



中華電信
Chungwa Telecom



Q1 2012 Operating Results

April 30, 2012

Disclaimer

STATEMENT REGARDING UNAUDITED FINANCIAL INFORMATION

The unaudited financial information under ROC GAAP in this presentation is preliminary and subject to adjustments and modifications. The audited financial statements and related notes with reconciliation to U.S. GAAP will be included in our annual report on Form 20-F for the year ending December 31, 2010. Adjustments and modifications to the financial statements may be identified during the course of the audit work, which could result in significant differences from this preliminary unaudited financial information.

NOTE CONCERNING FORWARD-LOOKING STATEMENTS

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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.

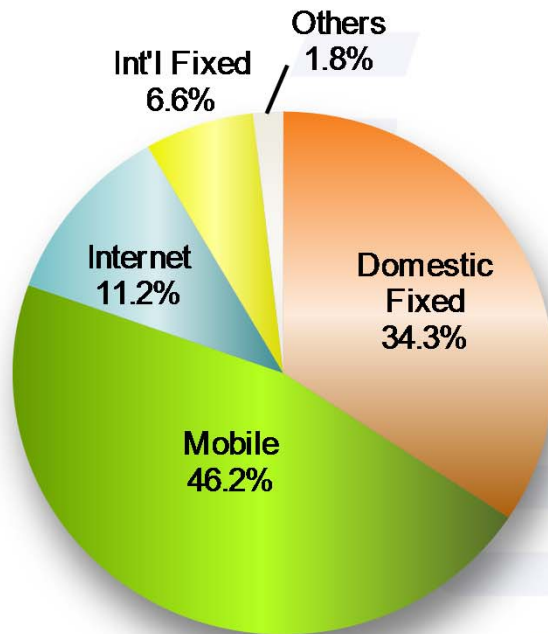
In managing our business we rely on EBITDA as a means of assessing our operating performance. We believe that EBITDA can be useful to facilitate comparisons of operating performance between periods and with other companies because it excludes the effect of (i) depreciation and amortization, which represents 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 U.S. GAAP or 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 U.S. GAAP or 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.

Chunghwa Telecom Overview

Revenue Breakdown

Q1 2012 Revenue Breakdown
(Consolidated)



Source: Company data, MOTC, and NCC statistics

a) Market share as of Feb. 2012

b) CHT access circuits were not included

c) Excluding PWLAN subscriber numbers

d) Includes 2G, 3G and PHS

Dominant Market Position ^(a)

- Domestic Fixed
 - #1 Local
 - 95.3% share by subs (12.0 mn subs)
 - 88.1% share by minutes
 - #1 DLD
 - 76.0% share by minutes
 - #1 Broadband access
 - 79.9% share by subs ^{(b)(c)} (4.53 mn subs)
- Mobile
 - #1 Mobile subscribers
 - 34.8% market share ^(d) (10.09 mn subs)
 - #1 Mobile revenue
 - 31.7% market share ^(d)
- Internet
 - #1 ISP
 - 69.5% share by subs (4.21 mn subs)
- International Fixed
 - #1 ILD
 - 50.6% share by minutes



Business Overview

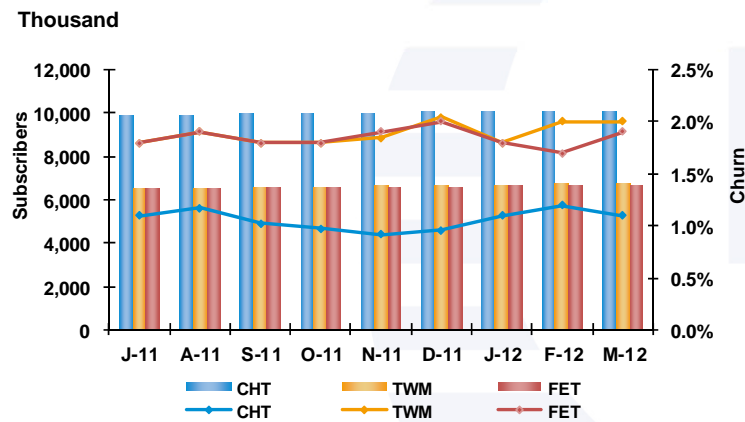


Largest Mobile Customer Base

-Enhance Network Quality to Meet Customers Demand

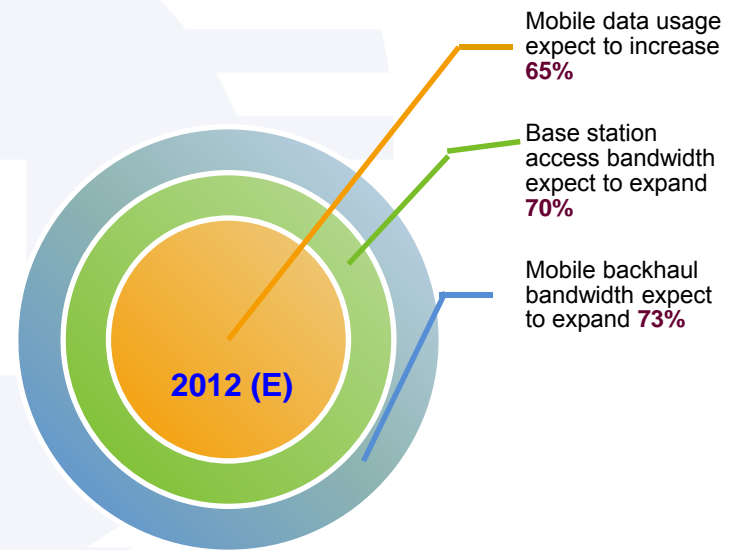
Highest Subs & Lowest Churn

- Continue mobile leadership by maintaining largest customer base and lowest churn rate



