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.
Management Present

Mr. Wang Xiaochu
Chairman & CEO

Mr. Li Guohua
Executive Director & President

Mr. Shao Guanglu
Executive Director & SVP

Mr. Zhu Kebing
Executive Director & CFO
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
### Service Revenue

<table>
<thead>
<tr>
<th>(RMB Mil)</th>
<th>2017</th>
<th>2018</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Revenue</td>
<td>249,015</td>
<td>263,683</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

### EBITDA

<table>
<thead>
<tr>
<th>(RMB Mil)</th>
<th>2017</th>
<th>2018</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>81,425</td>
<td>84,913</td>
<td>4.3%</td>
</tr>
</tbody>
</table>

As % of Service Revenue

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA As % of SR</td>
<td>32.7%</td>
<td>32.2%</td>
<td>-0.5pp</td>
</tr>
</tbody>
</table>

### Net Profit

<table>
<thead>
<tr>
<th>(RMB Mil)</th>
<th>2017</th>
<th>2018</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit</td>
<td>1,828</td>
<td>10,197</td>
<td>457.8%</td>
</tr>
</tbody>
</table>

### Basic EPS (RMB)

<table>
<thead>
<tr>
<th>(RMB)</th>
<th>2017</th>
<th>2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic EPS</td>
<td>0.074</td>
<td>0.333</td>
<td>347.9%</td>
</tr>
</tbody>
</table>

---

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

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*Outperformed the industry average of 3.0%*

---

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

Service Revenue Growth (YoY)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>-4.2%</td>
<td>2.2%</td>
<td>4.6%</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

Industry-leading FCF Yield

Free Cash Flow\(^1\) (RMB Bil)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free Cash Flow</td>
<td>-49.58</td>
<td>2.48</td>
<td>42.92</td>
<td>47.52</td>
</tr>
</tbody>
</table>

Net Profit (RMB Bil)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit</td>
<td>12.06</td>
<td>3.63(^3)</td>
<td>0.63</td>
<td>1.83</td>
<td>10.20</td>
</tr>
</tbody>
</table>

Note:
1. Free cash flow = operating cash flow – CAPEX.
2. FCF yield = free cash flow / average market capitalisation of the Company.
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 (2I2C 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

**Mobile Billing Subs** ▲30.87 mil

**4G Subs Market Share** ▲1.3pp

**Mobile Service Revenue Growth** ▲5.5%

**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

Investment drawn in 2018
RMB1.2 bil
7,400 4G BTS newly built with meaningfully lower average construction cost

Revenue in 2018
△17.7%
Outperformed industry average by 13.2pp

Yunnan branch in 2018
Loss reduced by
RMB250 mil
Proactively Advanced Scale Development of Innovative Businesses

- 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

**Industry Internet Revenue (RMB Bil)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (RMB Bil)</th>
<th>% of Service Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>13.55</td>
<td>17%</td>
</tr>
<tr>
<td>2017</td>
<td>15.91</td>
<td>17%</td>
</tr>
<tr>
<td>2018</td>
<td>23.01</td>
<td>8.7%</td>
</tr>
</tbody>
</table>
• 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

### Final Dividend Per Share (RMB)

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0.052</td>
</tr>
<tr>
<td>2018</td>
<td>0.134</td>
</tr>
</tbody>
</table>

Change: 158%
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 \( \approx 100 \) 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

- Unleash more institutional benefits
- New Governance: Actively leverage unrivalled advantages
- New DNA: Activate greater internal vibrancy
- New Operation: Achieve better efficiency & returns
- New Energy: Tap into the broader Blue Ocean
- New Ecology: Put together greater synergetic advantages

- Returns Competitiveness Efficiency
  - 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

Annual Results 2018
Revenue Breakdown

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mobile Service Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voice</td>
<td>41,473</td>
<td>35,482</td>
<td>-14.4%</td>
</tr>
<tr>
<td>Data Traffic</td>
<td>93,283</td>
<td>105,582</td>
<td>13.2%</td>
</tr>
<tr>
<td>Others</td>
<td>21,685</td>
<td>24,000</td>
<td>10.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>156,441</td>
<td>165,064</td>
<td>5.5%</td>
</tr>
<tr>
<td><strong>Fixed-line Service Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voice</td>
<td>12,045</td>
<td>10,583</td>
<td>-12.1%</td>
</tr>
<tr>
<td>Broadband Access</td>
<td>42,712</td>
<td>42,314</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Others¹</td>
<td>36,109</td>
<td>43,398</td>
<td>20.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>90,866</td>
<td>96,295</td>
<td>6.0%</td>
</tr>
<tr>
<td><strong>Other Service Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,708</td>
<td>2,324</td>
<td>36.1%</td>
</tr>
<tr>
<td><strong>Sales of Telecommunications Products</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>25,814</td>
<td>27,194</td>
<td>5.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>274,829</td>
<td>290,877</td>
<td>5.8%</td>
</tr>
</tbody>
</table>

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

▲1.8x
Total Handset Data Traffic

▲13.7%
Mobile Handset Internet Access Revenue

▲5.5%
Mobile Service Revenue

>30% yoy
(policy requirement)
## Cloud-Network Integration Expedited Government & Enterprise Business Growth

### Cloud + Smart Networks + Smart Applications

<table>
<thead>
<tr>
<th>Revenue Type</th>
<th>Increase (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Internet business revenue</td>
<td>45%</td>
</tr>
<tr>
<td>Internet dedicated line access revenue</td>
<td>9%</td>
</tr>
<tr>
<td>Leased line service revenue</td>
<td>9%</td>
</tr>
</tbody>
</table>

- 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.

