



中華電信  
Chunghwa Telecom

# 1H 2010 Operating Results

August 26 , 2010

# Disclaimer

## Note Concerning Forward-looking Statements

This press release contains forward-looking statements. These statements constitute "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar statements. Chunghwa may also make written or oral forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission on forms 20-F and 6-K., in its annual report to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about Chunghwa's beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Investors are cautioned that actual events and results could differ materially from those statements as a result of a number of factors including, but not limited to: extensive regulation of telecom industry; the intensely competitive telecom industry; our relationship with our labor union; general economic and political conditions, including those related to the telecom industry; possible disruptions in commercial activities caused by natural and human induced events and disasters, including terrorist activity, armed conflict and highly contagious diseases, such as SARS; and those risks outlined in Chunghwa's filings with the U.S. Securities and Exchange Commission, including its registration statements on Form F-1, F-3, F-6 and 20-F, in each case as amended. Chunghwa does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

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## SPECIAL NOTE REGARDING NON-GAAP FINANCIAL MEASURES

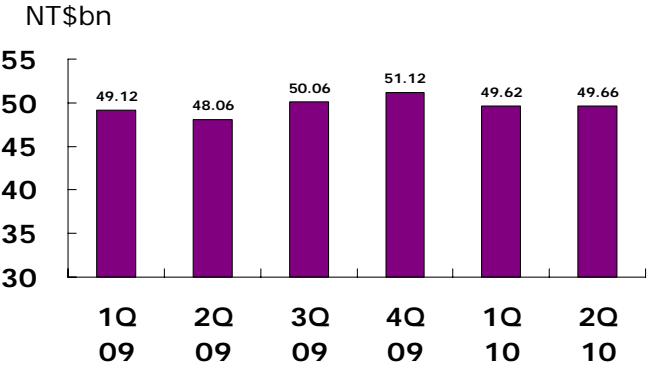
A body of generally accepted accounting principles is commonly referred to as "GAAP". A non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable U.S. GAAP measure. We disclose in this report certain non-GAAP financial measures, including EBITDA. EBITDA for any period is defined as consolidated net income (loss) excluding (i) depreciation and amortization, (ii) total net comprehensive financing cost (which is comprised of net interest expense, exchange gain or loss, monetary position gain or loss and other financing costs and derivative transactions), (iii) other expenses, net, (iv) income tax, (v) cumulative effect of change in accounting principle, net of tax and (vi) (income) loss from discontinued operations.

In managing our business we rely on EBITDA as a means of assessing our operating performance. We believe that EBITDA can be useful to facilitate comparisons of operating performance between periods and with other companies because it excludes the effect of (i) depreciation and amortization, which represents a non-cash charge to earnings, (ii) certain financing costs, which are significantly affected by external factors, including interest rates, foreign currency exchange rates and inflation rates, which have little or no bearing on our operating performance, (iii) income tax and tax on assets and statutory employee profit sharing, which is similar to a tax on income and (iv) other expenses or income not related to the operation of the business.

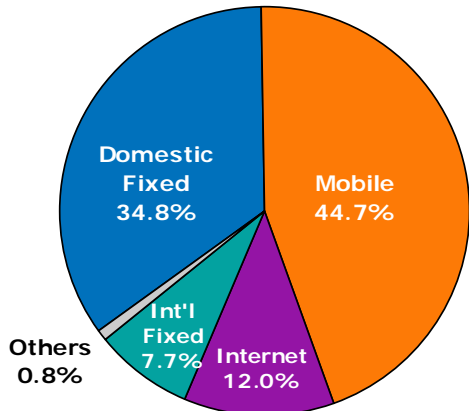
EBITDA is not a measure of financial performance under ROC GAAP. EBITDA should not be considered as an alternate measure of net income or operating income, as determined on a consolidated basis using amounts derived from statements of operations prepared in accordance with ROC GAAP, as an indicator of operating performance or as cash flows from operating activity or as a measure of liquidity. EBITDA has material limitations that impair its value as a measure of a company's overall profitability since it does not address certain ongoing costs of our business that could significantly affect profitability such as financial expenses and income taxes, depreciation, pension plan reserves or capital expenditures and associated charges. These non-GAAP measures are not in accordance with or an alternative for GAAP financial data, the non-GAAP results should be reviewed together with the GAAP results and are not intended to serve as a substitute for results under GAAP, and may be different from non-GAAP measures used by other companies. For more information on these non-GAAP financial measures, please see the tables captioned set forth at the end of this release and which shall be read together with the accompanying financial statements prepared under ROC GAAP.

