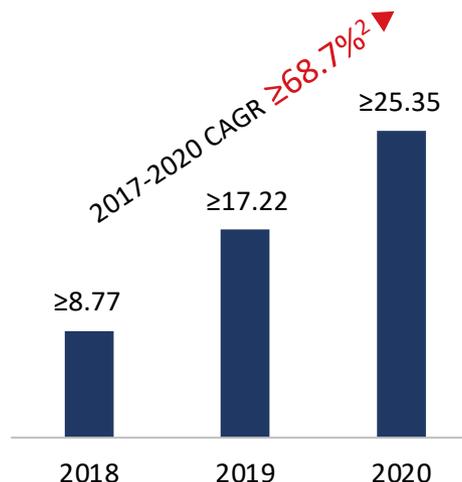


**Service Revenue Target -
Unicom A Share Company**
(RMB Bil)



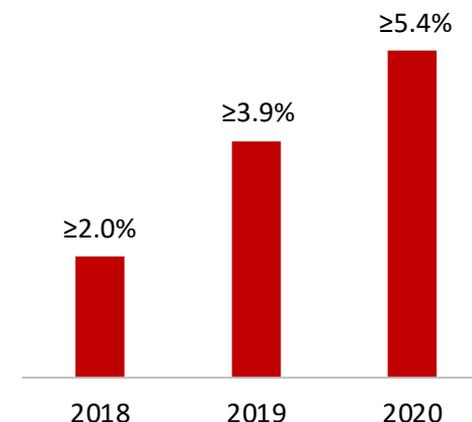
Service revenue growth in 2018-2020 vs 2017 basis shall not be less than the average of industry peers respectively

**Pre-Tax Profit Target -
Unicom A Share Company**
(RMB Bil)



Pre-tax profit growth in 2018-2020 vs 2017 basis shall not be less than 75th percentile of industry peers respectively

**ROE Target -
Unicom A Share Company**



Note:

- For the details of Unicom A Share Company's employee share incentive scheme, please refer to the related Unicom A Share Company's public announcements filed with The Shanghai Stock Exchange on 11 February 2018.
- Pre-tax profit of Unicom A Share Company in 2017 of RMB5.3 bil excluded net loss on asset disposal related to fibre network upgrade.