

中國移動有限公司
China Mobile Limited
www.chinamobileltd.com

2015

Annual Results

17 March 2016



Management Present

Mr. SHANG Bing

Executive Director & Chairman

Mr. LI Yue

Executive Director & CEO

Mr. XUE Taohai

Executive Director, Vice President & CFO

Mr. SHA Yuejia

Executive Director & Vice President

Mr. LIU Aili

Executive Director & Vice President

1

Overall Results

2

Operating Performance

3

Financial Results

Favourable operating performance

Operating revenue **↑ 2.6%**
Leading industry growth rate

Net profit margin **16.2%**
Maintaining favourable level

4G marked further milestone

1.1m base stations

312m customer base

Evident impetus from data traffic

Wireless data traffic revenue **↑ 30.5%**

Taking up **34.5%** of service revenue

Key projects completed

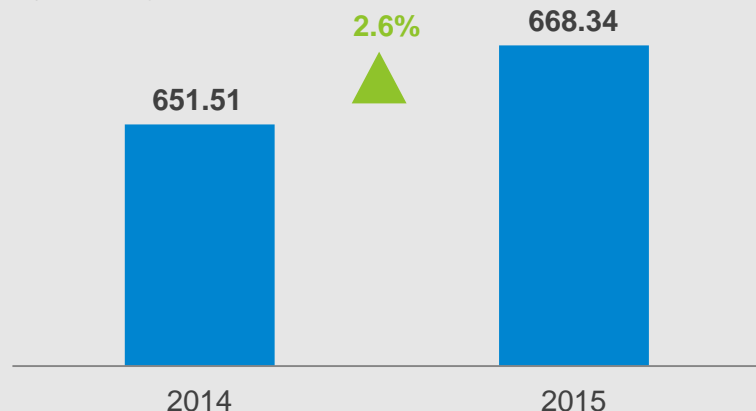
Wireline broadband license and resources gained via TieTong acquisition

Expect **long-term benefits** from Tower Assets transaction

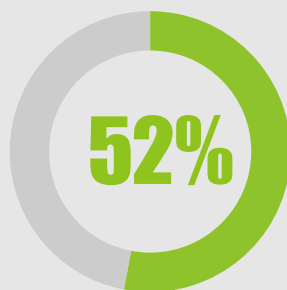
Operating Revenue: Growth Rate in the Lead and Structure Optimized

Operating revenue growth in *leading position*

(RMB Bn)