# Solid Performance

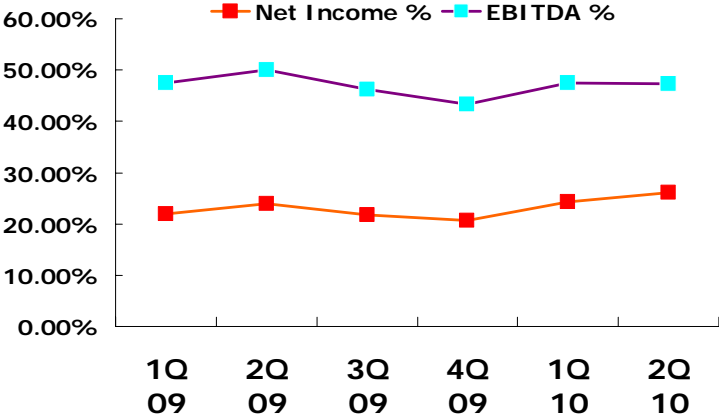
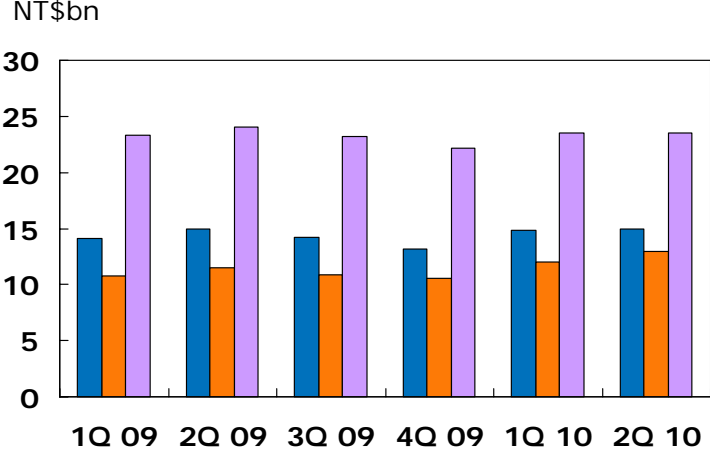
Consolidated Revenue



1H 10 Revenue Breakdown

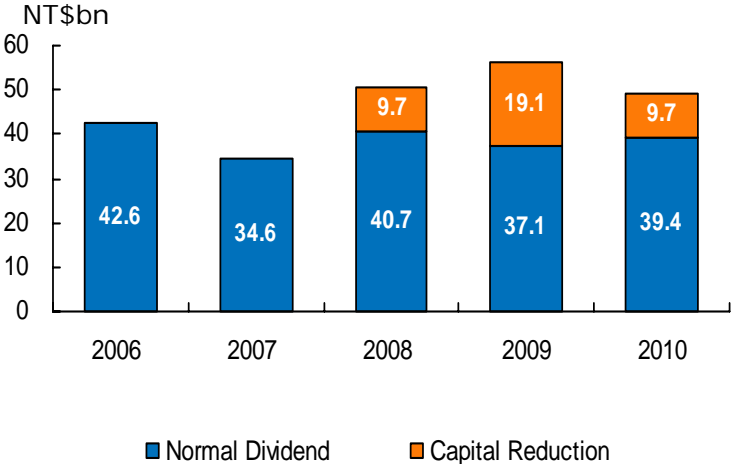


Operating Income Net Income EBITDA



# Consistent Return to Shareholders

## Cash Return



Note:

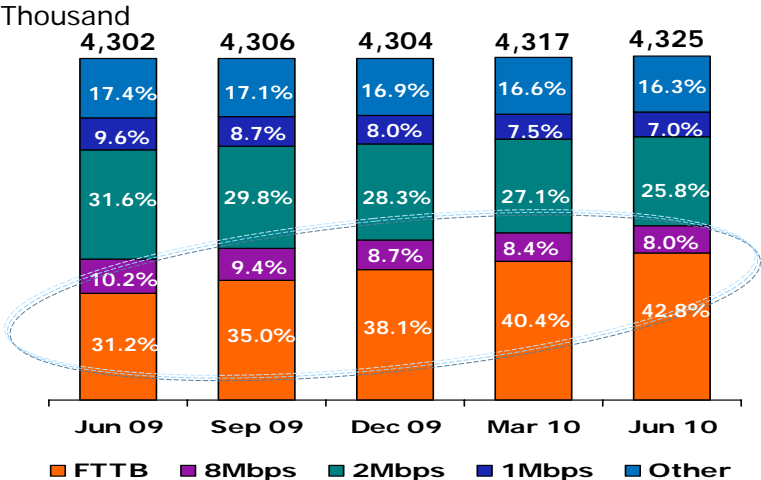
1. The cash return was calculated based on cash dividend and cash return from capital reduction, stock dividend was not included.
2. 1 ADR = 10 common shares

- Cash dividend for 2009 totaled NT\$39.4bn
- Cumulative cash returns of NT\$38.5bn to shareholders in the previous three rounds of capital reduction
- 4<sup>th</sup> capital reduction round approved by The Board and by shareholders at our AGM
  - Cash return expected to be NT\$19.4bn in 1Q2011

