

# 2018 Annual Results

2019. 03. 21

Our way ahead  
行者方致遠

5G

# Forward-looking Statement

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 involve known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of China Mobile Limited (the “Company”) to be materially different from those 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 and other filings with the U.S. Securities and Exchange Commission.

# Management Present



Mr. YANG Jie

*Executive Director & Chairman*

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Mr. LI Yue

*Executive Director & CEO*

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Mr. DONG Xin

*Executive Director, Vice President & CFO*

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**Overall Results**



**Operating Performance**



**Financial Performance**

01

# Overall Results

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Mr. YANG Jie

Executive Director & Chairman

- 1** Stable and healthy growth in operating results with a solid industry-leading position
- 2** Concerted efforts to promote innovation and create new growth momentum
- 3** Ongoing enhancements to principal capabilities with progressive 5G development
- 4** Building new competitive strengths to support high-quality development and continuously creating value for shareholders

# Stable and Healthy Growth in Operating Results



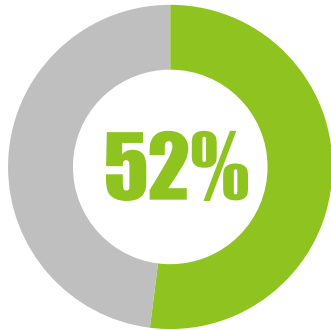
(RMB Mil)	2017	2018	Changes
<b>Operating revenue</b>	740,514	736,819	-0.5% <b>(1.8%)*</b>
of which: service revenue	668,351	670,907	0.4% <b>(3.7%)*</b>
<b>EBITDA</b>	270,421	275,541	1.9%
EBITDA margin	36.5%	37.4%	0.9pp
EBITDA as % of service revenue	40.5%	41.1%	0.6pp
<b>Net profit</b>	114,279	117,781	3.1%
Net profit margin	15.4%	16.0%	0.6pp
<b>Basic earnings per share (RMB)</b>	5.58	5.75	3.1%

Note: Unless otherwise specified,

1. Service revenue=operating revenue-revenue from sales of products and others; Revenue from sales of products and others mainly comprises sales of terminal products such as handsets
2. EBITDA=profit for the year before taxation, income from investments accounted for using the equity method, finance costs, interest and other income, other gains, depreciation and amortization of other intangible assets
3. Net profit is the profit attributable to shareholders of the Company
4. \*The revenue growth rates in brackets are derived on a comparable basis after applying the new revenue standard (IFRS/HKFRS 15) to the revenue figures of last year pursuant to a static calculation

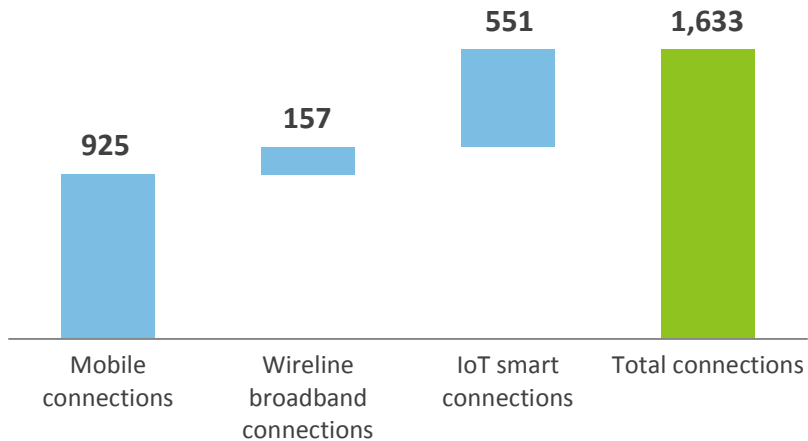
# Solid Industry-leading Position

## Service revenue market share

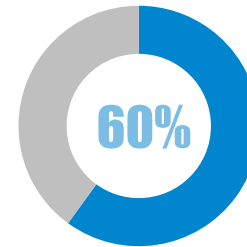


## Total connections

(Mil)

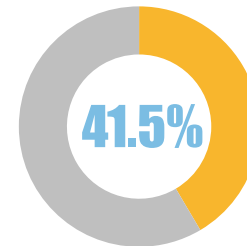


### Personal mobile market



**Mobile customer market share**  
Industry **NO.1**, solid foundation

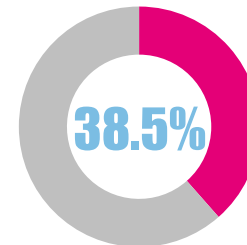
### Household market



**Household broadband customer market share**

▲ 4.5pp

### Corporate market



**Telecommunications and informatisation service revenue market share**

▲ 2.2pp



# Concerted Efforts to Promote Innovation and Create New Growth Momentum

## Open Collaboration

- Encouraged product innovation: closer collaboration with Internet companies
- Fostered cross-industry synergy: smart family, IoT and vertical industry applications

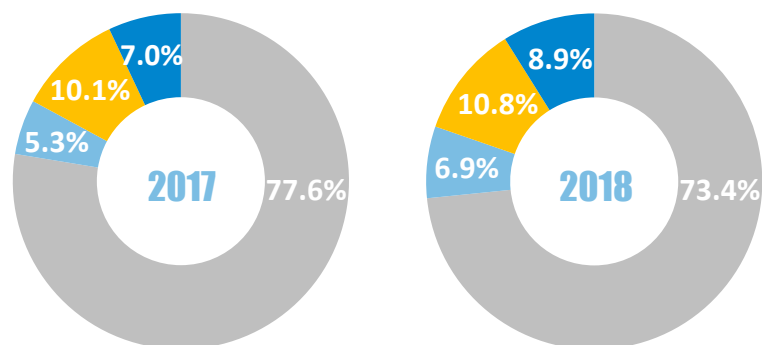
## Deepened Reforms

- Rolled out reforms to R&D system
- Shared capabilities from centralised platforms: product marketing, IT support, network operation and maintenance
- Promoted reforms in 3 subsidiaries under the “Double-Hundred Action” initiative