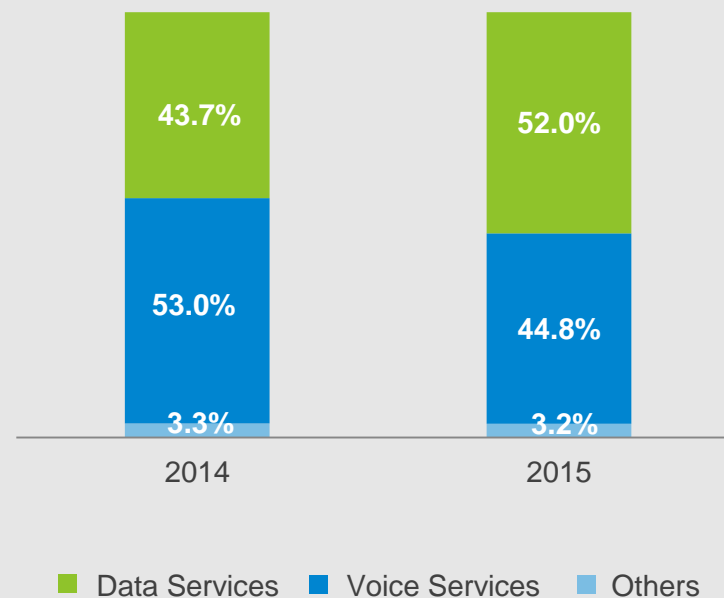


Market share of service revenue* *remained solid*

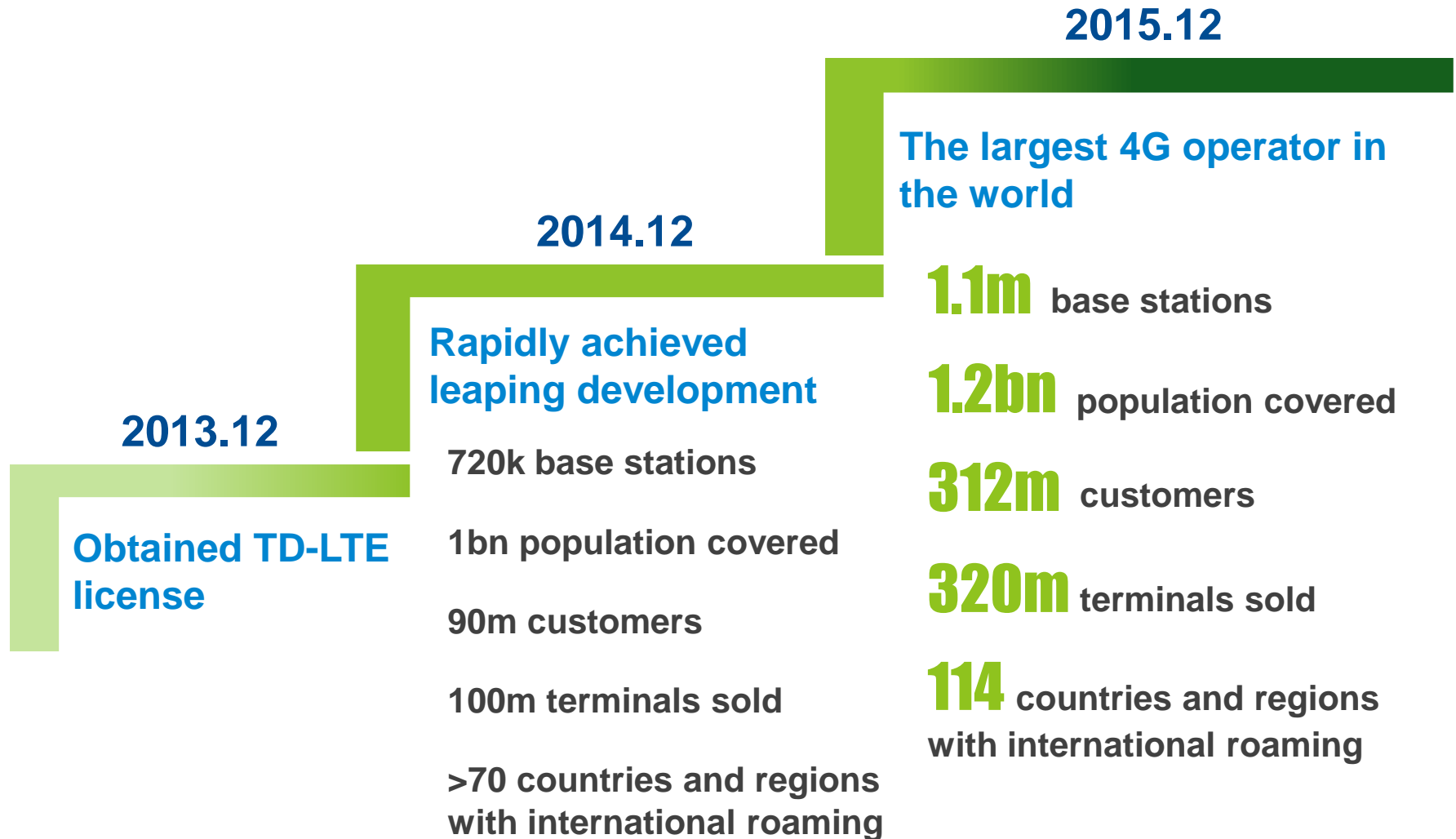


* Calculated according to MIIT disclosure

Data services revenue *first time surpassed* voice services revenue



4G Progress Marked Further Milestone



Dividend policy

- Meet the needs of long-term development
- Fulfill the requirements for strategic transformation
- Seek the opportunities of investment and acquisition
- Maintain the ability to mitigate risks

2015 full year dividend **HK\$2.721**
per share

2016 planned dividend payout ratio
43%

Note: Net profit of 2015 included one-off gain on the transfer of telecommunications towers and related assets ("Tower Assets"). Full year dividend is calculated according to dividend payout ratio of 43%

Opportunities and Challenges

Opportunities

Favourable government policies

- “Cyberpower”, “Internet+”

Rapid growth of information economy

- Optimization of information infrastructure facilities, expansion of information consumption

Vast digital services market

- Cloud computing, big data, Internet of Everything, etc.

Challenges

High penetration

- Market saturation, slow down in net add

Increasing pressure on tariff

- Voice and data tariff further decline

Mounting competition

- OTT, equipment / terminal vendors
- Strategic collaboration among operators

Network scale

Base stations > **2.6m**

High-capacity, smart and efficient
infrastructure network

Customer base

826m mobile customers,
ranked 1st globally

63% market share,
maintained leading position

Marketing capabilities

~ **20k** proprietary sales outlets

Annual GMV through e-Channel

> **RMB300bn**

Customer service

Customer satisfaction

4G customer NPS

No.1

Note¹: GMV: Gross Merchandise Volume

Note²: NPS: Net Promoter Score

Consolidate 4G *leading edges*

- Build premium network to elevate network capabilities
- Expedite customer migration to increase 4G penetration
- Accelerate VoLTE/RCS progress

Boost data traffic *revenue scale*

- **Tariff reduction:** Lower the threshold to enlarge customer base
- **Usage enhancement:** Innovative operation model to stimulate demand
- **Value preservation:** Balance between traffic and tariff to protect data value

Gain corporate customer *market share*

- Uplift market share of dedicated lines and IDC
- Expand the informatization applications for corporates and industries
- Boost competencies in product, marketing and service

Enhance wireline broadband *speed & efficiency*

- **High-standard:** Featuring high-bandwidth products
- **High-quality:** Branding with high quality services
- **High-value:** Emphasizing on investment and returns

Future Strategy: Development Fueled by Connectivity

Horizontally expand connectivity scale

Boost
connectivity scale

One-billion scale
connections
among people



Ten-billion scale
Internet of Everything

- Mobile, wireline, full connectivity
- Individuals, families, corporates
- Domestic, global

Vertically extend connectivity service

Optimize
connectivity service

Access
connections



Smart platform
connections

- IDC
- Cloud computing
- Big data

Tangible breakthrough in connectivity application

Strengthen
connectivity application

Basic access and
communication demand



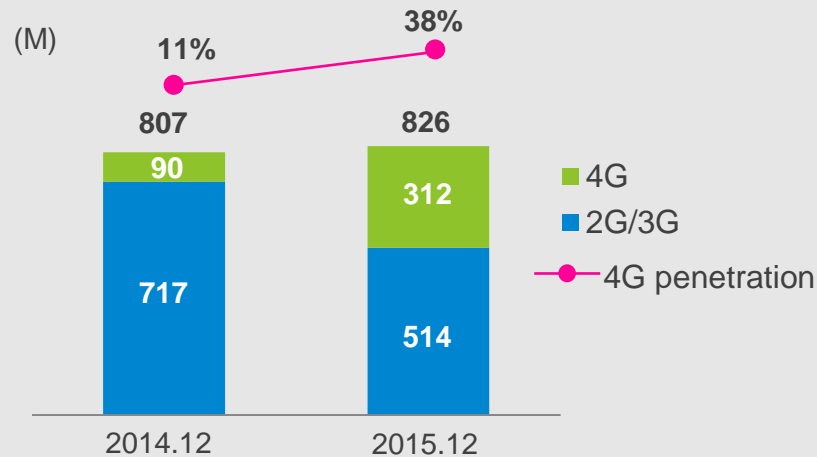
Vertical market
applications

- Content and media applications
- Digital terminals products
- Industry solutions