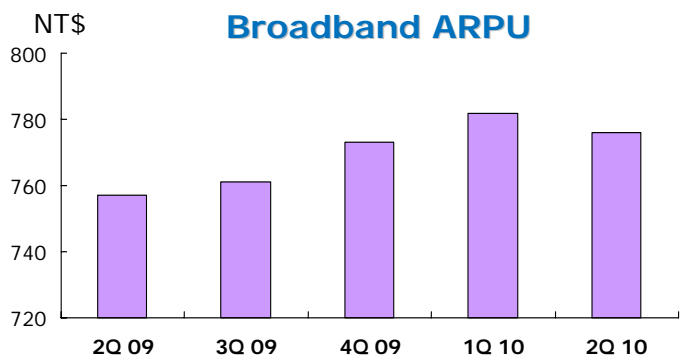
# Business Overview

# Broadband Services/Growth Drivers in Fixed-Line

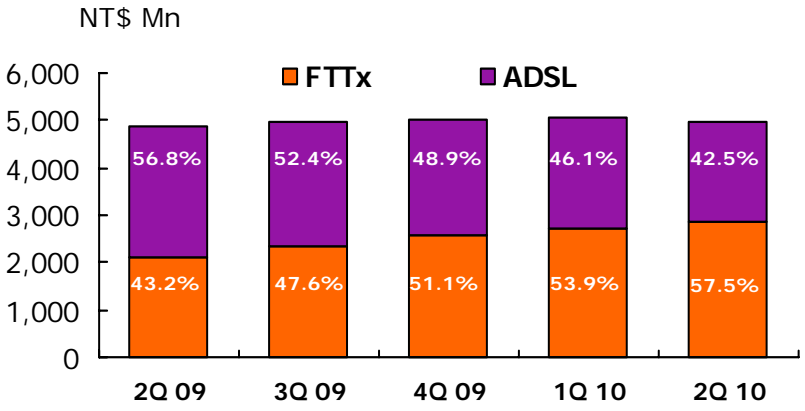
## Broadband Subscribers



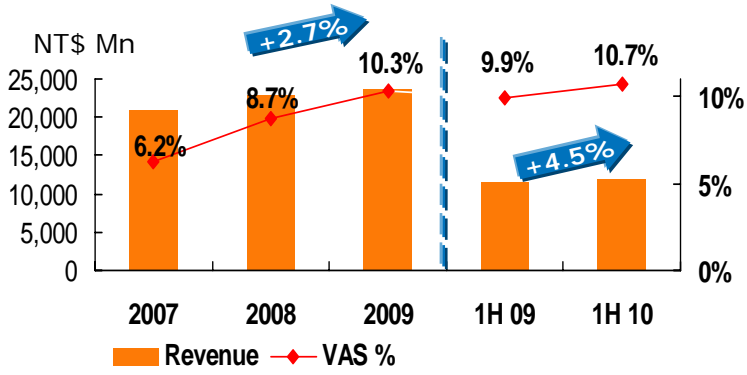
## Performance



## Revenue of Fixed Line Broadband

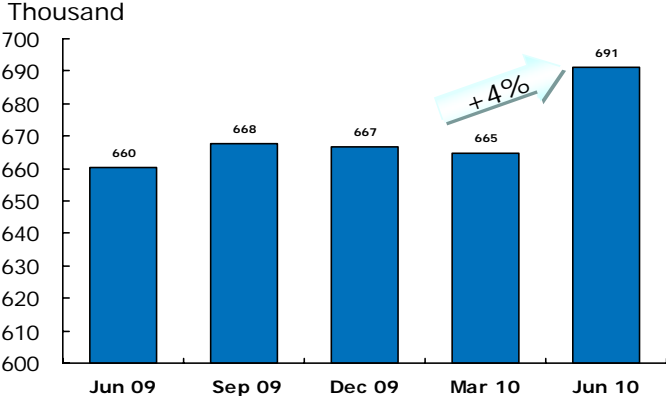


## Internet Revenue



# Growing Momentum in MOD/ IPTV

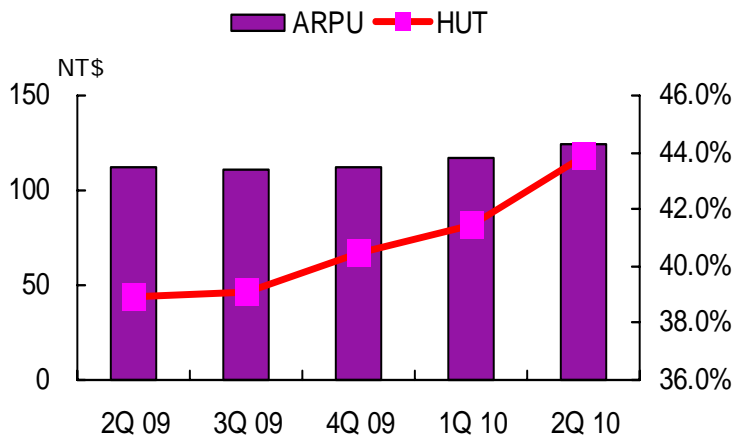
## MOD/IPTV Subscribers



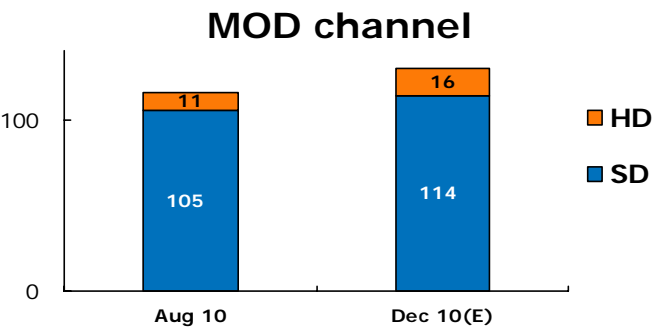
## 1H Performance

- Launching Family Packages
  - Subscription amounted to 120,000 (Aug '10) from 9,611 (Apr '10)
- Bringing in event-based brand effect
  - World Cup brings in 47% of current subscriptions of Sport Package

