



中華電信
Chunghwa Telecom

3Q 2010 Operating Results

October 27 , 2010

Disclaimer

Note Concerning Forward-looking Statements

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This release is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the issuer or selling security holder and that will contain detailed information about the company and management, as well as financial statements.

SPECIAL NOTE REGARDING NON-GAAP FINANCIAL MEASURES

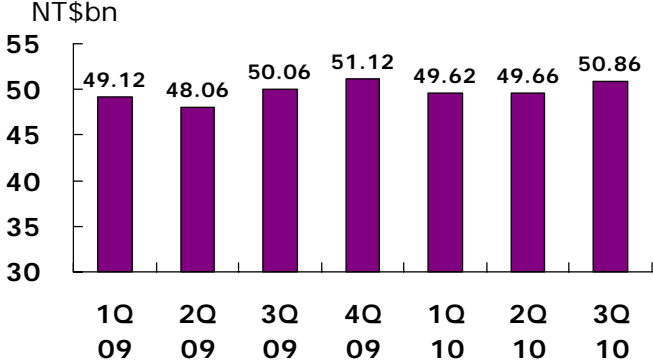
A body of generally accepted accounting principles is commonly referred to as "GAAP". A non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not 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.

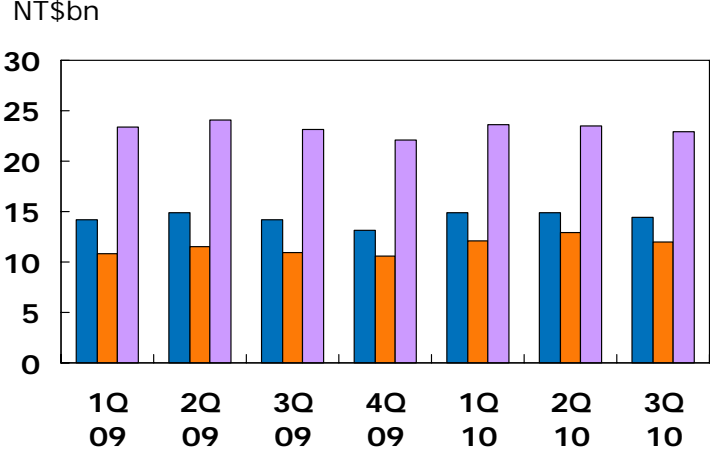
EBITDA is not a measure of financial performance under ROC GAAP. EBITDA should not be considered as an alternate measure of net income or operating income, as determined on a consolidated basis using amounts derived from statements of operations prepared in accordance with ROC GAAP, as an indicator of 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

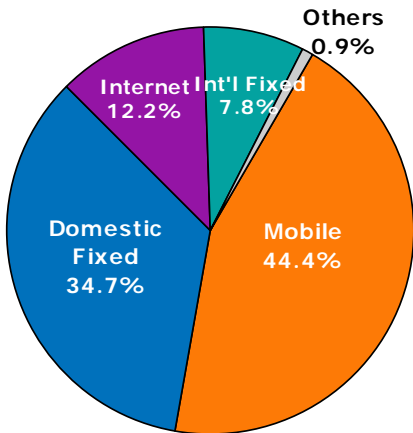
Consolidated Revenue



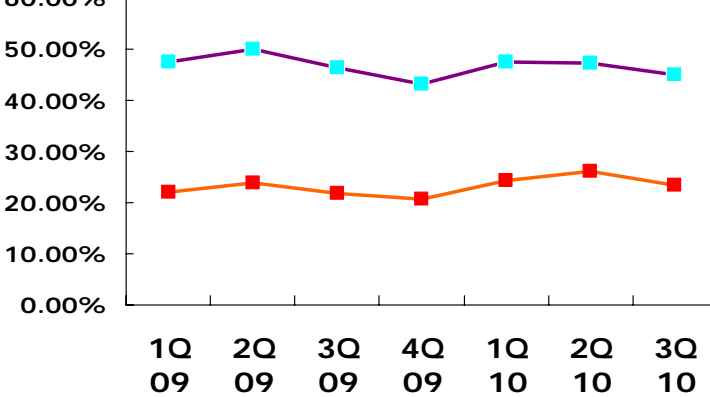
Operating Income Net Income EBITDA



3Q 10 Revenue Breakdown (合併)

