



China Telecom Corporation Limited
Edited Transcript of 2021 Interim Results
Analyst conference call

Speaker: Mr. Ke Ruiwen, Executive Director, Chairman & CEO

Slide 4: Overview

Good afternoon ladies and gentlemen. Thank you for joining, and for your care and support to the Company.

This presentation has two sections. I will provide an overview first, then Mr. Li Zhengmao will go through the business review and financial performance.

Slide 5: Highlights

We have six key development highlights:

1. “Cloudification & Digital Transformation” strategy fully implemented with high-quality development results exhibited;
2. Double-digit revenue and profit growths with profitability continuously increased;
3. Mobile Business, Smart Family enjoyed growth in both scale and value, Industrial Digitalization thrived;
4. Strengthen driving force of sci-tech innovation and fortify a secure and green cloud-network foundation;
5. Proactive dividend increase to enhance shareholder return; and
6. Capitalize A Share IPO opportunity to establish new development pattern.

Slide 6: Double-digit Revenue and Profit Growths with Profitability Continuously Increased

In the first half, the Company seized society’s new informatization demand, fully implemented “Cloudification & Digital Transformation” strategy, developed personal, family and enterprise informatized services with customer-oriented approach, and actively promoted profitable scale development, leading to greatly strengthened operating results and improving profitability, with double-digit growth in operating revenue and net profit. Operating revenue grew 13.1% yoy, service revenue grew 8.8% yoy, growth rate above industry average; EBITDA grew 5.1%, net profit grew 27.2% to RMB17.7 billion, after excluding one-off disposal gain the growth was 17.0%.



Slide 7: Accelerated Mobile Business and Smart Family Development

In the first half, our Mobile Business and Smart Family Business development accelerated with growth in both scale and value.

Mobile subs were 362 million, mobile ARPU rebounded and grew 2.9% yoy, driving mobile communications service revenue up by 6.9%.

Wireline and Smart Family Service revenue grew 5.2%. Both broadband subs and broadband blended ARPU grew, while Smart Family revenue increased 32.9% and became a key growth driver.

Slide 8: Industrial Digitalization Thrived

Industrial Digitalization thrived with industry leadership maintained in revenue size and revenue contribution. Revenue grew 16.8% and revenue contribution further increased to 24.6%, becoming the biggest source of revenue growth. In particular, cloud realized the highest growth with revenue doubling to RMB14 billion, already surpassing last year's total; IDC's revenue size was biggest at RMB16.1 billion, up 10.5% yoy.

Slide 9: 5G 2B Applications Widely Replicated with Commercial Value Emerged

After developing and serving in the enterprise market for years, we possess solid customer resources and long-term cooperative relationships and can offer tailor-made industry solutions to customers.

We fully leverage the unique edge of cloud-network integration and abundant resources in Industrial Digitalization to build digitalized application platforms and create re-packaged capabilities focusing on 5G, e-Surfing Cloud and security, to empower government administration, industry, finance, society & livelihood and other sectors to address customers' digitalization demands.

On 2B applications, we have already extensively developed replicable and promotable benchmark projects in smart factory, mining, ports, power grids, city and other areas. Our 5G use cases nearly doubled versus 2020 with commercial value emerging.

Slide 10: Cloud and Network Resources Deeply Integrated to Create Differentiated Capabilities



Our cloud and network resources are deeply integrated with prominent edge in scale and quality.

On e-Surfing Cloud, our government administration cloud infrastructure ranked no. 1 in public cloud market, with prominent differentiated edges in clouds for government administration, large corporates, healthcare, education, etc., and gained extensive customer trust.

On IDC, we have 430 thousand cabinets serving customers, the biggest portfolio in PRC, 80% are in the four economically developed regions.

On fundamental network, we have 2.38 million mobile base stations and Gbps fibre network in over 300 cities, while our inter-cloud high speed network connected all e-Surfing Cloud resource pools.

We fully leverage the cloud-network integration edge to build differentiated capabilities and offer premium, convenient, secure and reliable services.

Slide 11: Co-build and Co-share Achieved Prominent Results with Network Servicing Capability Strengthened

We continued to benefit from 5G co-build and co-share. Two parties already saved over RMB86 billion of CAPEX, while we maintained reasonably advanced deployment in 5G network coverage, with 460 thousand 5G base stations in use and targeting to cover all counties and certain developed towns in PRC this year.