## 2H Outlook



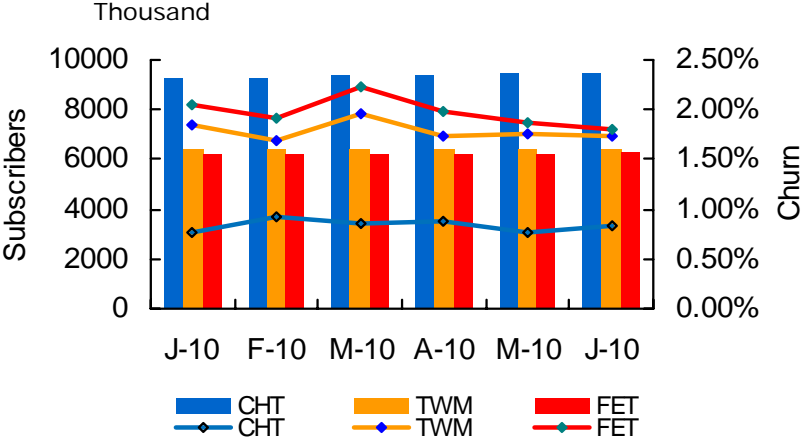
Note : MOD ARPU includes Ads and billing handling income since 2010



- Providing the highest number of HD channels in local market (Ex: ESPN, NGC, eye TV)
- More sport events and life info services to come
- Subs target of 2010 : 900 thousand

# Number One Mobile Services Provider

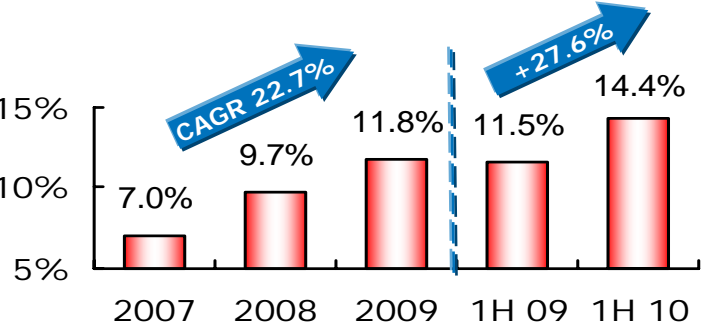
## Highest Subs & Lowest Churn



## VAS Strategies

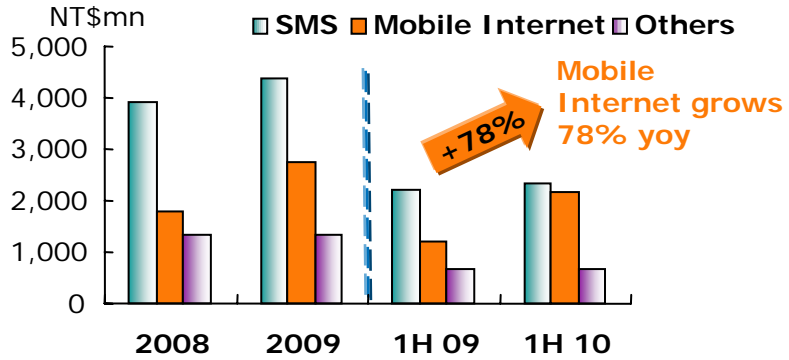
- Maintain mobile leadership by acquiring customers, minimizing churn rate, and increasing user loyalties via compelling user experiences
- Create value via smartphone services
- Increase mobile VAS revenue by offering customized and integrated Hami VAS services with mobile Internet tariff plans over 3.5G+WiFi networks

## Mobile VAS Revenue %



➡ : Revenue yoy Growth

## VAS Breakdown

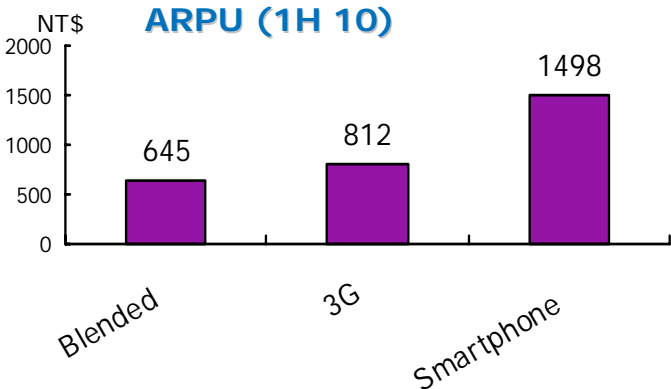
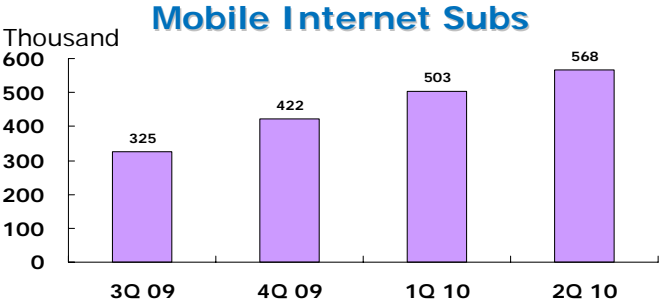