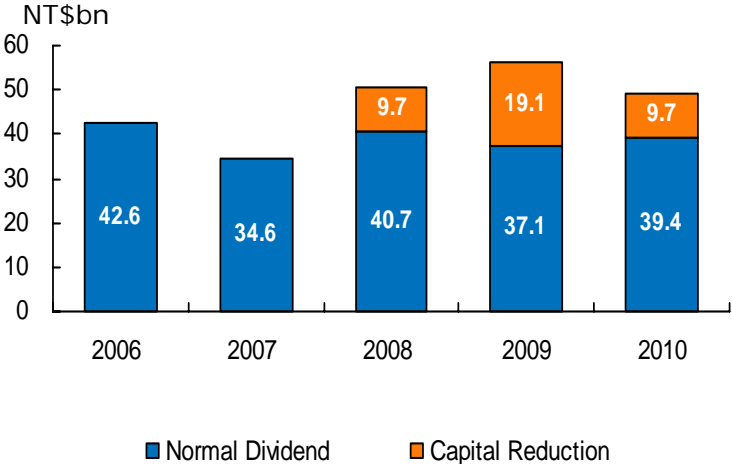


Net Income % EBITDA %



Consistent Return to Shareholders

Cash Return



Note:

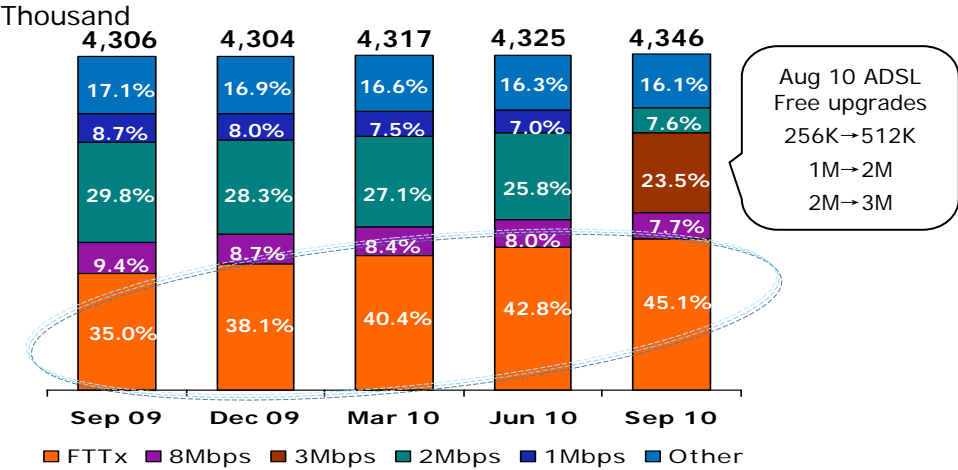
1. The cash return was calculated based on cash dividend and cash return from capital reduction, stock dividend was not included.
2. 1 ADR = 10 common shares

- 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
- 4th capital reduction round approved by The Board and by shareholders at our AGM
 - Cash return expected to be NT\$19.4bn on Jan. 25, 2011