## Forward Planning

- Established industrial research institutes in Shanghai, Xiong’an and Chengdu to achieve industry-academia-research integration and integrated innovation of 5G cross-industry applications
- Offered fund facilitation: 5G Joint Innovation Industry Fund

### Further-refined “four growth engines” structure



■ Personal mobile market ■ Household market ■ Corporate market ■ Emerging business



### IoT

Revenue  
RMB7.53 bil

▲ 40.2%



### ICT, Cloud Computing, Big Data

Revenue  
RMB4.19 bil

▲ 75.3%

# Continued Emphasis on Targeted Investments Ongoing Enhancements to Principal Capabilities

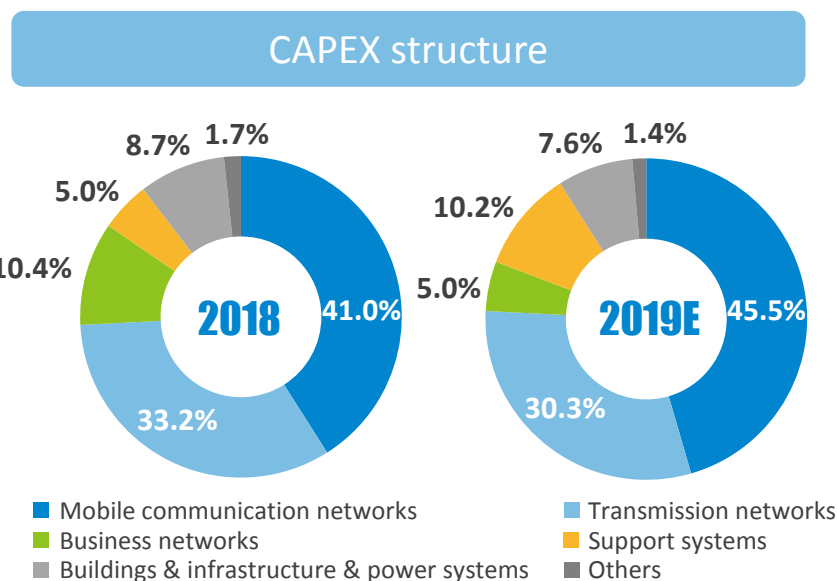
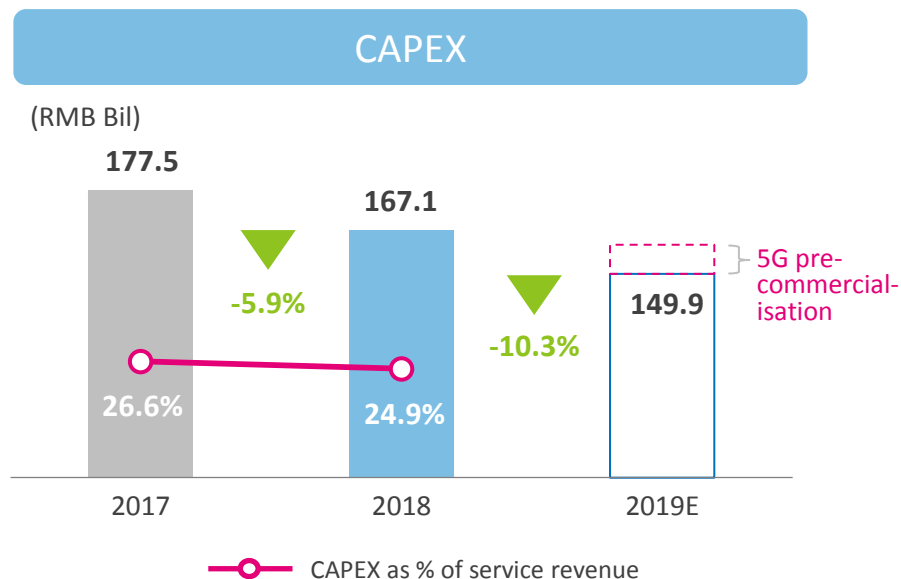
## 2018

- Boasted 2.41 mil 4G base stations with an industry-leading 4G network coverage capability
- Realised NB-IoT continuous coverage in areas at township level and above across China
- Achieved household broadband access capability of  $\geq 100$ Mbps. More efficient deployment of CDN edge nodes resulted in ongoing enhancements to customer perception
- Maintained a backbone network with a further enhanced transmission and loading capability. Performance of international submarine cables, cross-border terrestrial cables and PoPs was substantially lifted

## 2019E:

**Assert leadership; Foster innovation;  
Support growth; Enhance efficiency**

- Support growth of 4G data traffic, upgrade broadband speed and quality, secure investments for the corporate market and promote network upgrade and evolution
- Exploit network potentialities, increase network utilization, enhance resource sharing, strive to lower unit production cost
- Carry out 5G network construction practically and prudently, achieve 5G pre-commercial launch in certain cities



# Progressive 5G Development

## Scale trials

## Pre-commercial launch

## Full commercialisation

2018

2019

2020~



### 5G standard

- Contributed a leading number of proposals on R15 amongst global telecom operators
- “Network” category **NO.1**, “Wireless” category **NO.2**



### 5G scale trials

- Permitted to adopt **2.6GHz** and **4.9GHz** frequency bands for trials
- Network tests and application trials: **17 cities**



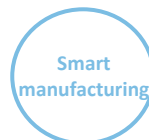
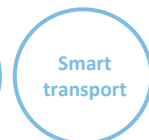
### 5G ecology