# Smartphone Value Driver for Mobile

## Performance

- Smartphone customers account for 17% of the total handsets CHT offered in 1H2010
  - The percentage is expected to reach 20% by 2010



## Successful Smartphone Strategies

- Promote smartphones with variety of applications to increase premium customer penetration
  - Platforms support iOS (iPhone), Android, and Windows Mobile, Symbian, BMP
  - Tie-in-sales with world-class smartphones (ex. Apple, HTC and Garmin-Asus)

## Customized VAS

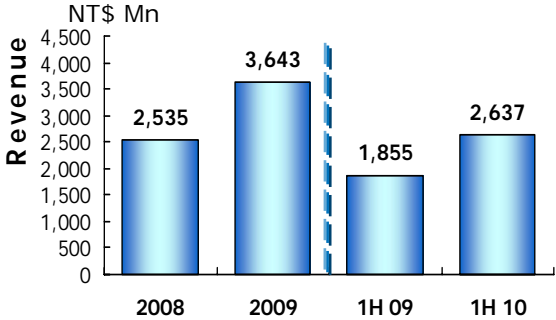
- Focus on 3G VAS to satisfy diversified customer demand and increase usage
- VAS services includes
  - Information: News, weather, finance, sports, public transportation timetables
  - Service applications: Movie ticketing, Xuite, shopping channel and e-book
  - Payment for parking fees, game debit card
  - Membership: Personal bill retrieving, online call center, website recommendation
  - Promotion: Festival special

# New Business Initiatives for Future Growth

## Convergence Services

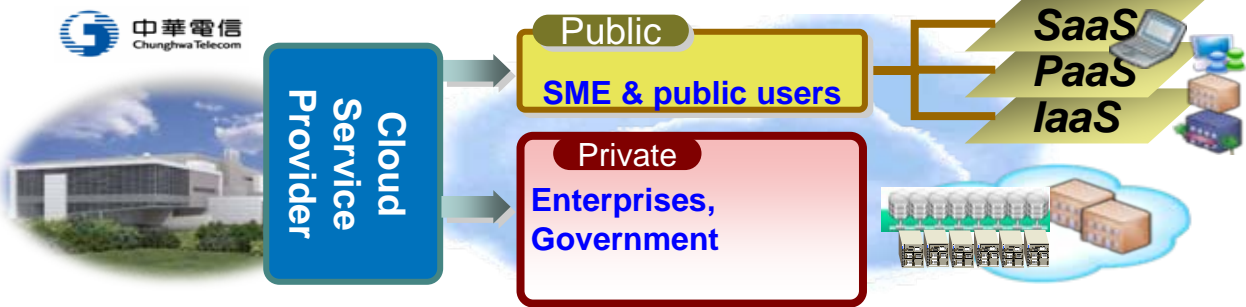
- Services launched: Music (hifree, KKBOX), Video (Sports, Movie), Surveillance, Multimedia Phone
- Expecting single sign-on available on 3 platforms in 4Q 10

## Corporate ICT Business



- To focus on ICT business lines and government project
  - ITS, iEN, information security, PBX, call center, billing VAS and IDC
  - IOT

## Cloud Computing



# Overseas Development

## ICT Market

### JV

- Vietnam (Viettel IDC): Major businesses include Hosting Co-location, Server rental, VAS etc
- China (Sertech): Duplicate our experiences in call center cross strait



### Subsidiary

- China and Vietnam : Deploy global plan by local touch
- Provide ICT-related solution with iEN, mobile VAS and ITS services etc., scheduled to be in operation in Q1 2011

## Telecom Market

- Expand international fixed business to provide quality and competitive services to multinational corporate customers
- Major business: IPLC, IP-VPN, IP transit, voice and data wholesale and type I/II services

# Financials Overview

# Financials: Income Statement Highlights

(NT\$bn)	ROC GAAP (Consolidated)					
	1H 2009	1H 2010	Growth Rate	Q2 2009	Q2 2010	Growth Rate
<b>Net Revenues</b>	<b>97.18</b>	<b>99.28</b>	<b>2.2%</b>	<b>48.06</b>	<b>49.66</b>	<b>3.3%</b>
<b>Operating Costs and Expenses</b>	<b>68.13</b>	<b>69.49</b>	<b>2.0%</b>	<b>33.14</b>	<b>34.75</b>	<b>4.9%</b>
<b>Income from Operations</b>	<b>29.05</b>	<b>29.79</b>	<b>2.6%</b>	<b>14.92</b>	<b>14.91</b>	<b>(0.1%)</b>
<b>Net Income</b>	<b>22.26</b>	<b>24.99</b>	<b>12.3%</b>	<b>11.48</b>	<b>12.93</b>	<b>12.7%</b>
<b>Net Income Margin (%)</b>	<b>22.91</b>	<b>25.17</b>		<b>23.88</b>	<b>26.04</b>	
<b>EBITDA</b>	<b>47.41</b>	<b>47.07</b>	<b>(0.7%)</b>	<b>24.05</b>	<b>23.51</b>	<b>(2.3%)</b>
<b>EBITDA margin (%)</b>	<b>48.79</b>	<b>47.41</b>		<b>50.05</b>	<b>47.33</b>	

Note : The calculation of growth rate is based on NT\$mn.