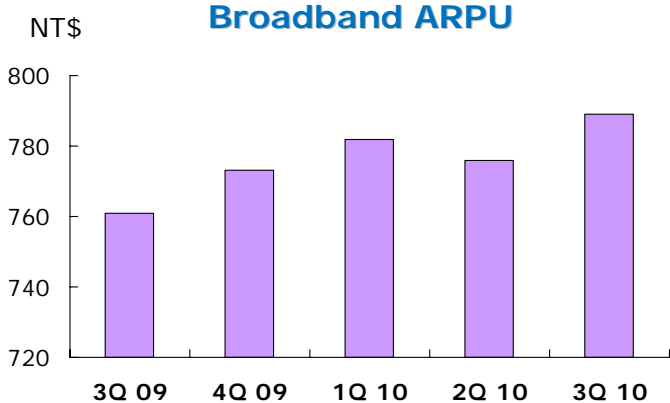
Business Overview

Broadband Services - Growth Drivers in Fixed-Line

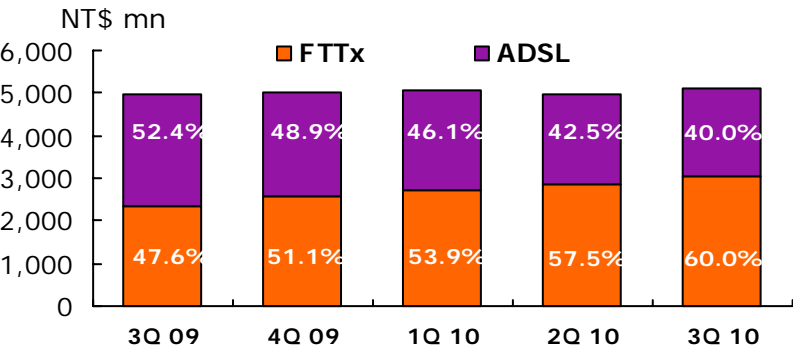
Broadband Subscribers



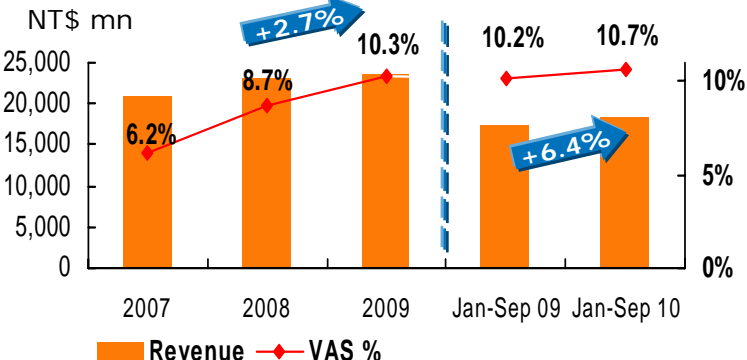
Performance



Revenue of Fixed Line Broadband

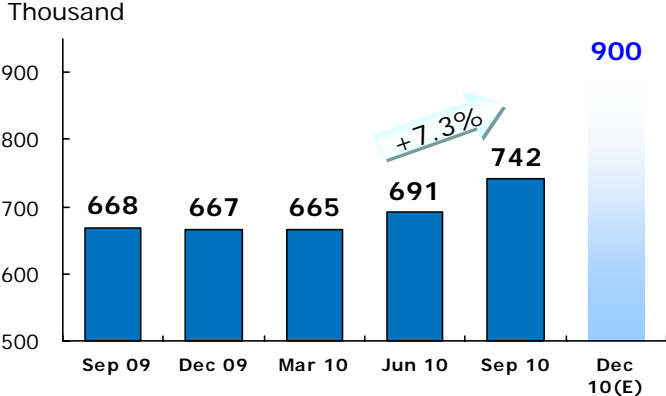


Internet Revenue



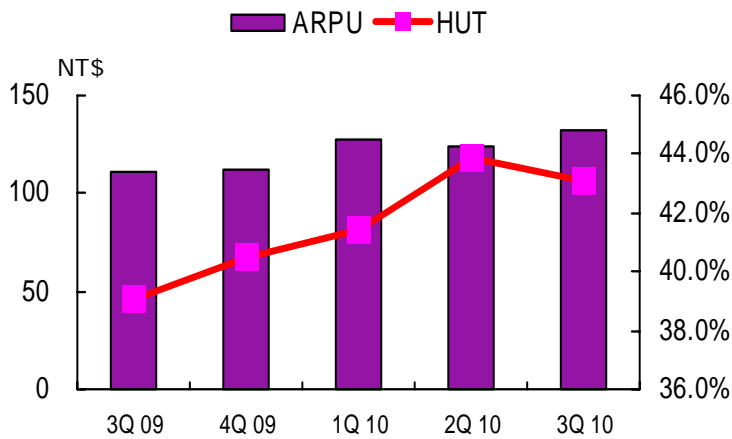
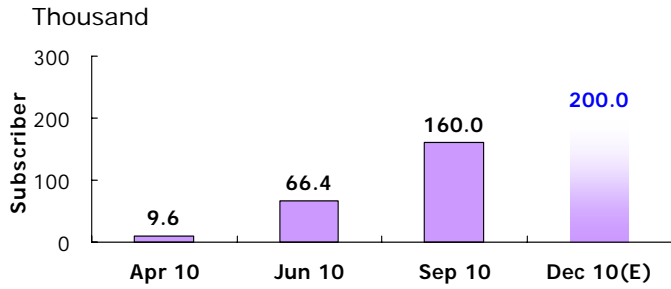
Growing Momentum in MOD/ IPTV