We also expanded co-sharing of 4G network, with 460 thousand 4G base stations shared between two parties and RMB24 billion of CAPEX saved in total, further enhancing network coverage and saving network costs.

Leveraging network characteristics of SA, we launched 3 modes of customized network to form differentiated servicing capabilities to 2B customers.

Slide 12: Sci-tech Innovation: The Core Driver of High-quality Development

We enhanced sci-tech innovation planning to promote the penetration of core technologies through research, development and operation, making sci-tech innovation the core driver of high-quality development.



We bolstered recruitment of talents in key core areas and launched R&D cloud platform to enhance digitalized R&D management capability to build efficient, collaborative and open R&D system and talent teams.

We will continue to leverage sci-tech achievements to roll out more products of higher quality that better address customer needs.

Slide 13: Fortify Security Foundation to Develop Differentiated Edge

We strive to fortify security foundation and provide reliable network and information services.

Our “Cloud Dam” is a proprietary platform with “telco-grade” network attack protection capability.

In fundamental network, edge, IDC, cloud computing, application and other areas, we possess all-round, full-process protection capability as well as end-to-end, cloud-network coordinated security servicing capability. We built a safe and clean environment for communications to protect security of network, terminals and applications.

Our comprehensive security system and network security protection platform is now our prominent differentiated edge.

Slide 14: Building Green & Low Carbon New Type Cloud-Network Integration Information Infrastructure Based on Cloud-Network Integration

We strive to leverage new technology to promote green operation. On one hand, we keep reducing energy consumption intensity and build green & low carbon new information infrastructure featuring cloud-network integration; we also promote trial application of Big Data analytics, proprietary algorithm and AI for smart power saving, decreasing power consumption of newly-built 5G base stations by about 20%. We used multiple measures to increase energy efficiency of IDCs, with PUE of newly-built large scale or above DCs below 1.3. With these multi-pronged measures, energy consumption per unit of information flow reduced significantly.

On the other hand, we also empower externally on green & low carbon development, by strengthening technological innovation to provide diversified green computing power to the public, build green supply chain, and empower digital transformation and green development of various sectors with new generation



technologies.

Slide 15: Proactive Dividend Increase Enhancing Shareholders' Return

With sincere gratitude to our shareholders, investors and analysts for their consistent support, and full confidence about future development, we decided to raise dividend to share results with and enhance return of shareholders. Dividend payout in 2021 will be at least 60% and further increase to over 70% within 3 years after A Share listing. Interim dividend will be declared since 2022. We will continue to seize opportunities and endeavor to create value to shareholders.

Slide 16: Capitalize A Share IPO Opportunity to establish new development pattern

We will capitalize A Share IPO to deepen the “Cloudification and Digital transformation” Strategy and become a service-oriented, technology-oriented and secured company.

We develop integrated intelligent information services with customer-oriented approach to build core capability of sci-tech innovation, and build green, low carbon new information infrastructure featuring cloud-network integration, empower numerous sectors' green development with digitalized platform, build open and collaborative industrial and capital ecologies, reform structures and mechanisms to boost corporate vitality and organic growth power, to build the bedrock for digital economy.

Slide 17: Deepening Corporate Reform

We will leverage A Share IPO to deepen corporate reform.

First is to enhance corporate governance, by further improving corporate governance and market-oriented operating mechanisms, forming market-oriented entities at all levels with equivalent responsibility and power, and modernizing our corporate governance capability and systems.

Second is to push forward organization reform, by expediting construction of new form of customer-oriented organization, strengthening ecospheres in various areas, exploring new markets, and solidifying leadership in integrated intelligent information services.



Third is to boost corporate vitality, by establishing comprehensive market-oriented mechanism with equal importance placed on incentivization and restriction, enhancing market-oriented employment and allocation systems, establishing mid-to-long term incentive programs, to boost employees' enthusiasm and creativity.

Fourth is to innovate talent mechanisms, by proactive recruitment of industry-leading talents in core areas and building a team of industry-leading talents and corporate experts from headquarters, provincial and municipal companies.

Slide 18: Strong Alliance to Build Cooperation and Win-win Ecology

Our A Share IPO introduced 20 strategic investors covering large enterprises, industrial funds, Internet companies, etc., to generate synergy and build win-win cooperative ecology together in Internet, energy & electricity, autos, network-information security, digital life, smart city and other areas.