# Financials: Business Segment Revenues

(NT\$bn)	ROC GAAP (Consolidated)					
	1H 2009	1H 2010	Growth Rate	Q2 2009	Q2 2010	Growth Rate
<b>Domestic Fixed</b>	<b>35.23</b>	<b>34.53</b>	<b>(2.0%)</b>	<b>17.53</b>	<b>17.33</b>	<b>(1.1%)</b>
Local	16.35	15.96	(2.3%)	8.24	8.06	(2.2%)
DLD	3.85	3.40	(11.6%)	1.94	1.70	(12.6%)
Broadband Access	9.91	10.06	1.5%	4.89	4.98	1.9%
<b>Mobile</b>	<b>42.54</b>	<b>44.33</b>	<b>4.2%</b>	<b>20.76</b>	<b>22.11</b>	<b>6.5%</b>
Mobile Voice	31.21	31.01	(0.6%)	15.67	15.62	(0.3%)
Mobile VAS	4.07	5.20	27.6%	2.02	2.65	31.4%
Handsets Sales	7.21	8.04	11.6%	3.04	3.77	24.0%
<b>Internet</b>	<b>11.40</b>	<b>11.91</b>	<b>4.5%</b>	<b>5.65</b>	<b>6.04</b>	<b>7.0%</b>
Internet Services	8.64	8.99	4.0%	4.28	4.53	5.8%
Internet VAS	0.95	1.07	13.3%	0.50	0.59	16.9%
<b>International Fixed</b>	<b>7.44</b>	<b>7.69</b>	<b>3.4%</b>	<b>3.80</b>	<b>3.71</b>	<b>(2.3%)</b>
ILD	6.34	6.30	(0.7%)	3.22	3.06	(5.0%)
<b>Others</b>	<b>0.57</b>	<b>0.82</b>	<b>42.3%</b>	<b>0.32</b>	<b>0.47</b>	<b>47.9%</b>
<b>Total</b>	<b>97.18</b>	<b>99.28</b>	<b>2.2%</b>	<b>48.06</b>	<b>49.66</b>	<b>3.3%</b>

Note: The calculation of growth rate is based on NT\$mnn.

# Financials: Costs & Expenses

(NT\$bn)	ROC GAAP (Consolidated)					
	1H 2009	1H 2010	Growth Rate	Q2 2009	Q2 2010	Growth Rate
<b>Operating Costs</b>	<b>54.27</b>	<b>55.14</b>	<b>1.6%</b>	<b>26.12</b>	<b>27.35</b>	<b>4.7%</b>
<b>Operating Expenses</b>	<b>13.86</b>	<b>14.35</b>	<b>3.4%</b>	<b>7.02</b>	<b>7.40</b>	<b>5.5%</b>
<b>Marketing</b>	<b>10.40</b>	<b>10.75</b>	<b>3.4%</b>	<b>5.27</b>	<b>5.54</b>	<b>5.1%</b>
<b>General and Administrative</b>	<b>1.93</b>	<b>2.04</b>	<b>5.3%</b>	<b>0.98</b>	<b>1.06</b>	<b>7.7%</b>
<b>R&amp;D Expense</b>	<b>1.53</b>	<b>1.56</b>	<b>2.6%</b>	<b>0.77</b>	<b>0.80</b>	<b>5.1%</b>
<b>Total</b>	<b>68.13</b>	<b>69.49</b>	<b>2.0%</b>	<b>33.14</b>	<b>34.75</b>	<b>4.9%</b>

Note : The calculation of growth rate is based on NT\$mnn.

# Cash Flow

(NT\$bn)	ROC GAAP (Consolidated)					
	1H 2009	1H 2010	Growth Rate	Q2 2009	Q2 2010	Growth Rate
<b>Net Cash Flows from Operating Activities</b>	<b>34.25</b>	<b>32.94</b>	<b>(3.8%)</b>	<b>18.20</b>	<b>17.25</b>	<b>(5.2%)</b>
<b>CAPEX</b>	<b>10.30</b>	<b>9.32</b>	<b>(9.5%)</b>	<b>5.59</b>	<b>5.16</b>	<b>(7.8%)</b>
<b>Free Cash Flow</b>	<b>23.95</b>	<b>23.62</b>	<b>(1.4%)</b>	<b>12.61</b>	<b>12.09</b>	<b>(4.1%)</b>
<b>Cash and Cash Equivalents at the end of period</b>	<b>83.42</b>	<b>92.78</b>	<b>11.2%</b>	<b>83.42</b>	<b>92.78</b>	<b>11.2%</b>

- Note :
1. The calculation of growth rate is based on NT\$m.
  2. Free cash flow is subtracting Capex from net cash flows from operating activities.