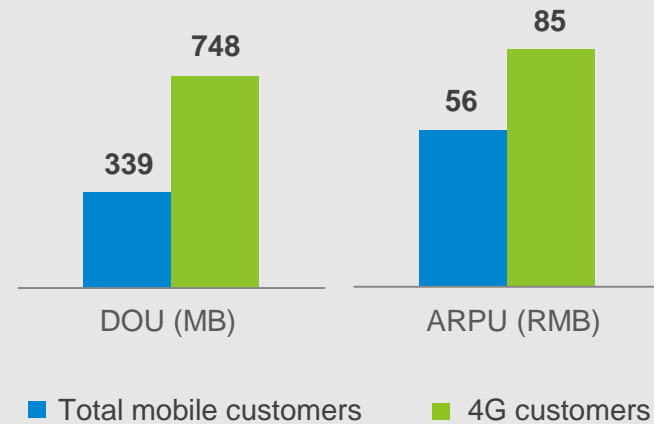
- ① Overall Results
- ② **Operating Performance**
- ③ Financial Results

Revenue Structure Optimization Fueled by 4G

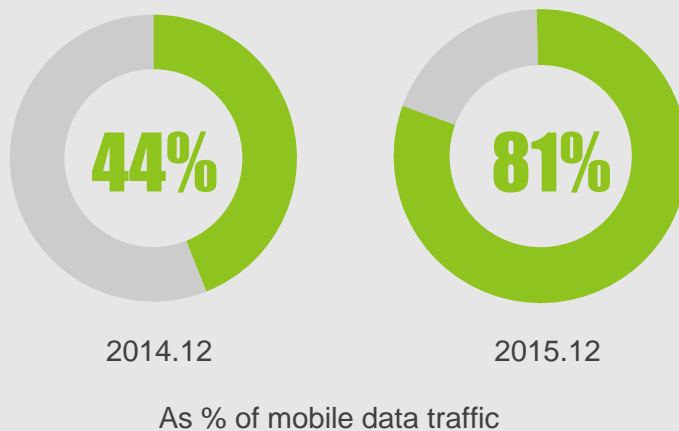
Accelerated migration to 4G



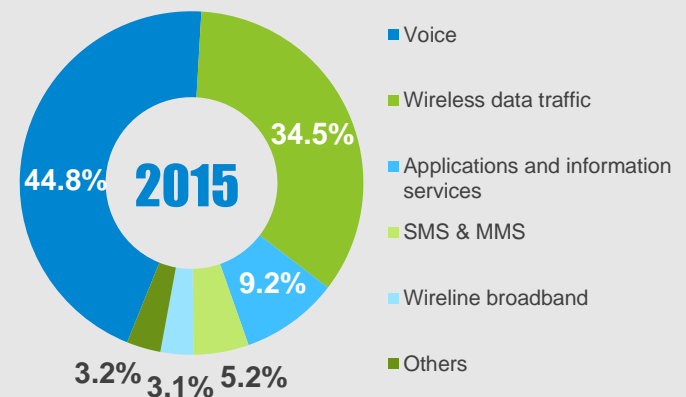
Increased 4G usage and value



Proportion of 4G data traffic raised



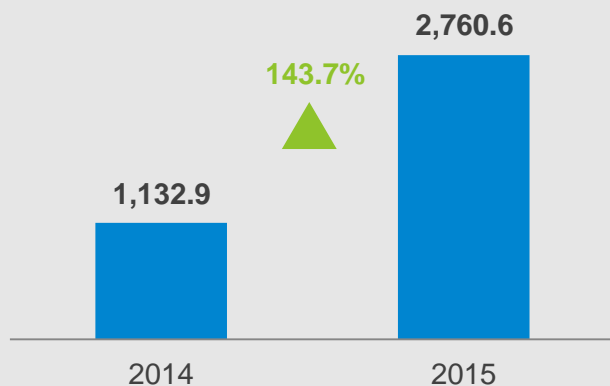
Optimized service revenue structure



Data Traffic as Primary Impetus for Revenue Growth

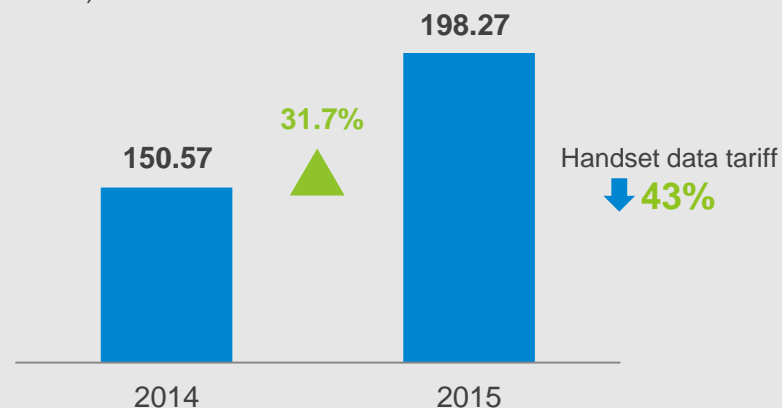
Mobile data traffic

(PB)