MOD/IPTV Subscribers



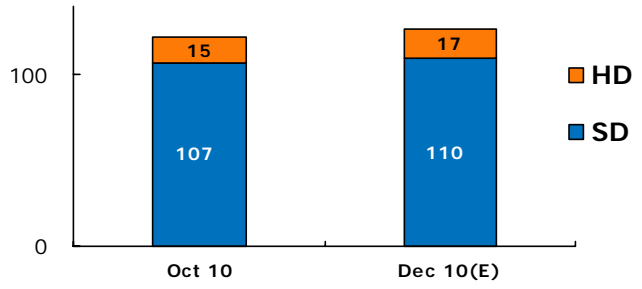
Performance

- Launching Family Packages on Apr 15, 2010



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

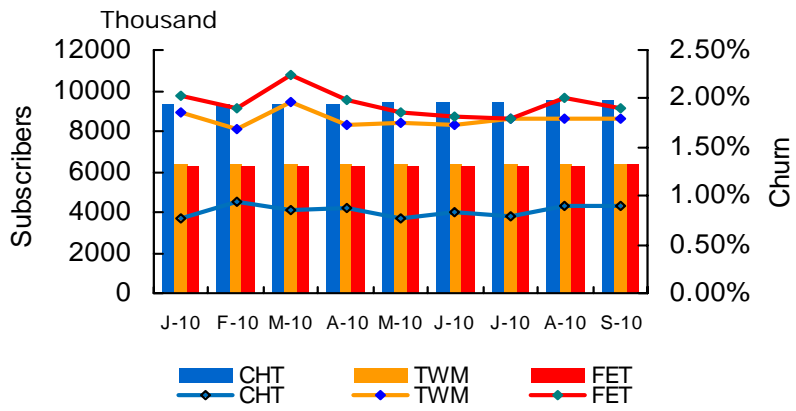
MOD channel



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

Number One Mobile Services Provider

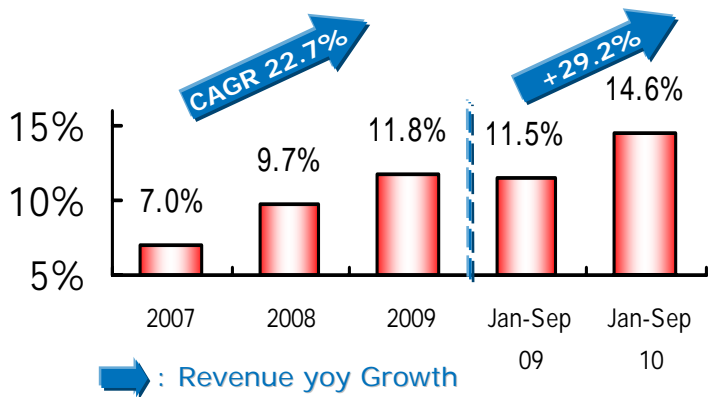
Highest Subs & Lowest Churn



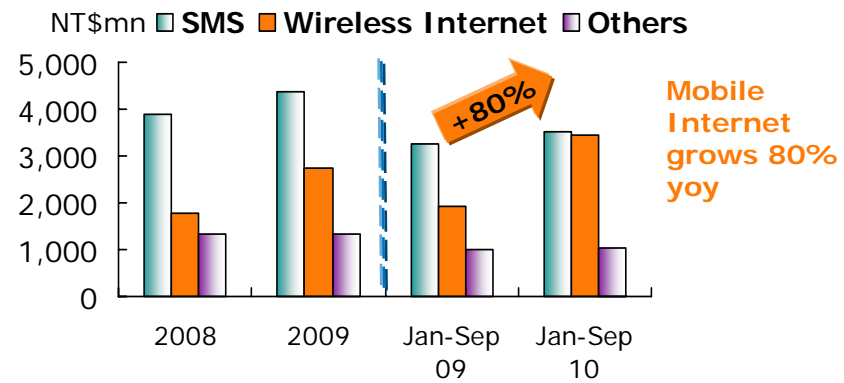
VAS Strategies

- 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 %



VAS Breakdown

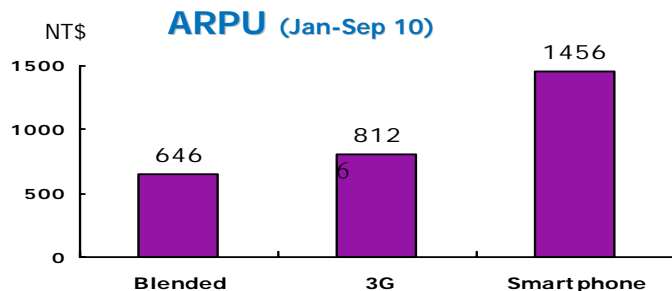
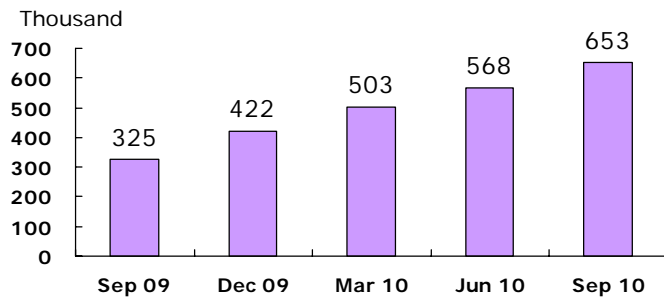