# Q3 2010 Forecast

(NT\$bn)	ROC GAAP (Parent Company Only)					
	Q2 2010	Q3 2010E	Growth Rate	Q3 2009	Q3 2010E	Growth Rate
<b>Net Revenues</b>	<b>46.25</b>	<b>46.42</b>	<b>0.4%</b>	<b>46.30</b>	<b>46.42</b>	<b>0.3%</b>
<b>Operating Costs and Expenses</b>	<b>31.70</b>	<b>32.47</b>	<b>2.4%</b>	<b>32.54</b>	<b>32.47</b>	<b>(0.2%)</b>
<b>Income from Operations</b>	<b>14.55</b>	<b>13.95</b>	<b>(4.1%)</b>	<b>13.76</b>	<b>13.95</b>	<b>1.4%</b>
<b>Net Income</b>	<b>12.93</b>	<b>11.85</b>	<b>(8.4%)</b>	<b>10.92</b>	<b>11.85</b>	<b>8.5%</b>
<b>Net Income Margin (%)</b>	<b>27.95</b>	<b>25.53</b>		<b>23.59</b>	<b>25.53</b>	
<b>EBITDA</b>	<b>23.05</b>	<b>22.41</b>	<b>(2.8%)</b>	<b>22.66</b>	<b>22.41</b>	<b>(1.1%)</b>
<b>EBITDA margin (%)</b>	<b>49.82</b>	<b>48.28</b>		<b>48.94</b>	<b>48.28</b>	

Note: These projections are based on a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies.

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# Management Highlights

# Stable Cash Return plus Solid Growth Opportunity

- Continued to be leading domestic player in all business segments
- Further strengthened capability to provide integrated telecommunication services with rapidly [growing] mobile VAS and IPTV services
- Continue to drive cost efficiency
- Sustainable dividend payout with strong balance sheet and prudent capital management
- Exploring into future growth opportunities with innovative service offerings and leading edge technology in domestic and overseas markets

# Q&A

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## Reference

# Regulatory Update- F2M call pricing

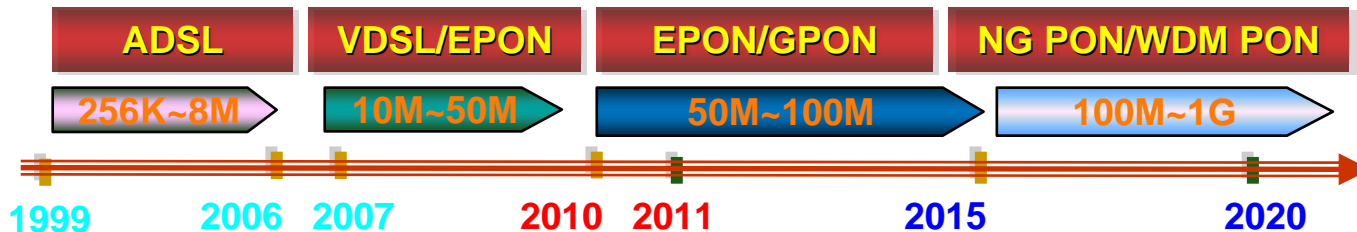
	Payment to Mobile Operators (NT\$/Minute)						F2M call pricing
Dominant Fixed-line Market player  (CHT)	◎ Mobile Interconnection Fee (NT\$2.15) + Transition Fee (NT\$1.956~0)						No higher than CHT's 2G tariff before the reverse
	◎ Transition Fee decreases to zero over the period of 6 years						
	2011	2012	2013	2014	2015	2016	
	1.956	1.7304	1.3843	1.0383	0.6922	0.3461	
Other Fixed-line Operators	Mobile Interconnection Fee (zero transition fee )						No higher than CHT's 2G tariff before the reverse