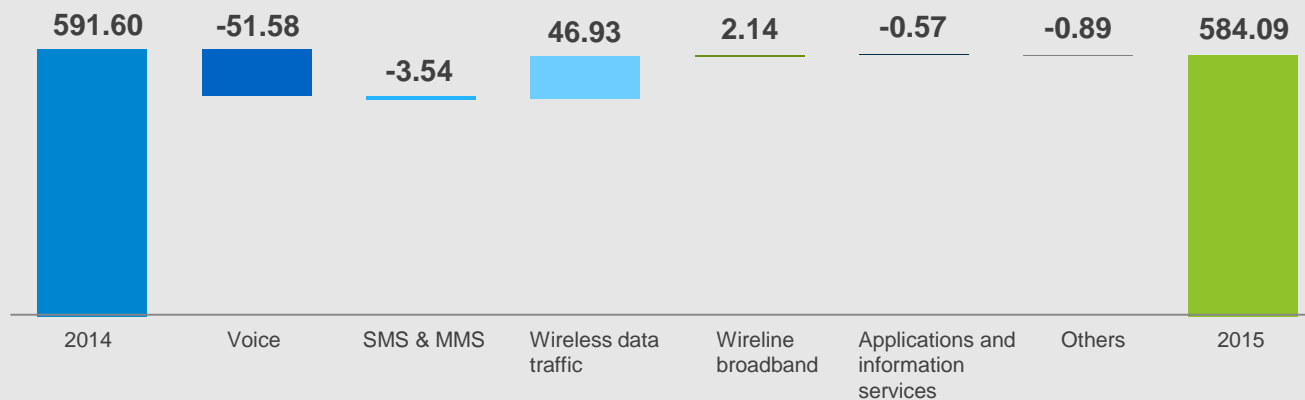
Mobile data traffic revenue

(RMB Bn)



Service revenue

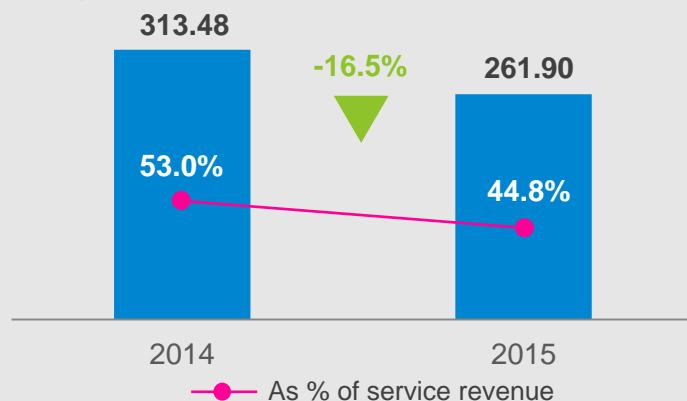
(RMB Bn)



Maintained Scale Advantage in Mobile Services

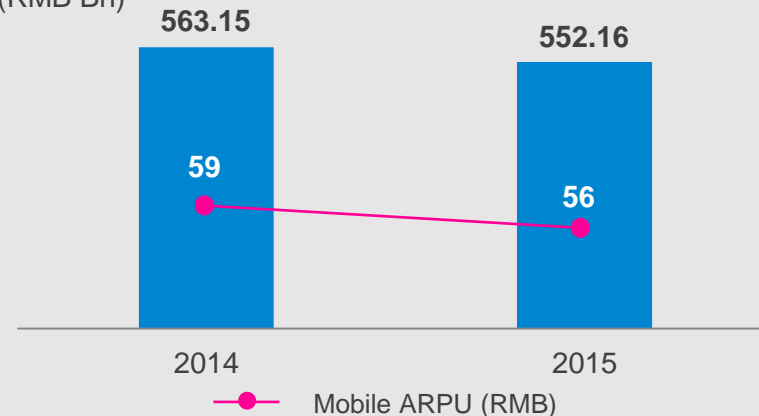
Voice services revenue

(RMB Bn)



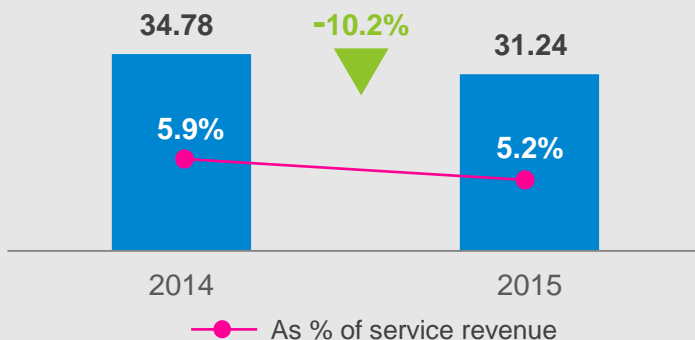
Mobile services revenue

(RMB Bn)



SMS & MMS revenue

(RMB Bn)



Mobile ARPU downtrend continued but eased

Traditional business revenue continued to decline

- OTT substitution further intensified
- Tariff continued to fall

Note: For mobile services revenue and mobile ARPU definition, please refer to Appendix I

Corporate customers

Revenue

Market share of corporate telecommunications and informatization services revenue reached nearly 1/3

Data dedicated lines revenue ▲ 95.3%,
IDC revenue ▲ 31.1%

Products



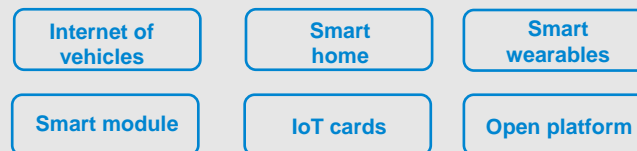
Internet of Things

Scale

IoT connectivity scale > 60m

Established "China Mobile Public IoT"