Smartphone - Value Driver for Mobile

Performance

- Smartphone customers account for 23% of the total handsets CHT offered in the first 9 months of 2010
 - The percentage is expected to reach 25% by 2010

Mobile Internet Subs



Successful Smartphone Strategies

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

Customized VAS

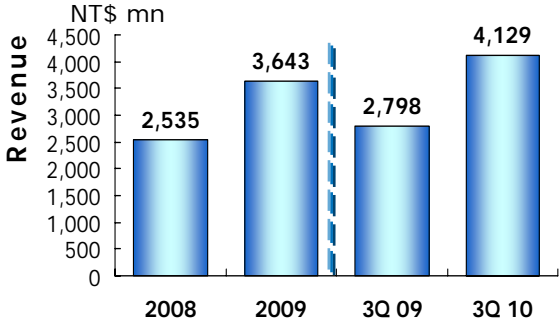
- Focus on 3G VAS to satisfy diversified customer demand and increase usage
- VAS services includes
 - Information: News, weather, finance, sports, public transportation timetables
 - Service applications: Movie ticketing, Xuite, shopping channel and e-book
 - Payment for parking fees, game debit card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

New Business Initiatives for Future Growth

Convergence Services

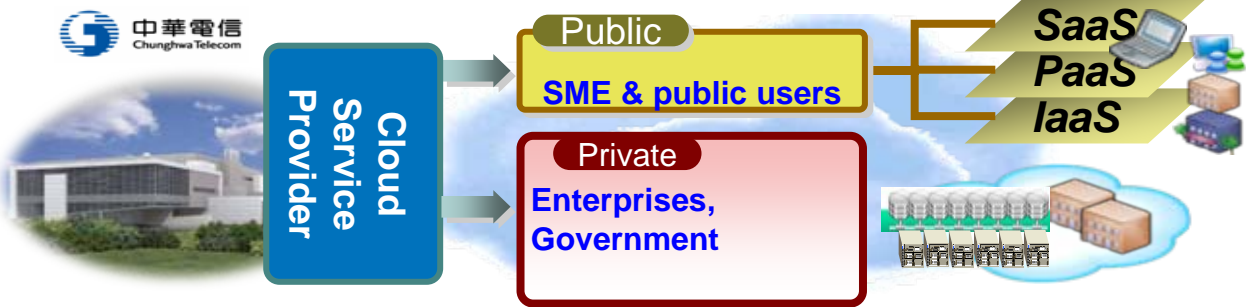
- Services launched: Music (hifree, KKBOX), Video (Sports, Movie), Surveillance, Multimedia Phone
- Expecting single sign-on available on 3 platforms in early Dec 2010

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

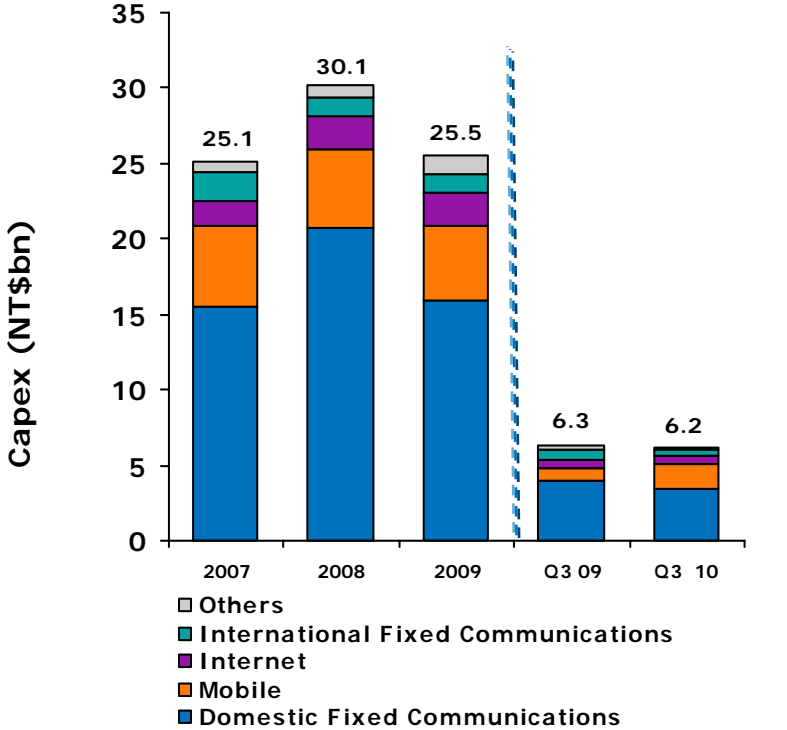
- China and Vietnam : Deploy global plan by local touch
- Provide ICT-related solution with iEN, mobile VAS and ITS services etc., scheduled to be in operation in Q1 2011