- 5G Joint Innovation Centre
- 5G Device Forerunner Initiative
- 5G Joint Innovation Industry Fund

### Construct end-to-end network infrastructure Promote 5G commercialisation

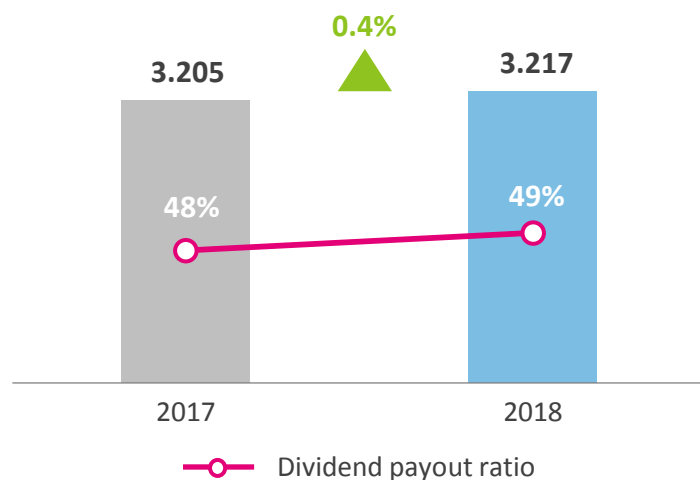
- Develop NSA and SA networks concurrently with SA as the primary goal
- Promote 4G/5G synergistic development and expedite 4G VoLTE
- Join hands with the industry chain to develop devices supporting multiple modes, bands and forms
- Share end-to-end smart technology capabilities and serve vertical industries

### Work together to build an open and win-win innovative ecosystem Promote 5G cross-industry integration



## Dividend per share

(HKD)



Note: The Company also made a special dividend payment of HK\$3.200 per share for the first half of 2017

## 2019 Dividend policy

Taking into account the Company's financial position, its ability to generate cash flow and its capital needs for future development, the Company will maintain a stable dividend payout ratio in 2019 and strive to create greater value for shareholders, while also securing the Company's development and maintaining shareholder value in the longer-term

# Striving to Build New Competitive Strengths to Support High-quality Development

## Opportunities

- Aspirations to build “Digital China” and a smart society
- Economic and social digitalisation driven by accelerating 5G development
- New industry trends spawned by new technologies such as artificial intelligence and edge computing

## Challenges

- Challenges surrounding 5G network architecture, industry readiness, business model and application launch
- Intensified market competition from homogenised offerings; cross-industry competition from ICT players’ attempts to dominate key nodes of the value chain



**Foster  
integrated development**



**Practise  
delicate management**



**Enhance  
customer services**



**Emphasise  
innovation-driven growth**



**Implement  
reforms**

02

# Operating Performance

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Mr. LI Yue

Executive Director & CEO

# Revenue Structure of the “Four Growth Engines”



(RMB Mil)	2018	Change YoY <sup>1</sup>	As % of revenue <sup>2</sup>
Service revenue	670,907	3.7%	100.0%
<b>1. Personal mobile market revenue</b>	<b>492,382</b>	<b>-1.9%</b>	<b>73.4%</b>
of which: handset data traffic	369,381	9.8%	55.1%
voice, SMS & MMS	109,625	-26.9%	16.3%
<b>2. Household market revenue</b>	<b>46,175</b>	<b>35.2%</b>	<b>6.9%</b>
<b>3. Corporate market revenue</b>	<b>72,555</b>	<b>10.8%</b>	<b>10.8%</b>
of which: corporate voice, SMS & MMS	26,030	-3.3%	3.9%
dedicated lines, IDC	25,286	32.5%	3.8%
<b>4. Emerging business revenue</b>	<b>59,795</b>	<b>31.0%</b>	<b>8.9%</b>

Note<sup>1</sup>: The revenue growth rates are derived on a comparable basis after applying the new revenue standard (IFRS/HKFRS 15) to the revenue figures of last year pursuant to a static calculation

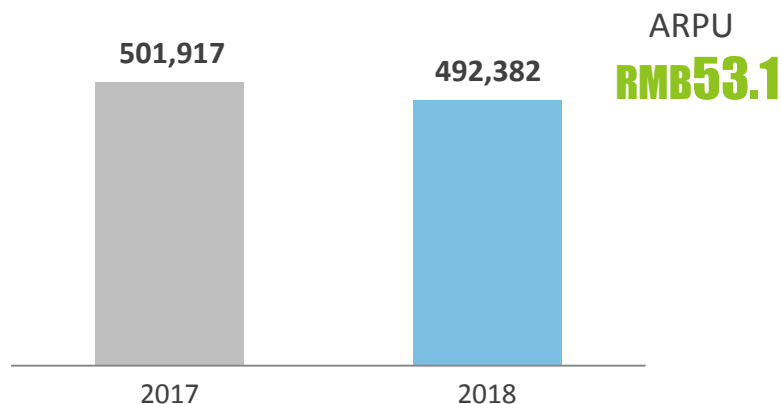
Note<sup>2</sup>: Refers to percentage of service revenue

# Personal Mobile Market

## Rapid Growth in Data Traffic with Solid Customer Base

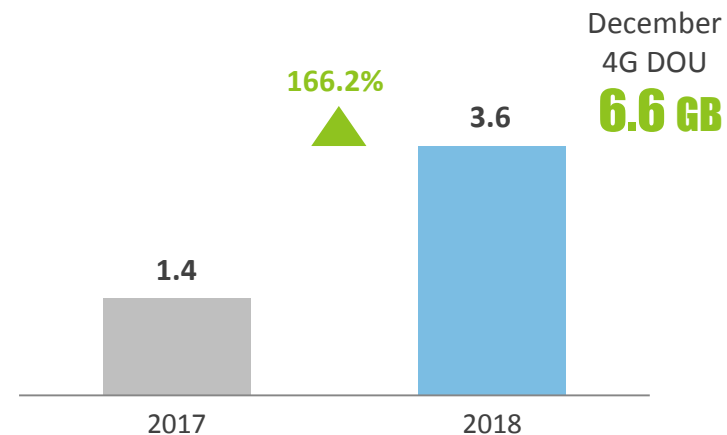
### Personal mobile market revenue

(RMB Mil)