Products



International business

Network

International transmission bandwidth ▲ 87%

POP covers Southeast Asia, North America, Middle East, Western Europe and Africa

Business

Outgoing roaming data customers ▲ 82%

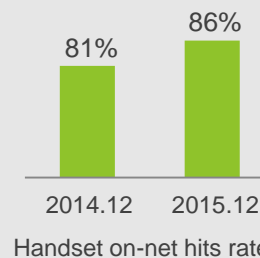
Outgoing roaming data traffic ▲ 498%

Mobile Internet

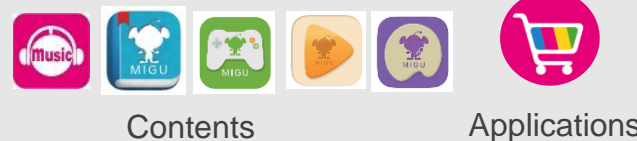
Capabilities

Strengthen IDC construction and introduce contents and resources

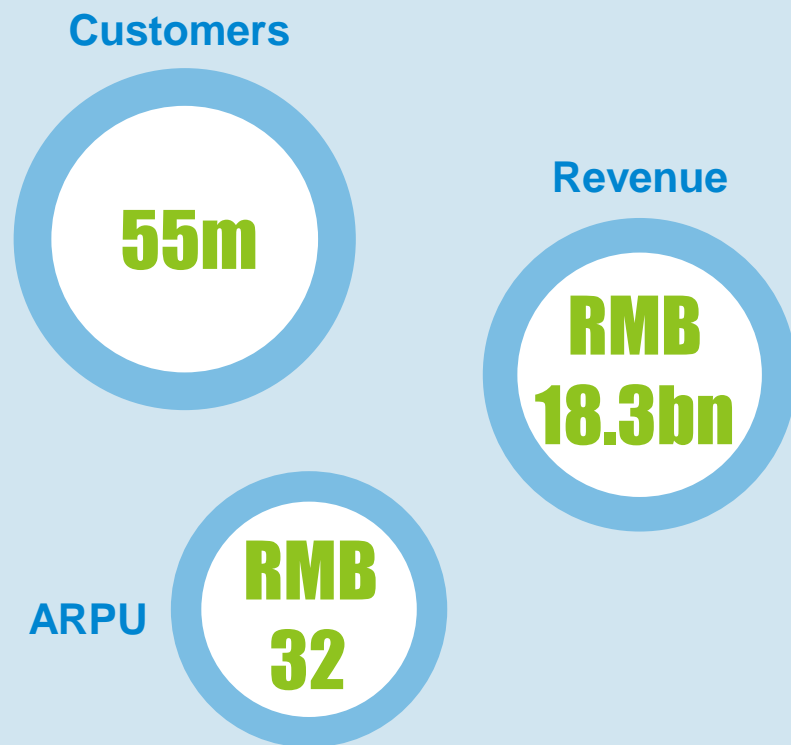
Speed up deployment on content distribution network



Products



Development in 2015



Future strategy

Emphasize on high-bandwidth products and integrated development

- **20M** initial **50M** core **>100M** target
- Wireline broadband + Mobile + TV + Smart Home

Adhere to high quality and high value

- Focus on quality and boost customer value

Insist on targeted development

- Tilt towards areas already covered
- Keep boosting FTTH utilization

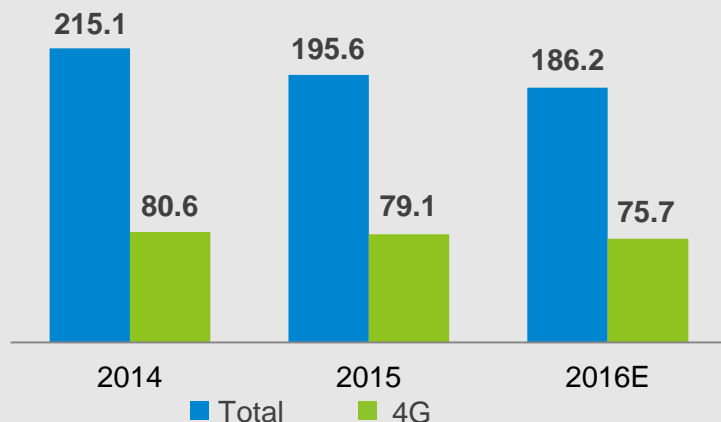
Improve six key mechanisms

- Products, tariff, brands, marketing, channels and services

CAPEX Gradually Decline

CAPEX

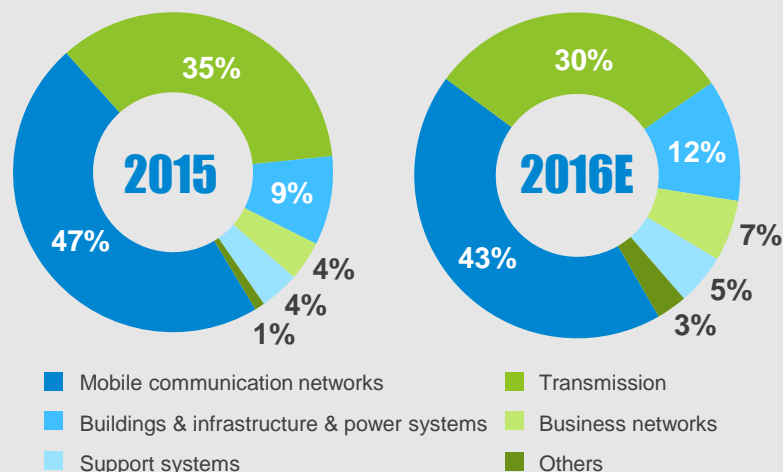
(RMB Bn)



2015 network capabilities

- **4G:** Added 380k base stations, buildings with deep indoor coverage reached 250k
- **Transmission:** Pipes increased 9.5%, optic cables increased 15.8%, interprovincial backbone network bandwidth increased 250%

CAPEX structure



2016 major investments

- **4G:** RMB75.7bn including 4G wireless network, core network, site transmission
- **Wireline broadband:** RMB11.2bn including corporate customer dedicated lines, household broadband
- **Transmission:** RMB39bn, excluding access part

Ensure trustworthy consumption

Complaint rate remained lowest in the industry for **6 consecutive years**

Protect Information Security

- Spam SMS complaints ↓ **29.4%**
- Protect customer privacy, guard against phishing

Safeguard customers' right to know

- Send **190m** billing reminder messages per month

Sustain energy conservation and emissions reduction

Overall energy consumption per unit of information flow ↓ **17.5%**

Initiate green operation

- The 9th year** Green Action Plan

Network Energy saving technology	Services E-statement
Terminal Trade-in service	Office Energy and materials saving

Support green life

- Provide green informatization solution



Support charitable activities

.....