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

Effective and Efficient Capital Expenditures

Capital Expenditure



CapEx as % of Revenue	2007	2008	2009	Q3 09	Q3 10
CapEx as % of Revenue	12.7%	14.9%	12.8%	12.5%	12.1%

Note: Figures are on consolidated basis.

- Future investments continue to focus on core businesses and on migrating mobile and data customers to higher revenue platforms
 - 3G / 3.5G / LTE
 - IP-based NGN
 - FTTx
 - Service Platforms
- The guideline for capex to revenue remains 15%
- Additional investment will be on cloud computing business over next 2~3 years

Financials Overview

Financials: Income Statement Highlights

(NT\$bn)	ROC GAAP (Consolidated)					
	Jan-Sep 2009	Jan-Sep 2010	Growth Rate	Q3 2009	Q3 2010	Growth Rate
Net Revenues	147.24	150.13	2.0%	50.06	50.86	1.6%
Operating Costs and Expenses	104.01	105.90	1.8%	35.87	36.42	1.5%
Income from Operations	43.23	44.23	2.3%	14.19	14.44	1.8%
Net Income	33.18	36.94	11.3%	10.92	11.95	9.5%
Net Income Margin (%)	22.53	24.61		21.81	23.50	
EBITDA	70.57	69.94	(0.9%)	23.16	22.88	(1.2%)
EBITDA margin (%)	47.93	46.59		46.27	44.98	

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

Financials: Business Segment Revenues

(NT\$bn)	ROC GAAP (Consolidated)					
	Jan-Sep 2009	Jan-Sep 2010	Growth Rate	Q3 2009	Q3 2010	Growth Rate
Domestic Fixed	52.95	52.05	(1.7%)	17.71	17.52	(1.1%)
Local	24.62	24.06	(2.3%)	8.27	8.10	(2.1%)
DLD	5.84	5.05	(13.5%)	1.99	1.65	(17.1%)
Broadband Access	14.88	15.17	2.0%	4.97	5.11	3.0%
Mobile	64.61	66.63	3.1%	22.08	22.30	1.0%
Mobile Voice	47.40	46.73	(1.4%)	16.19	15.72	(2.9%)
Mobile VAS	6.18	7.98	29.2%	2.11	2.79	32.3%
Handsets Sales	10.90	11.81	8.3%	3.69	3.77	1.9%
Internet	17.21	18.32	6.4%	5.81	6.40	10.2%
Internet Services	12.95	13.55	4.6%	4.31	4.56	5.7%
Internet VAS	1.47	1.61	9.8%	0.52	0.54	3.4%
International Fixed	11.53	11.70	1.5%	4.09	4.01	(1.9%)
ILD	9.76	9.59	(1.7%)	3.42	3.34	(2.3%)
Others	0.94	1.44	53.3%	0.36	0.62	70.6%
Total	147.24	150.13	2.0%	50.06	50.86	1.6%

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

Financials: Costs & Expenses

(NT\$bn)	ROC GAAP (Consolidated)					
	Jan-Sep 2009	Jan-Sep 2010	Growth Rate	Q3 2009	Q3 2010	Growth Rate
Operating Costs	82.94	84.08	1.4%	28.67	28.94	0.9%
Operating Expenses	21.07	21.82	3.6%	7.20	7.48	3.8%
Marketing	15.94	16.48	3.4%	5.53	5.73	3.5%
General and Administrative	2.80	2.92	4.4%	0.87	0.89	2.4%
R&D Expense	2.33	2.42	4.3%	0.80	0.86	7.9%
Total	104.01	105.90	1.8%	35.87	36.42	1.5%