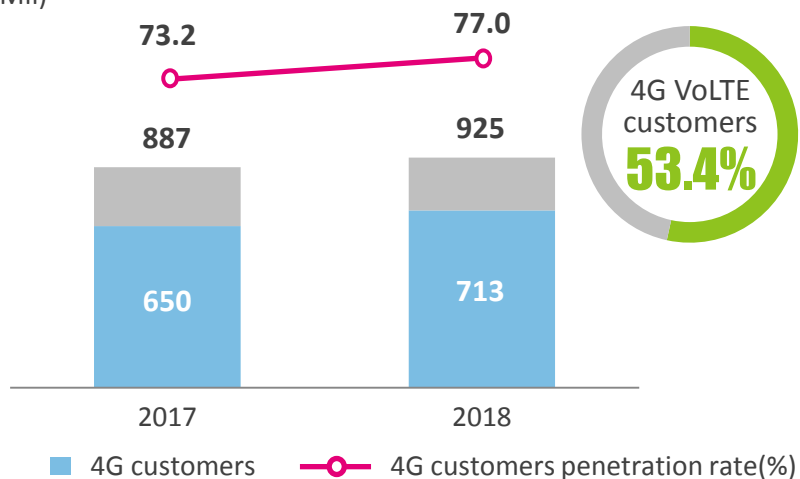
### Handset data DOU





(GB)



### Mobile customers

(Mil)



- 
**Strategic initiative:**  
 Prompt market responses to unleash price elasticity
- 
**Precision marketing:**  
 Big data technology with multiple customer touch-points
- 
**Product portfolio optimisation:**  
 “Contents + customer benefits” packages
- 
**Service-oriented culture:**  
 Strengthened customer service system to enhance customer experience

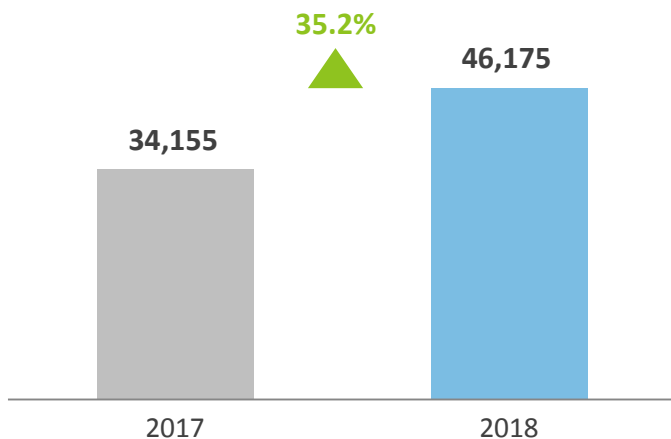


# Household Market

## Robust Growth Momentum with Significant Increase in Scale

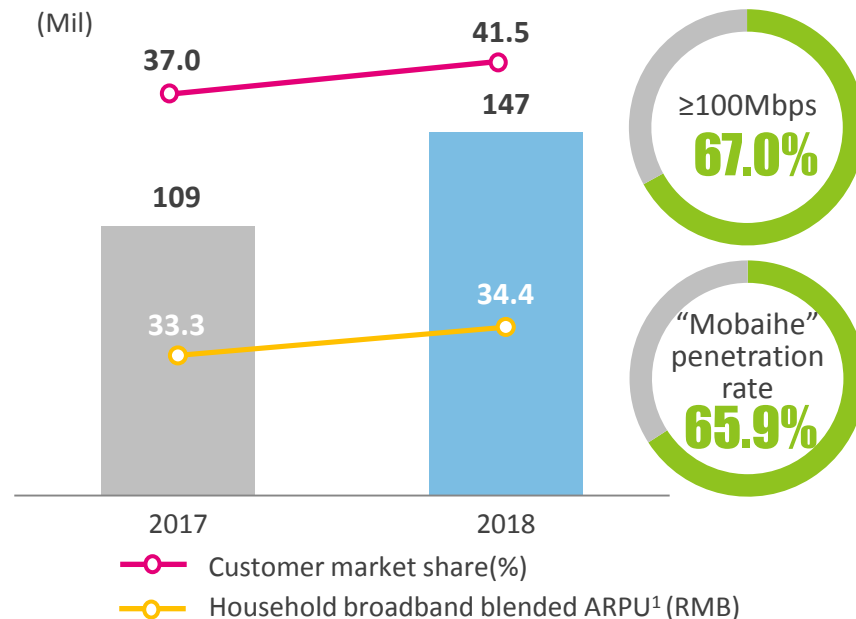
### Household market revenue

(RMB Mil)



### Household broadband customers

(Mil)



- Continued focus on **enhancing network speed, quality and value**; rapid increases in household broadband customer scale and household broadband revenue
- Proportion of high-value customers increased; enriched family applications; household broadband blended ARPU¹ increased by **3.2%** yoy
- Enhanced digital household ecosystem; proactive promotion of family multi-media and digital surveillance products including “Mobaihe” (home digital set-top box), “Smart gateway” and “and-Mu” (family surveillance camera)