# Broadband Network Roadmap

Pave the way for customer's future demands

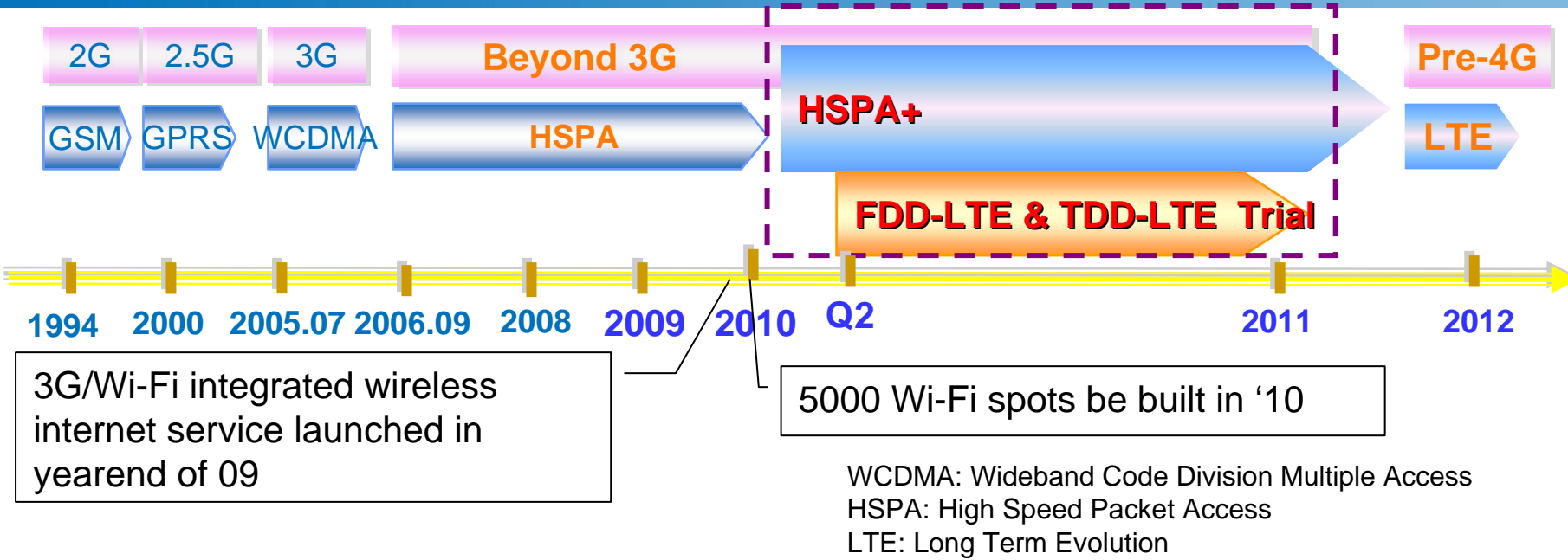


## Multiplatform Applications/Services



- ADSL : [Asymmetric Digital Subscriber Line](#)
- VDSL : [Very high bit rate Digital Subscriber Line](#)
- EPON : [Ethernet Passive Optical Network](#)
- GPON : [Gigabit Passive Optical Network](#)
- NG PON : [Next Generation Passive Optical Network](#)
- WDM PON : [Wave Division Multiplexing Passive Optical Network](#)

# Mobile Network Roadmap

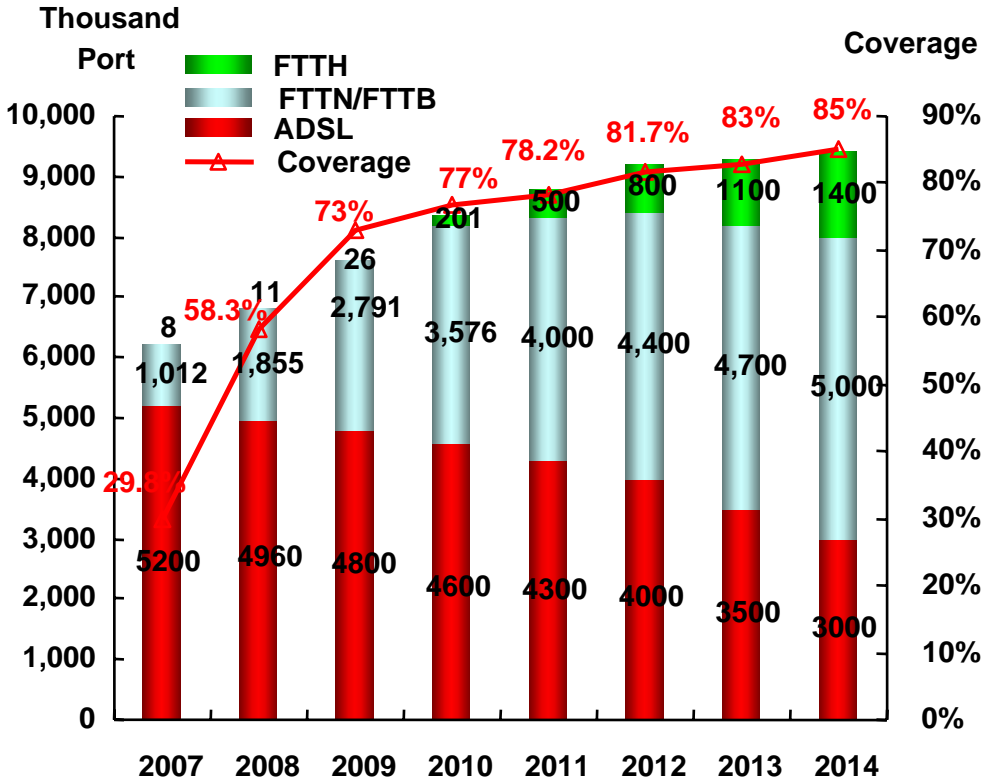


## Wherever customers are, we help them surf more easily on the web and gain value

- Continues to expand 3.5G HSPA 7.2Mbps & 14 Mbps coverage nationwide
- Offers HSPA+ 21 Mbps at end of 2010
- Leverage our Wi-Fi spots to offload 3G/3.5G data traffic
- Conducts FDD-LTE & TDD-LTE Trial (Max 100M bps) since 2010Q2 for performance evaluation and service test



# Continuing Broadband Network Construction



## Fiber Deployment Plan

- FTTx access expected to exceed ADSL access by year 2011
- FTTx coverage expected to reach 85% by year 2014
- Broadband access + ISP revenue slightly growing in upcoming years
- Wireline\* VAS revenues expected to have higher growth

Note:

- (1) The Coverage rate(>30M) is based on the household number (7.80mn) as of Dec. 2009
- (2) Wireline : Fixed + Internet & Data