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

Cash Flow

(NT\$bn)	ROC GAAP (Consolidated)					
	Jan-Sep 2009	Jan-Sep 2010	Growth Rate	Q3 2009	Q3 2010	Growth Rate
Net Cash Flows from Operating Activities	49.47	52.43	6.0%	15.22	19.49	28.1%
CAPEX	16.56	15.50	(6.4%)	6.26	6.18	(1.4%)
Free Cash Flow	32.91	36.93	12.22%	8.96	13.31	48.55%
Cash and Cash Equivalents at the end of period	55.76	67.40	20.9%	55.76	67.40	20.9%

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.

Q4 2010 Forecast

(NT\$bn)	ROC GAAP (Parent Company Only)					
	Q3 2010	Q4 2010E	Growth Rate	Q4 2009	Q4 2010E	Growth Rate
Net Revenues	46.83	46.80	(0.1%)	47.44	46.80	(1.3%)
Operating Costs and Expenses	32.80	33.97	3.6%	34.45	33.97	(1.4%)
Income from Operations	14.03	12.83	(8.5%)	12.99	12.83	(1.2%)
Net Income	11.95	10.65	(10.9%)	10.58	10.65	0.7%
Net Income Margin (%)	25.52	22.75		22.30	22.75	
EBITDA	22.36	21.16	(5.3%)	21.86	21.16	(3.2%)
EBITDA margin (%)	47.75	45.21		46.07	45.21	

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

Management Highlights

Stable Cash Return plus Solid Growth Opportunity

- Strong market leader in stable Taiwan telecom market
- Solid performance driven by steady growth of mobile VAS and broadband services
- Successful and continuing cost efficiency drive
- Sustainable dividend payout with strong balance sheet and prudent capital management
- Proactive pursuit of future growth opportunities, with innovative service offerings and leading edge technology in domestic and overseas markets

Q&A

Reference

Regulatory Update- F2M call pricing

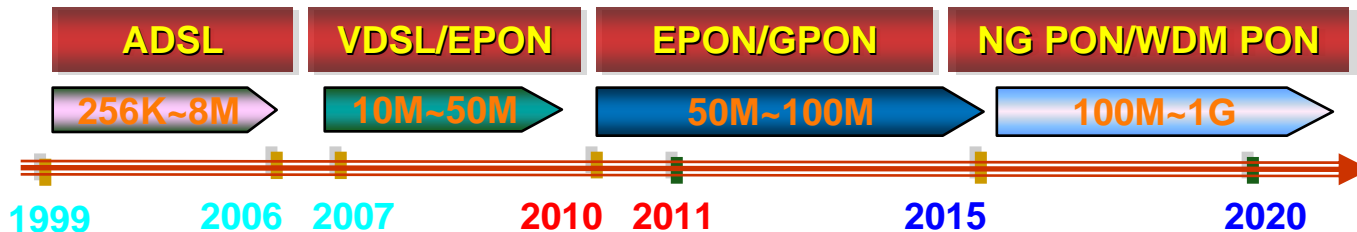
	Payment to Mobile Operators (NT\$/Minute)						F2M call pricing
Dominant Fixed-line Market player (CHT)	◎ Mobile Interconnection Fee (NT\$2.15) + Transition Fee (NT\$1.956~0)						No higher than CHT's 2G tariff before the reverse
	◎Transition Fee decreases to zero over the period of 6 years						
	2011	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