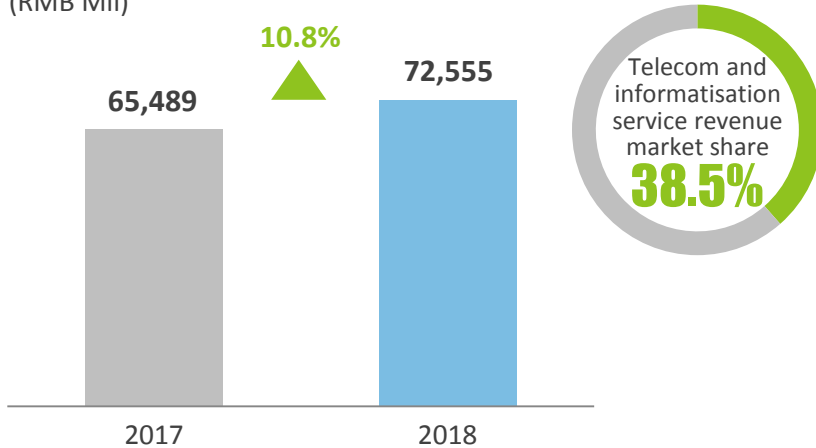
Note<sup>1</sup>: Household broadband blended ARPU = (revenue of household broadband business + household revenue from emerging business) / average number of household broadband customers. Household revenue from emerging business mainly consists of revenues from “Mobaihe” and “and-Mu”; **Wireline broadband ARPU**, which includes revenues from household broadband, small-and-micro broadband and Internet dedicated lines, **stood at RMB33.5**

# Corporate Market

Industry-leading Revenue Growth Rate with Steady Increase in Market Share

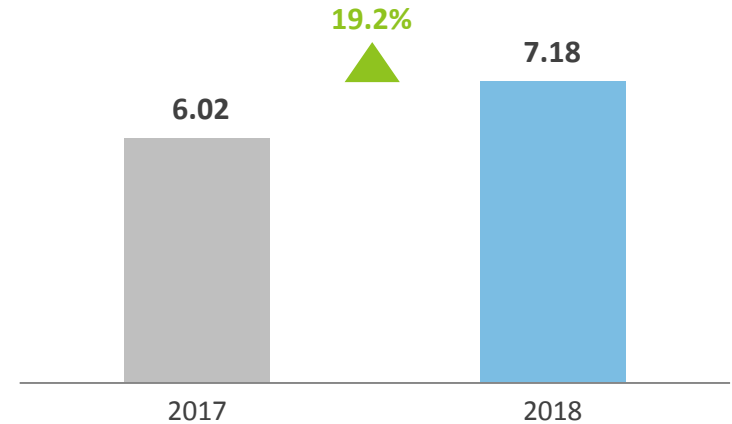
## Corporate market revenue

(RMB Mil)



## Corporate customers

(Mil)



### Dedicated lines

Revenue  
RMB18.03 bil

▲ **22.9%**

- Further increase in market share  
Increased proportion of high-value customers



### IDC

Revenue  
RMB7.25 bil

▲ **64.3%**

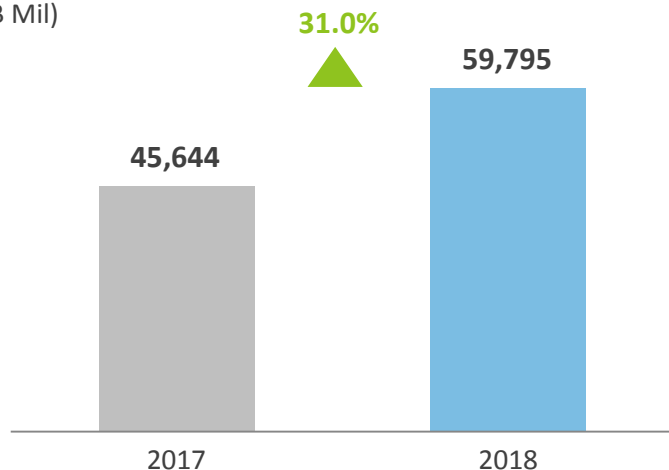
- Rapid increase in revenue  
Enhancements to the deployment of service capabilities

# Emerging Business

## Adoption of Innovative Operating Model to Foster Business Scalability


### Emerging business revenue


(RMB Mil)



### Personal emerging business

 **MIGU Video** revenue **▲ 21.7%**

 **MIGU Reading** revenue **>RMB2.3 bil**

 **“and-Wallet”** transaction amount **>RMB2,500 bil**

### Household emerging business



**Mobaihe**

Customers 96.81 mil

**▲ 69.1%**

Revenue RMB8.16 bil

**▲ 122.9%**

### Corporate emerging business



Industry



Agriculture



Education



Public Administration



Finance



Transportation



Healthcare

Delved into vertical sectors with **11** industry applications generating respective annual revenues of >RMB100 mil

 **“and-Education”** revenue **>RMB3.7 bil**

# Actively Fulfilling CSR

## Narrowed digital divide and alleviated poverty

- **2.41 mil** 4G base stations covering **>99%** of the population
- Improved network infrastructure in poverty-stricken areas, cumulatively covered **546,000** administrative villages with 4G services and **417,000** with wireline broadband services
- Proprietary Targeted Poverty Alleviation System was adopted by **71** cities and counties in **14** provinces, covering **8.11 mil** disadvantaged individuals

## Provided emergency telecommunications support and protected information security

- Completed **4,899** missions. Provided disaster and emergency rescue efforts and ensured uninterrupted communications
- Created a healthy and safe communication environment and launched services such as “and-Multiples” and “Intermediate Number” to protect customers’ privacy

## Implemented charitable activities

- Conducted training for **115,782** primary and secondary school principals cumulatively in rural villages across Central and Western China
- Provided free surgical treatment for **5,358** children with congenital heart disease cumulatively
- “MIGU Run” philanthropy platform cumulatively attracted participation by **4.5 mil** people