Promote Information to Benefit People

.....

1 Consolidate market position

- **1.4m** 4G base stations, **500m** 4G customers, **Full commercialization** of VoLTE
- Wireline broadband: Insists on **speed upgrade and targeted development**, concentrates on the capture of **high-speed and high-end** customers
- Continue to strengthen **professional operations**, develop corporate customers and emerging businesses

2 Enhance service quality

- Quality of network
- Quality of business
- Protect customer rights

3 Further improve marketing efficiency

4 Drive CAPEX gradually decline

5 Maintain industry-leading profitability



- ① Overall Results
- ② Operating Performance
- ③ **Financial Results**

Key Financial Indicators

	2014 As restated	2015	Changes
Operating revenue (RMB Bn)	651.51	668.34	2.6%
of which: revenue from telecommunications services (RMB Bn)	591.60	584.09	-1.3%
EBITDA (RMB Bn)	241.83	240.03	-0.7%
EBITDA margin	37.1%	35.9%	-1.2pp
EBITDA as % of revenue from telecommunications services	40.9%	41.1%	0.2pp
Net profit (RMB Bn)	109.22	108.54	-0.6%
Net profit margin	16.8%	16.2%	-0.6pp
Basic earnings per share (RMB)	5.38	5.30	-1.5%

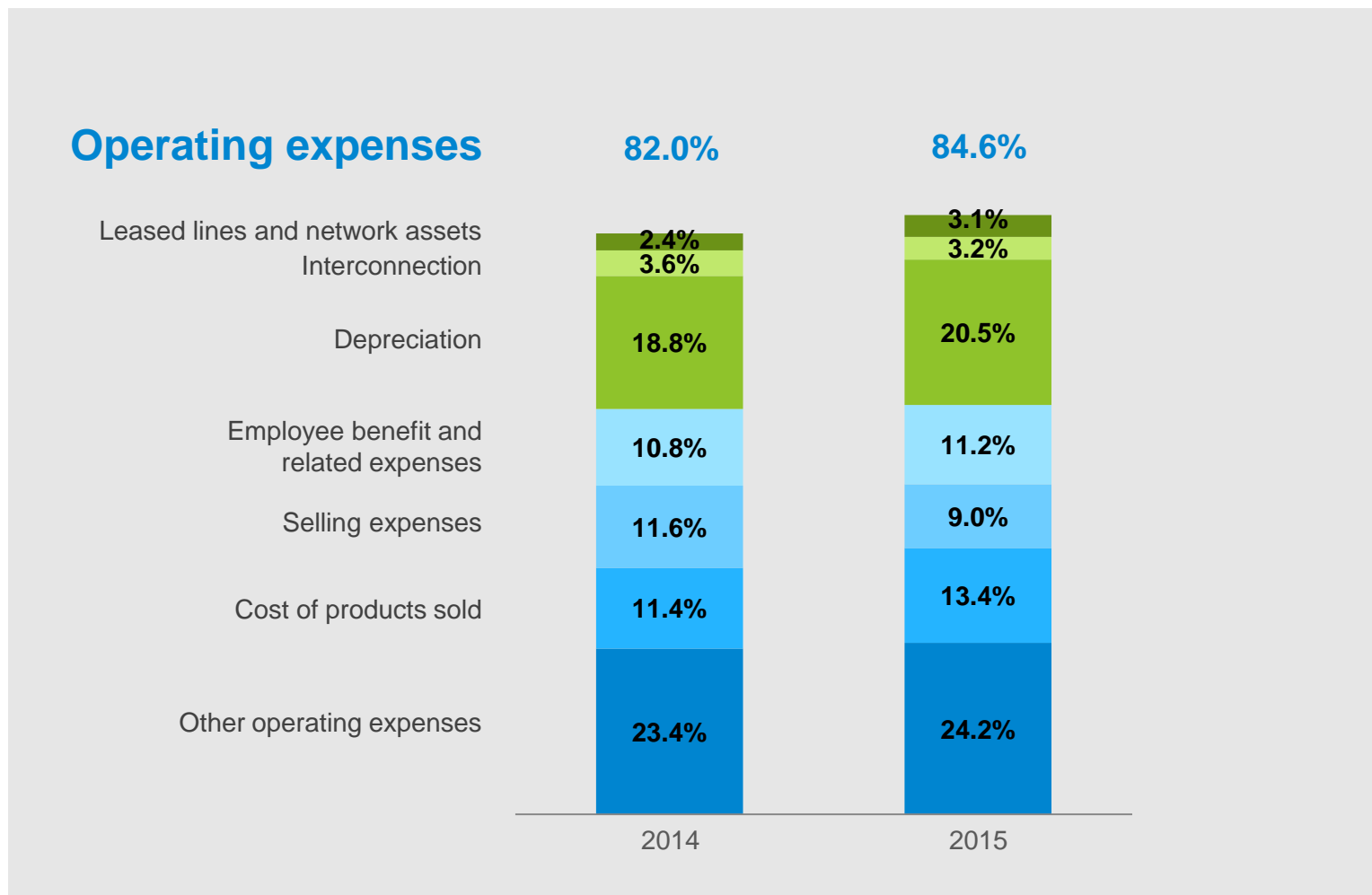
Note¹ : Data in the above table reflects the financial indicator after consolidating TieTong. Please refer to Appendix II for comparison of key financial indicators before and after consolidating TieTong

Note² : Net profit of 2015 included one-off gain on the transfer of Tower Assets of RMB10.1bn. Please refer to Appendix I for details

Note³ : Pilot program for the transformation from business tax to value-added tax extended to cover the telecommunications industry from 1 June 2014

Note⁴ : EBITDA margin = EBITDA/operating revenue

Maintain Effective Cost Control



Note¹: The above data are expressed as a percentage of operating revenue

Note²: Employee benefit and related expenses = personnel expenses + labour service expenses which has been excluded from other operating expenses