![Cloud Computing revenue](99%)  

Multiplying effect on network revenue by cloud revenue  

1:4
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: 2I2C subs reached 94 mil, a net addition of 44 mil

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

Content Aggregation

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

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 (Yunlizihui Technology) with Alibaba to provide government & enterprise customers with customised application software services
- Established a JV (Yunjizihui 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

<table>
<thead>
<tr>
<th>Fixed-line Broadband Access Revenue (Change YoY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
</tr>
<tr>
<td>-2.6%</td>
</tr>
</tbody>
</table>

**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**
- Conducted ultrasound checkup via 5G network
- Showcased the world’s first 5G remote animal surgery

**Industrial Internet**
- Completed China’s first 5G drone with 4K HD VR demo on river inspection
- China’s first 5G-based terminal automation upgrade pilot project successfully carried out in Qingdao port

**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 targets\(^1\) 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.
## Key Financial Information

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

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

<table>
<thead>
<tr>
<th>(RMB Mil)</th>
<th>2017</th>
<th>2018</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expenses</td>
<td>(270,896)</td>
<td>(281,741)</td>
<td>4.0%</td>
</tr>
<tr>
<td>Interconnection Charges</td>
<td>(12,617)</td>
<td>(12,579)</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Depreciation &amp; Amortisation</td>
<td>(77,492)</td>
<td>(75,777)</td>
<td>-2.2%</td>
</tr>
<tr>
<td>Network, Operation &amp; Support</td>
<td>(54,507)</td>
<td>(55,077)</td>
<td>1.0%</td>
</tr>
<tr>
<td>- Tower Usage Fee</td>
<td>(16,524)</td>
<td>(15,982)</td>
<td>-3.3%</td>
</tr>
<tr>
<td>Employee Benefit</td>
<td>(42,471)</td>
<td>(48,143)</td>
<td>13.4%</td>
</tr>
<tr>
<td>Costs of Telecommunications Products Sold</td>
<td>(26,643)</td>
<td>(27,604)</td>
<td>3.6%</td>
</tr>
<tr>
<td>- Handset Subsidy¹</td>
<td>(1,255)</td>
<td>(957)</td>
<td>-23.7%</td>
</tr>
<tr>
<td>Selling &amp; Marketing</td>
<td>(34,086)</td>
<td>(35,170)</td>
<td>3.2%</td>
</tr>
<tr>
<td>G&amp;A &amp; Others</td>
<td>(23,080)</td>
<td>(27,391)</td>
<td>18.7%</td>
</tr>
</tbody>
</table>

- **Operating Expenses**
  - Mainly benefited from good control of CAPEX in recent years
- **Interconnection Charges**
  - Mainly benefited from the good control of new tower deployment & the new commercial pricing of the lease of towers effective Jan 2018
- **Depreciation & Amortisation**
  - Mainly due to deepening the reform of incentive systems with strengthened performance-based incentives & recruitment of new talents in innovative business
- **Network, Operation & Support**
  - Mainly due to increased sales of telecommunication products
- **Employee Benefit**
  - Mainly due to increasing costs associated with the rapid growth in ICT services & increased spending in technical support for innovative businesses
- **Costs of Telecommunications Products Sold**
  - Benefited from the comprehensive promotion of business model transformation
- **Selling & Marketing**
  - Appropriately stepped up marketing initiatives to cope with keen market competition

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

2018: RMB44.9 Bil
- 38% Mobile network
- 20% Fixed-line broadband & data
- 42% Infrastructure, transmission & others

2019E: ≈RMB58.0 Bil
- 37% Mobile network
- 17% Fixed-line broadband & data
- 46% 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Debt/EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.2017</td>
<td>0.51</td>
</tr>
<tr>
<td>12.2018</td>
<td>0.12</td>
</tr>
</tbody>
</table>

### Finance Costs (RMB Bil)

<table>
<thead>
<tr>
<th>Year</th>
<th>Finance Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>5.73</td>
</tr>
<tr>
<td>2018</td>
<td>1.63</td>
</tr>
</tbody>
</table>

Substantial reduction in finance costs & net debts (-71.7%)

### Interest-bearing debts (RMB Bil)

<table>
<thead>
<tr>
<th>Year</th>
<th>Interest-bearing debts</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.2017</td>
<td>73.8</td>
</tr>
<tr>
<td>12.2018</td>
<td>40.0</td>
</tr>
</tbody>
</table>
To Elevate Shareholder Value through Quality & Efficiency Enhancement

Enhance the strategic financial system & operational financial system

Continue to optimise the value-oriented mechanism for sharing of incremental returns

Further strengthen total life cycle management of assets

Strengthen cost benchmarking control to reduce costs & raise efficiency

Continue to strengthen internal control as well as audit to ensure safe & proper operations
Thank You!