## Sustained energy conservation and emissions reduction

- Implemented the “Green Action Plan”, overall energy consumption per unit of information flow reduced by **57%**
- Advocated environmental protection amongst suppliers, with the rate of eco-friendly packaging usage on new devices reaching **67%**
- The only company from Mainland China to be included in the global carbon disclosure project CDP’s Climate A List for three consecutive years



# Competitiveness Empowered by Differentiating Capabilities

## Maintain unequalled quality

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- **Basic networks:** emphasise quality improvement to enhance customer perception
- **Operating systems:** ramp up construction of centralised, cloud-based core platforms
- **Product portfolios:** propel customer-oriented product upgrades

## Accelerate marketing transformation

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- **Popularise the use of electronic channels:** serve as the major marketing channel
- **Optimise the deployment of physical retail outlets:** close underperforming and ineffective physical retail outlets
- **Explore the “new retail” business model:** business + intelligent products + daily life services

## Enhance customer services

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- **Establish standards:** formulate customer service standards on the “four growth engines”
- **Streamline workflow:** focus on customers’ major needs and shorten turnaround time
- **Conduct rebranding:** revamp and market the “GoTone” brand

## Centralise service capabilities

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- **Centralised IT support:** create synergy and serve the entire network
- **Centralised business operations:** practise intensive marketing and tap into the 2I2B market
- **Centralised network operations and maintenance:** offer quick, flexible responses and support

## New Drivers

### Expedite 5G scale deployment

- Launch pre-commercial services in certain cities
- Ensure industry leadership

### Drive innovations in 5G applications

- Industry-academia-research integration
- Integrated innovation of cross-industry applications



### Propel network transformation

- NFV scale commercialisation
- Transform to “connection + computing”

## New Enhancers

### Explore new revenue sources

#### Promote new areas of growth

- Leverage synergy: personal + household
- Develop the corporate market: key industries + key products
- Accelerate internationalisation: platform-based + fund facilitation

#### Establish new business lines

- Revamp 1,000 physical retail outlets based on the “new retail” model in 2019
- Develop and produce proprietary intelligent hardware with extensive market launch

### Reduce costs and raise efficiency

- Adopt IT such as intelligent technologies
- Restructure and revitalise assets
- Close **600** underperforming and ineffective physical retail outlets in 2019

## New Catalysts

### Build a world-class showcase enterprise

#### China Mobile

- Open collaboration and innovation
- Reforms to organisational systems to improve management efficiency
- Increased performance weighting in the incentive mechanism

### Promote “Double-Hundred Action” in subsidiaries

#### MIGU, Device Company, Online Company

- Optimise governance structure
- Adjust development model
- Reform incentive mechanism

# 2019 Operating Targets

**Total  
connections**

**2 bil**

**Service  
revenue**  
**Favourable  
growth**

**Profit**  
**Stable-to-rising  
(on a comparable  
basis\*)**

## **1** **Personal mobile market**

- Net addition of 45 mil 4G customers
- Industry-leading mobile ARPU

## **3** **Corporate market**

- Breakthrough in corporate telecommunications and informatisation service revenue market share

## **2** **Household market**

- Net addition of 25 mil household broadband customers
- Stable-to-rising household broadband blended ARPU

## **4** **Emerging business**

- Net addition of 300 mil IoT smart connections

Note: "Profit on a comparable basis": refers to net profit after excluding the impact of the one-off gain resulting from the public listing of China Tower Corporation Limited and the new accounting standard on leasing