Continue to Compress Marketing Cost

Efficiency in utilizing marketing resources enhanced

- Enhanced the marketization of device sales, device subsidies* **↓ 40.9%**
- Promoted transformation of social channels, commissions **↓ 14.3%**
- Centralized advertising and promotion, advertising expenses **↓ 36.6%**
- Stopped high-cost marketing services, lowered expenses
- Enhanced tariff concessions, benefited customers directly

Selling expenses reduced **> RMB30bn** in total for two consecutive years

Gradually build up efficient marketing system

More streamlined businesses

More convenient services

More explicit communications

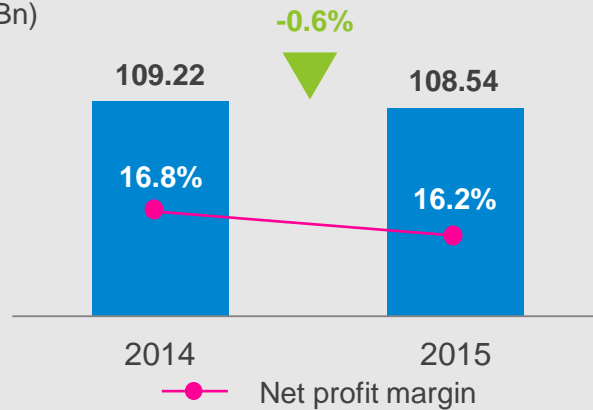
More beneficial to the customers

* Device subsidies is listed in the “cost of products sold” in the financial statement

Maintain Favourable Profitability

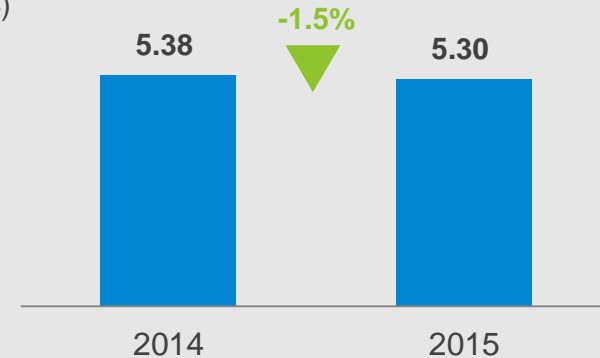
Net profit

(RMB Bn)



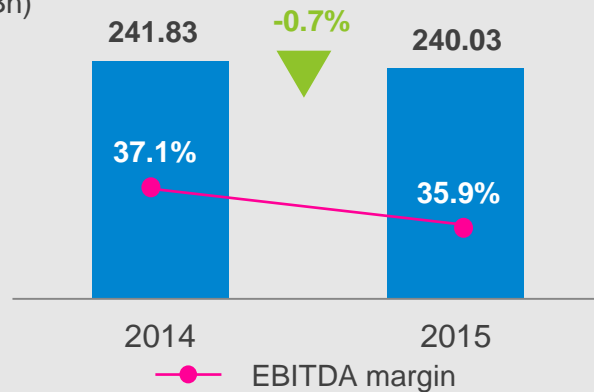
Basic EPS

(RMB)



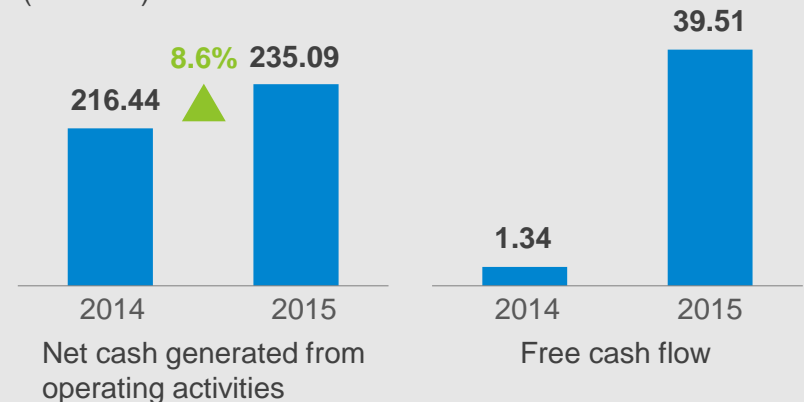
EBITDA

(RMB Bn)



Cash flow

(RMB Bn)



Note: In 2015, EBITDA as a percentage of revenue from telecommunications services was 41.1% and increased by 0.2 percentage points as compared to the same period of last year

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

Maintain Steady Capital Structure

	2014.12.31 As restated (RMB Bn)	2015.12.31 (RMB Bn)
Short term debt	11.31	-
Long term debt	4.99	4.99
Total debt	16.30	4.99
Shareholders' equity	886.92	917.34
Total book capitalization	903.22	922.33
Debt to assets ratio	34.1%	35.5%
Total debt / total book capitalization	1.8%	0.5%
Cash & bank deposits	436.79	407.76

S&P, Moody's

Corporate credit rating is equivalent to China sovereign rating

The Acquisition of TieTong

Completed acquisition of the TieTong assets and business

- **Final consideration:** RMB31.967bn

Benefits of the acquisition

- Obtain a wireline broadband license and network resources
- Enhance the competitiveness of the full-service operations
- Contribute to the development of fixed-mobile convergence, enhance customer loyalty
- Reduce connected transactions significantly

2015 key financial indicators

(RMB Bn)

	After consolidating TieTong	Before consolidating TieTong
Operating revenue	668.34	658.35
Telecommunications services revenue	584.09	574.82
Operating expenses	565.41	555.36
EBITDA	240.03	233.00
Net profit	108.54	108.55

Note: Please refer to Appendix II for comparison of key financial indicators before and after consolidating TieTong