Asia's No.1 Most Honored Telecom Company

Asia's No.1 Best Managed Telecommunications Company

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

<table>
<thead>
<tr>
<th>(RMB Mil)</th>
<th>2017.12.31</th>
<th>2018.12.31</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td>76,722</td>
<td>75,909</td>
</tr>
<tr>
<td><strong>Non-current Assets</strong></td>
<td>495,261</td>
<td>464,411</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>571,983</td>
<td>540,320</td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td>242,622</td>
<td>214,910</td>
</tr>
<tr>
<td><strong>Non-current Liabilities</strong></td>
<td>25,014</td>
<td>11,124</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>267,636</td>
<td>226,034</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>304,347</td>
<td>314,286</td>
</tr>
</tbody>
</table>
### Appendix II: Key Operating Metrics

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile Business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billing Subscribers</td>
<td>Mil</td>
<td>284.163</td>
<td>315.036</td>
</tr>
<tr>
<td>Billing Subscriber ARPU</td>
<td>RMB</td>
<td>48.0</td>
<td>45.7</td>
</tr>
<tr>
<td>Handset User MOU</td>
<td>Mins</td>
<td>258</td>
<td>222</td>
</tr>
<tr>
<td>Total Handset Data Traffic</td>
<td>Bil MB</td>
<td>7,786.0</td>
<td>21,686.5</td>
</tr>
<tr>
<td>Handset User DOU</td>
<td>GB</td>
<td>2.4</td>
<td>5.9</td>
</tr>
<tr>
<td>Incl.: 4G</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subscribers</td>
<td>Mil</td>
<td>174.876</td>
<td>219.925</td>
</tr>
<tr>
<td>ARPU</td>
<td>RMB</td>
<td>63.4</td>
<td>53.3</td>
</tr>
<tr>
<td>DOU</td>
<td>GB</td>
<td>4.4</td>
<td>8.6</td>
</tr>
<tr>
<td>Fixed-line Broadband Business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subscribers</td>
<td>Mil</td>
<td>76.539</td>
<td>80.880</td>
</tr>
<tr>
<td>Access ARPU</td>
<td>RMB</td>
<td>46.3</td>
<td>44.6</td>
</tr>
<tr>
<td>Fixed-line Local Access Business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subscribers</td>
<td>Mil</td>
<td>59.997</td>
<td>55.899</td>
</tr>
<tr>
<td>ARPU</td>
<td>RMB</td>
<td>15.8</td>
<td>14.3</td>
</tr>
</tbody>
</table>
## Appendix III: Industry Internet Revenue Breakdown

<table>
<thead>
<tr>
<th>(RMB Bil)</th>
<th>2017</th>
<th>2018</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDC</td>
<td>10.54</td>
<td>13.75</td>
<td>30.4%</td>
</tr>
<tr>
<td>IT Services</td>
<td>3.32</td>
<td>5.61</td>
<td>69.2%</td>
</tr>
<tr>
<td>Internet of Things</td>
<td>1.41</td>
<td>2.08</td>
<td>47.8%</td>
</tr>
<tr>
<td>Cloud Computing</td>
<td>0.48</td>
<td>0.96</td>
<td>98.7%</td>
</tr>
<tr>
<td>Big Data</td>
<td>0.16</td>
<td>0.61</td>
<td>283.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>15.91</td>
<td>23.01</td>
<td><strong>44.6%</strong></td>
</tr>
</tbody>
</table>
Appendix IV: Key Unlocking Conditions under Unicom A Share Company’s Employee Share Incentive Scheme$^1$

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

2017-2020 CAGR $\geq 6.5\%$  

<table>
<thead>
<tr>
<th>Year</th>
<th>Target (RMB Bil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>≥260.0</td>
</tr>
<tr>
<td>2019</td>
<td>≥278.2</td>
</tr>
<tr>
<td>2020</td>
<td>≥301.1</td>
</tr>
</tbody>
</table>

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)  

2017-2020 CAGR $\geq 58.7\%$  

<table>
<thead>
<tr>
<th>Year</th>
<th>Target (RMB Bil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>≥8.77</td>
</tr>
<tr>
<td>2019</td>
<td>≥17.22</td>
</tr>
<tr>
<td>2020</td>
<td>≥25.35</td>
</tr>
</tbody>
</table>

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**  

2018 2019 2020  

<table>
<thead>
<tr>
<th>Year</th>
<th>Target (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>≥2.0%</td>
</tr>
<tr>
<td>2019</td>
<td>≥3.9%</td>
</tr>
<tr>
<td>2020</td>
<td>≥5.4%</td>
</tr>
</tbody>
</table>

Note:  
1. 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.  
2. 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.