Slide 19: Strong Momentum Continued to Drive High-quality Development

After seizing the vast opportunities of digital economy and realized favorable results in the first half, we will build differentiated edge on integrated intelligent information services with innovation, convergence, security and eco-consciousness, to further drive high-quality development. Aspiring to over-achieve the full-year targets, we raised relevant guidance with an aim to deliver even better results and enhance values for customers, the Company and shareholders.

My part ends here, and Mr. Li Zhengmao will walk you through our business and financial performance.

Speaker: Mr. Li Zhengmao, Executive Director, President & COO

Slide 20: Business Review & Financial Performance

Thank you, Chairman Ke. I shall now discuss our business and financial performance in the first half of 2021.

Slide 21: Mobile Communications Service: 5G Propelled Growths in Business Quality and Scale

In the first half, the increasing 5G penetration and 10% ARPU uplift from 4G subs upgrade propelled mobile ARPU rebound. 5G APRU was RMB57.4, and 5G penetration reached 36.2%. Mobile subs net add maintained market share leadership



at 11.47 million. Internet access revenue growth accelerated to 9.0% and feature applications and privileges kept flourishing and subs grew rapidly.

Slide 22: Wireline and Smart Family Service: Scale and Value Increased Concurrently

We captured families' demand for digital life by offering quality services and achieved concurrent increase in quantity and quality. Smart Family and broadband access revenues grew 32.9% and 7.9% respectively, while the scale and revenue of family informatization applications also soared, and their contribution to blended ARPU further increased to 15.8%. We will continue to upgrade Smart Family DICT products and expand Smart Family sphere to Smart Community and Digital Village to bring more impetus to the business.

Slide 23: Industrial Digitalization: e-Surfing Cloud's Edges Strengthened, IDC Leadership Maintained

Our Industrial Digitalization business thrived. For cloud, we possess over 50 key core technologies with full stack servicing capability to provide over 200 products on computing power, storage, network, Big Data, AI, etc., propelling strong growth of cloud business, in which SaaS and PaaS revenue grew around 110%, and IaaS about 100%.

Our IDC leadership maintained with over 700 IDC sites and 430 thousand cabinets nationwide serving customers, and revenue of RMB16.1billion.

Slide 24: Precision Initiatives to Enhance Cost Efficiency

In the first half, our continuous precision resource allocation led to increased utilization efficiency. The expanding 5G and Industrial Digitalization-related network drove up the OPEX. Allocation on capability buildup increased appropriately to better support Industrial Digitalization development. On personnel expense, incentives for high-tech talents, key talents, frontline staff as well as high performance teams further increased for better motivation. On SG&A, allocation on R&D will increase to expedite transformation towards technology-oriented enterprise; marketing resources also moderately increased to facilitate business development.

Slide 25: Resource Utilization Efficiency Continuously Increased

We deepened digitalized operation for higher resource utilization efficiency. Our network cost efficiency continuously increased, and we use data analytics to empower investment management and precision marketing. Online channel



development also strengthened with increasing proportion of subs gained from online channels.

Slide 26: Precision Investment to Strengthen Cloud-network Integration Edge

We continued to optimize investment mix for new growth drivers. CAPEX in the first half was RMB27 billion, in which 5G CAPEX was RMB11.1 billion with 50 thousand base stations self-built, and 2021 5G CAPEX plan unchanged at RMB39.7 billion. On Industrial Digitalization, 23 thousand cloud servers and 11 thousand IDC cabinets were added in the first half, while in the second half more investment will be put on datacenter, cloud resources, ICT, etc.

Slide 27: Devoted in Environmental, Social and Corporate Governance (ESG) Responsibilities

We have been devoted in ESG responsibilities and kept enhancing relevant governance mechanisms as well as performance. On environment, we responded to national targets of emission peak and carbon neutrality by expediting transformation towards green digitalized operation. On social responsibility, we continued to provide informatized anti-epidemic products and services to the public, undertake universal service, emergency communications assurance in recent natural disasters, and strengthened caring for employees. On corporate governance, the Board of Directors stepped up monitoring ESG affairs, and planned inclusion of ESG risks in the Company's risk management.

We will uphold high-standard, prudent and effective governance ideals, be strictly compliant with laws and regulations, operating with rules and procedures and be green, to ensure healthy, sustainable development and protect interests of the Company and shareholders.

This concludes our presentation today. Thank you!

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.

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