Completion of the transfer of Tower Assets

- **Final consideration:** RMB102.736bn
- **Payment :** Issuance of new shares + cash payment
- **Shareholding:** 38% of China Tower's shares
- **Cash consideration:** RMB57.585bn
 - The first installment RMB5bn was received in Feb 2016
 - The remaining balance RMB52.585bn will be received before 31 Dec 2017, with an annual interest rate of 3.92%
- **Leasing fee in 2015:** Accrued RMB5.6bn (in respect of existing towers acquired by China Tower for Nov and Dec and newly-added towers constructed by China Tower since the date of delivery)

Benefits of the transaction

- **Short-term benefits:**
Net profit in 2015 **+RMB10.1bn** (one-off)
- **Long-term benefits:**
 - Alleviate the difficulty of site selection for base stations
 - Save CAPEX
 - Save operating expenses along with the increased sharing rate of telecommunications towers
 - Benefit from the future earnings of China Tower



Thank You

Adjustment on Revenue Presentation and Gain on the Transfer of Tower Assets

- Appendix I

Adjustment on revenue presentation

Revenue breakdown (before adjustment)	Revenue breakdown (after adjustment)
Operating revenue	Operating revenue
Telecommunications services revenue	Telecommunications services revenue
Voice services revenue	Voice services revenue
Data services revenue	Data services revenue
SMS & MMS services revenue	SMS & MMS services revenue
Wireless data traffic service revenue	Wireless data traffic service revenue
Applications and information services revenue	Wireline broadband services revenue
of which: wireline broadband services revenue	Applications and information services revenue
Other revenue	Other revenue
Revenue from sales of products and others	Revenue from sales of products and others

- **Mobile services revenue** = telecommunications services revenue - fixed voice services revenue - fixed value added services revenue - wireline broadband services revenue - network resource services revenue - IDC services revenue - equipment renting services revenue
- In the table of revenue breakdown (after adjustment), fixed voice services revenue is included in voice services revenue; fixed value added services revenue is included in applications and information services revenue; network resource services revenue and IDC services revenue is remained in applications and information services revenue; equipment renting services revenue is included in other revenue.
- **Mobile ARPU** = mobile services revenue / average mobile customers / 12
- **Wireline broadband ARPU** = wireline broadband services revenue / average wireline broadband customers / 12

Gain on the transfer of Tower Assets

Item	Amount (RMB M)
Consideration	102,736
Net book value of the Tower Assets	(78,763)
Taxes, surcharges and others	(2,260)
Premium on the transfer of Tower Assets	21,713
Offset of unrealized profits basing on 38% shareholding	(6,188)
Gain on the transfer of Tower Assets	15,525
Income tax expenses	(5,429)
One-off effect on the net profit of 2015 arising from the transfer of Tower Assets	10,096

Comparison of Key Financial Indicators Before and After Consolidating TieTong

– Appendix II

	After consolidating TieTong		Before consolidating TieTong	
	2015 (RMB M)	2014 (RMB M)	2015 (RMB M)	2014 (RMB M)
Operating revenue	668,335	651,509	658,346	641,448
Telecommunications services revenue	584,089	591,602	574,816	581,817
Operating expenses	565,413	534,189	555,356	524,114
Profit from operations	102,922	117,320	102,990	117,334
EBITDA	240,028	241,831	233,004	235,259
Net profit	108,539	109,218	108,545	109,279
Net assets	920,368	888,983	890,828	858,643

Extracts from Audited Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2015

– Appendix III

	2015 (RMB M)	2014 As restated (RMB M)
Operating Revenue	668,335	651,509
Telecommunications services revenue	584,089	591,602
Voice services	261,896	313,476
Data services	303,425	258,462
Others	18,768	19,664
Revenue from sales of products and others	84,246	59,907
Operating expenses	565,413	534,189
Leased lines and network assets	20,668	15,843
Interconnection	21,668	23,502
Depreciation	136,832	122,805
Employee benefit and related expenses	74,805	70,385
Selling expenses	59,850	75,655
Costs of products sold	89,297	74,495
Other operating expenses	162,293	151,504

	2015 (RMB M)	2014 As restated (RMB M)
Profit from operations	102,922	117,320
Gain on the transfer of Tower Assets	15,525	-
Other gains	1,800	1,171
Interest income	15,852	16,270
Finance costs	(455)	(487)
Share of profit of investments accounted for using the equity method	8,090	8,248
Taxation	(35,079)	(33,179)
Profit for the Year	108,655	109,343
Attributable to:		
Equity shareholders of the Company	108,539	109,218
Non-controlling interests	116	125
Profit for the Year	108,655	109,343

Extracts from Audited Consolidated Balance Sheet as at 31 December 2015

– Appendix IV

	2015.12.31 (RMB M)	2014.12.31 As restated (RMB M)
Current assets	488,697	486,925
Non-current assets	939,198	861,110
Total assets	1,427,895	1,348,035
Current liabilities	501,038	452,492
Non-current liabilities	6,489	6,560
Total liabilities	507,527	459,052
Net assets	920,368	888,983

Operating Data – Appendix V

		2015	2014
Mobile service	Total customers (M)	826.24	806.63
	of which: 4G customers (M)	312.28	90.06
	3G customers (M)	169.38	245.75
	MOU (minutes/user/month)	430	453
	ARPU (RMB/user/month)	56	59
	Handset data traffic DOU (MB/user/month)	339	155
	Total voice usage (Bn minutes)	4,220.8	4,293.9
	Mobile data traffic (PB)	2,760.6	1,132.9
	SMS usage (Bn messages)	559.9	611.4
	Average mobile voice services revenue per Minute (RMB)	0.061	0.072
	Average handset data revenue per MB (RMB)	0.078	0.137
	Average monthly churn rate	2.78%	3.13%
Wireline broadband	Total customers (M)	55.03	-
	ARPU (RMB/user/month)	32	-

Forward-looking Statement

Certain statements contained in this document may be viewed as “forward-looking statement” within the meaning of Section 27A of the U.S. Securities Act of 1993, 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 any future performance, financial conditions and results of operations implied by such 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 the Company’s other filings with the SEC.