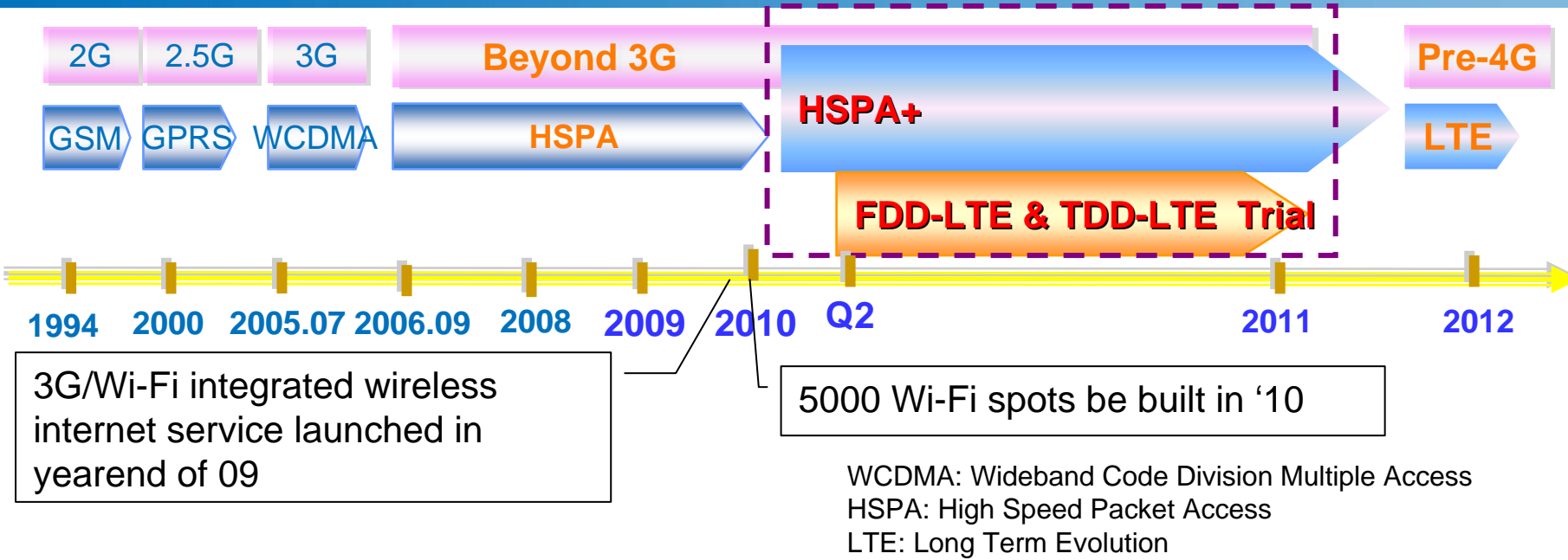


Multiplatform Applications/Services



- 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](#)

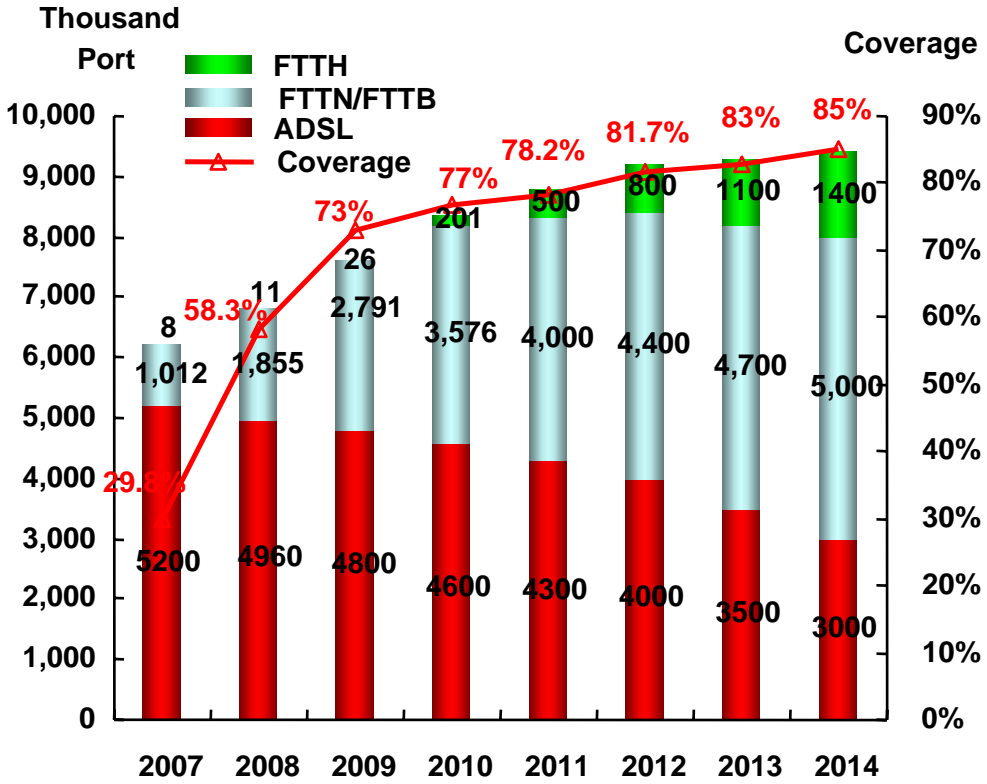
Mobile Network Roadmap



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