03

## Financial Performance

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Mr. DONG Xin

Executive Director, Vice President & CFO



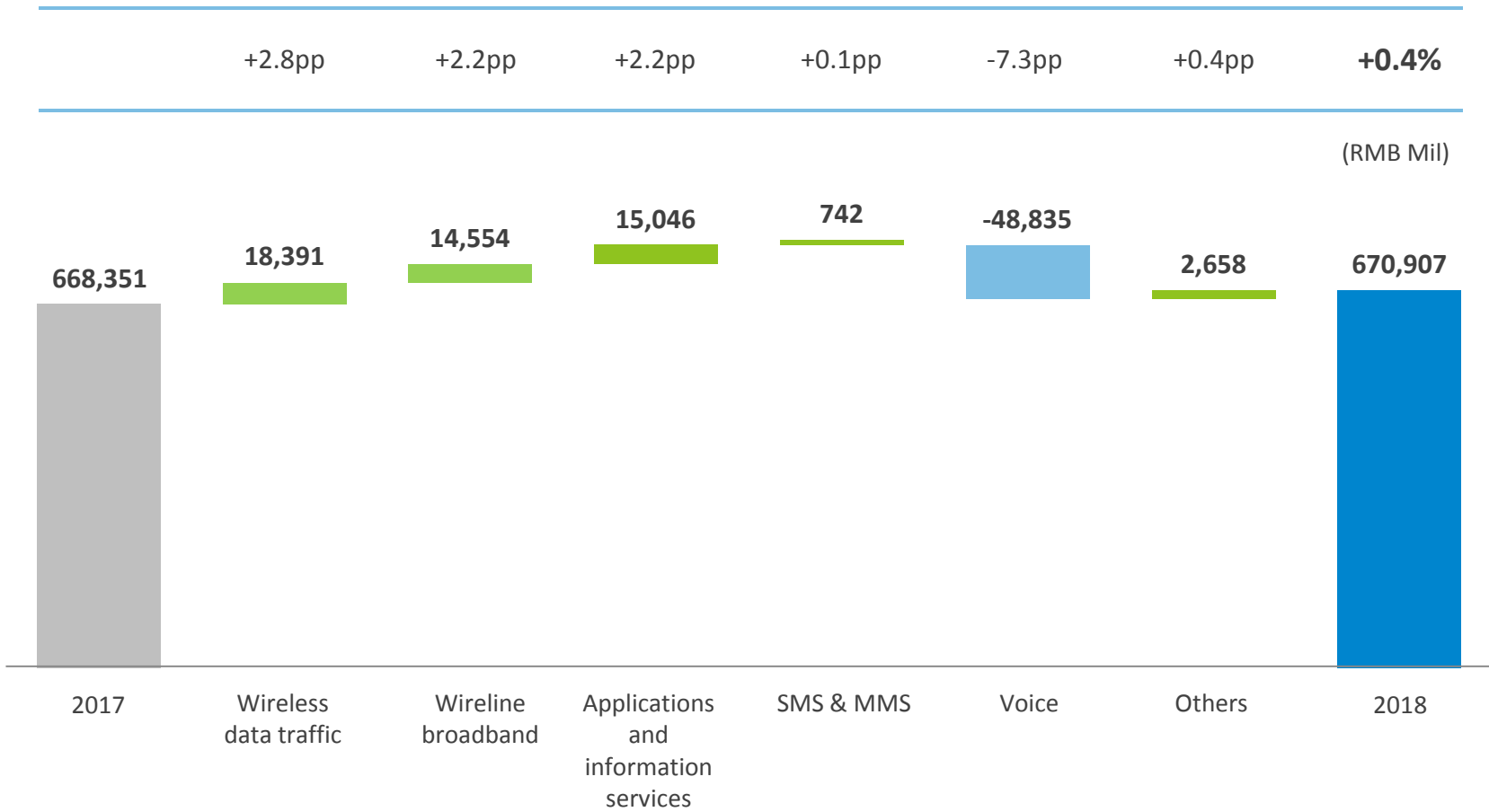
# Financial Highlights

(RMB Mil)	2017	2018	Change YoY
<b>Operating revenue</b>	740,514	736,819	-0.5% <b>(1.8%)*</b>
Revenue from telecommunications services	668,351	670,907	0.4% <b>(3.7%)*</b>
Revenue from sales of products and others	72,163	65,912	-8.7% <b>(-14.0%)*</b>
<b>Operating expenses</b>	620,388	615,432	-0.8%
<b>Profit from operations</b>	120,126	121,387	1.0%
Interest and other income	15,883	15,885	0.0%
Income from investments accounted for using the equity method	9,949	13,861	39.3%
<b>EBITDA</b>	270,421	275,541	1.9%
<b>Net profit</b>	114,279	117,781	3.1%

Note\*: The revenue growth rates in brackets are derived on a comparable basis after applying the new revenue standard (IFRS/HKFRS 15) to the revenue figures of last year pursuant to a static calculation

# Breakdown of Revenue Growth

Breakdown of revenue growth of telecommunications services



# Maintaining Effective Cost Control

(RMB Mil)	2018	Change YoY	As % of operating revenue	Major impacts
<b>Operating expenses</b>	615,432	-0.8%	83.5%	
Leased lines and network assets	47,470	2.4%	6.5%	<ul style="list-style-type: none"> <li>Of which, tower leasing fee was RMB39.0 bil</li> </ul>
Interconnection	20,692	-4.9%	2.8%	
Depreciation	152,545	1.8%	20.7%	<ul style="list-style-type: none"> <li>To safeguard business development and customer perception, network quality continuously improved, resulting in an expansion of assets scale</li> </ul>
Employee benefit and related expenses	93,939	9.9%	12.7%	<ul style="list-style-type: none"> <li>Enhanced incentives for core staff to boost the strategic transformation of talents</li> </ul>
Selling expenses	60,326	-1.2%	8.2%	<ul style="list-style-type: none"> <li>Focused on precision marketing and improved usage efficiency of marketing resources</li> </ul>
Cost of products sold	66,231	-10.1%	9.0%	<ul style="list-style-type: none"> <li>Mainly due to a decrease in the number of terminals sold</li> </ul>
Other operating expenses	174,229	-4.4%	23.6%	<ul style="list-style-type: none"> <li>Effective cost control</li> </ul>
of which: maintenance expenses, power and utilities expenses, and operating lease charges	102,703	1.3%	13.9%	<ul style="list-style-type: none"> <li>Expansion of assets scale and an increase in prices of resources</li> </ul>
of which: operation support and R&D expenses	44,001	15.7%	6.0%	<ul style="list-style-type: none"> <li>Supported business transformation, accelerated innovation and R&amp;D in new areas</li> </ul>

# Implementing Low-cost and High-efficiency Operation

## Optimised resource allocation

### Support

- Quality: network perception, customer services
- Transformation: created new growth momentum, centralised operations
- Innovation: leading technologies, proprietary R&D

### Squeeze

- Controlled expenses on underperforming and inefficient network operation and maintenance, and other IT expenses
- Tower leasing fee was lower than the annual budget

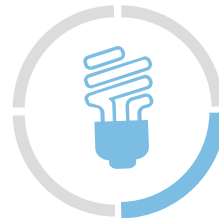
### Control

- Strictly controlled expenses incurred by non-production units



Average maintenance expense per base station

▼ **13.2%**



Average electricity expenses per frequency network

▼ **2.9%**

## Refined management

- Fostered the “all costs can be controlled” philosophy
- Reinforced benchmark of business cost per unit and encouraged cost efficiency improvement
- Promoted best practices in various areas to improve management



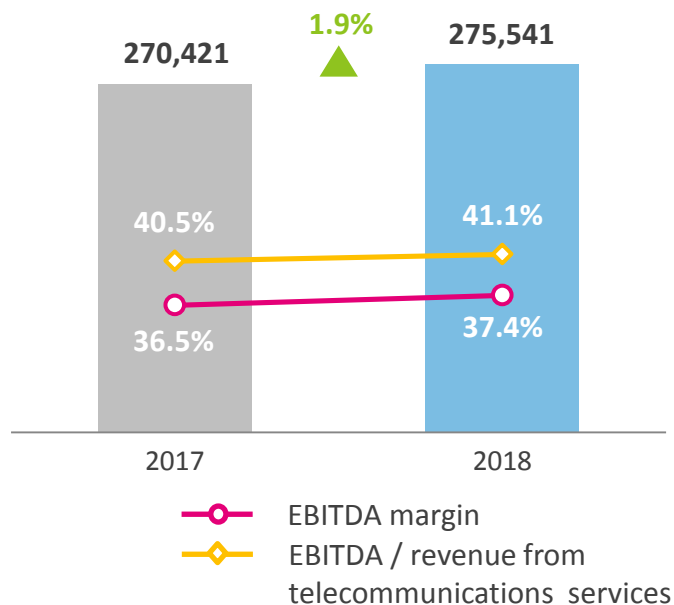
Average selling expenses per customer

▼ **5.5%**

# Sustaining Strong Cash Flow

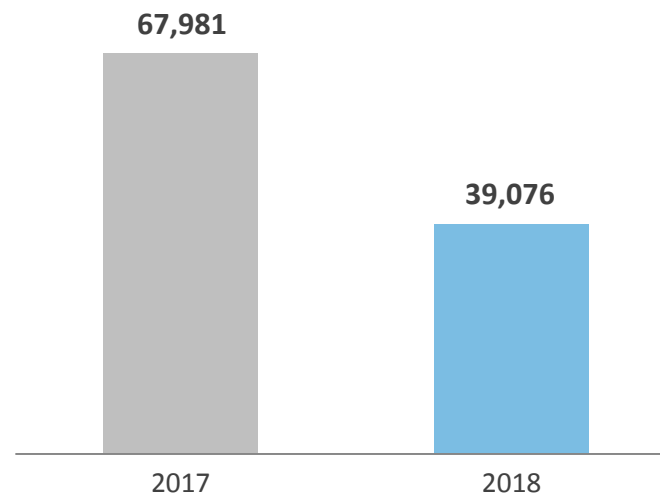
## EBITDA

(RMB Mil)



## Free cash flow

(RMB Mil)



Note: The Company defines free cash flow as net cash generated from operating activities less capital expenditure incurred

- With enhancements to revenue and cost control, profitability and EBITDA recorded favorable growth, cash flow remained healthy

# Maintaining Sound Capital Structure

(RMB Mil)	2017.12.31	2018.12.31
Shareholder's equity	985,636	1,052,405
Debt	—	—
Total book capitalization	985,636	1,052,405
Liabilities-to-assets ratio	35.0%	31.3%
Cash & bank deposits	407,202	361,567

**S&P, Moody's** Corporate credit ratings are equivalent to China sovereign ratings



## 《The Asset》

“The Asset Platinum Award”



## 《Corporate Governance Asia》

“Asia’s Icon on Corporate Governance”

“Asia’s Best Investor Relations Company”

# Thank you!

For more information, please contact:

Investor Relations Department: [ir@chinamobilehk.com](mailto:ir@chinamobilehk.com)

Or visit the Company’s website: [www.chinamobileltd.com](http://www.chinamobileltd.com)

# Extracts from Audited Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2018

## – Appendix I

(RMB Mil)	2017	2018
<b>Operating revenue</b>	740,514	736,819
Revenue from telecommunications services	668,351	670,907
Voice services	156,918	108,083
Data services	493,350	542,083
Others	18,083	20,741
Revenue from sales of products and others	72,163	65,912
<b>Operating expenses</b>	620,388	615,432
Leased lines and network assets	46,336	47,470
Interconnection	21,762	20,692
Depreciation	149,780	152,545
Employee benefit and related expenses	85,513	93,939
Selling expenses	61,086	60,326
Cost of products sold	73,668	66,231
Other operating expenses	182,243	174,229

(RMB Mil)	2017	2018
<b>Profit from operations</b>	120,126	121,387
Other gains	2,389	2,906
Interest and other income	15,883	15,885
Finance costs	(210)	(144)
Income from investments accounted for using the equity method	9,949	13,861
Taxation	(33,723)	(35,944)
<b>Profit for the year</b>	114,414	117,951
<b>Profit attributable to:</b>		
Equity shareholders of the Company	114,279	117,781
Non-controlling interests	135	170
<b>Profit for the year</b>	114,414	117,951



# Extracts from Audited Consolidated Balance Sheet as at 31 December 2018

## – Appendix II

(RMB Mil)	2017.12.31	2018.12.31
Current assets	558,196	535,116
Non-current assets	963,917	1,000,794
<b>Total assets</b>	<b>1,522,113</b>	<b>1,535,910</b>
Current liabilities	529,982	474,398
Non-current liabilities	3,250	5,703
<b>Total liabilities</b>	<b>533,232</b>	<b>480,101</b>
<b>Total equity</b>	<b>988,881</b>	<b>1,055,809</b>

# Operating Data

## – Appendix III

		Unit	2017	2018
<b>Mobile service</b>	Customers	Mil	887.20	925.07
	Mobile service revenue	RMB Mil	600,358	577,120
	ARPU	RMB	57.7	53.1
	Handset data traffic	PB	12,569.3	35,453.4
	Handset data traffic DOU	GB	1.4	3.6
	MOU	Minutes	366	320
of which: 4G	Customers	Mil	649.51	712.65
	ARPU	RMB	66.4	61.3
	Handset data traffic DOU	GB	1.7	4.3
<b>Wireline broadband service</b>	Customers	Mil	112.69	156.69
	Wireline broadband service revenue	RMB Mil	39,731	54,285
	ARPU	RMB	35.1	33.5
of which: Household broadband	Customers	Mil	109.40	146.83
	Blended ARPU	RMB	33.3	34.4