High-quality Network

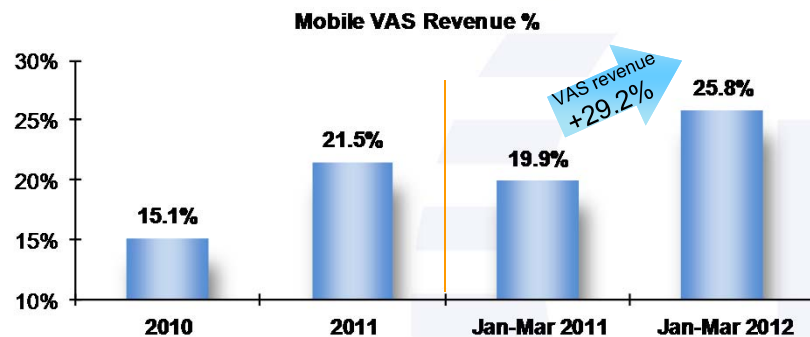
- Continuously improve users experience of mobile data to increase customers' satisfaction and strengthen their loyalty



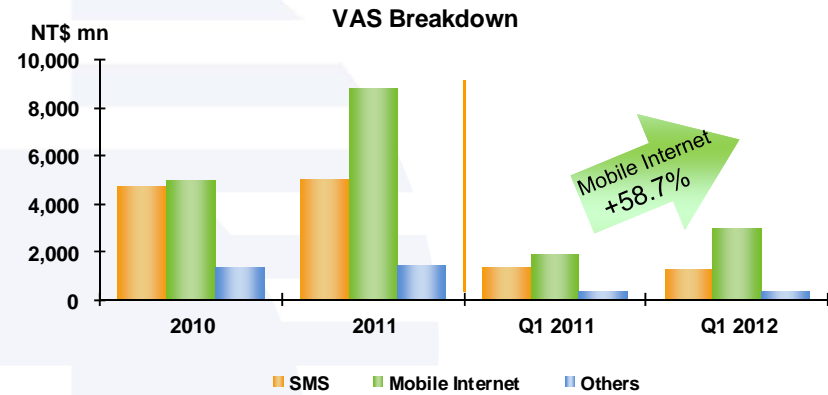
Higher quality to meet customers' demand

Growing Mobile Value-added Service

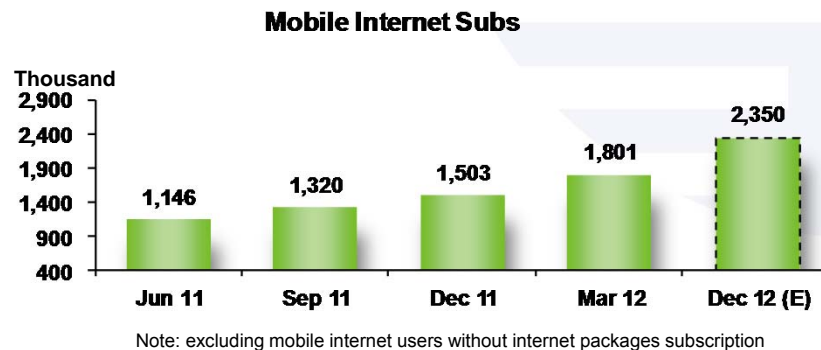
VAS Performance



VAS Breakdown



Mobile Internet Subs

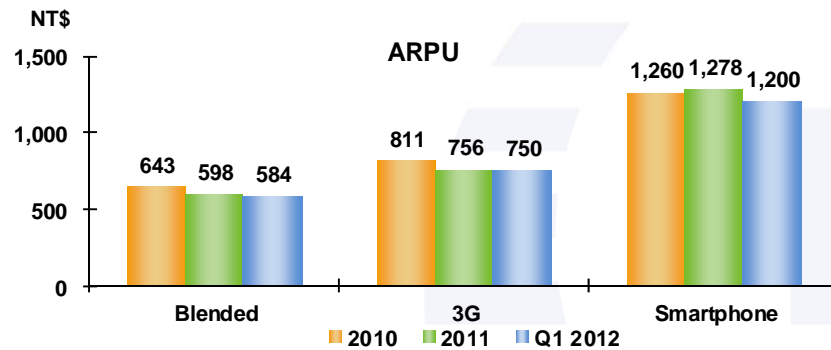


Strategies

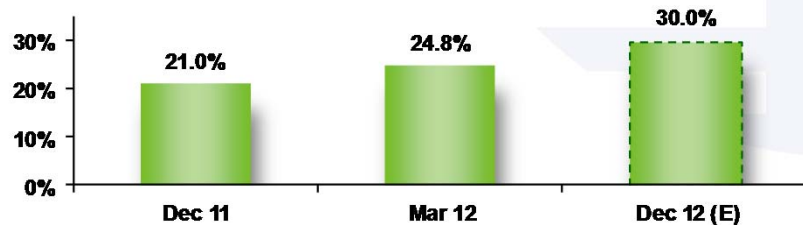
- Continue mobile leadership by maintaining largest customer base and lowest churn rate, and increasing user loyalties via compelling user experiences
- Increase mobile VAS revenue by offering customized and integrated Hami VAS services (ex. HamiMusic, HamiApps, HamiBook...) with mobile Internet tariff plans over 3.75G+Wi-Fi networks
- Provide alternative network by accumulating Wi-Fi APs totaled 23,000 by Mar. 2012, expect to accumulate 30,000 by 2012
- Targeting student group to offer mobile data promotional

Smartphone – Value Driver for Mobile

Performance



Smartphone penetration (note)



Note: number of smartphone (iOS, Android, WM) in mobile network / total postpaid subs

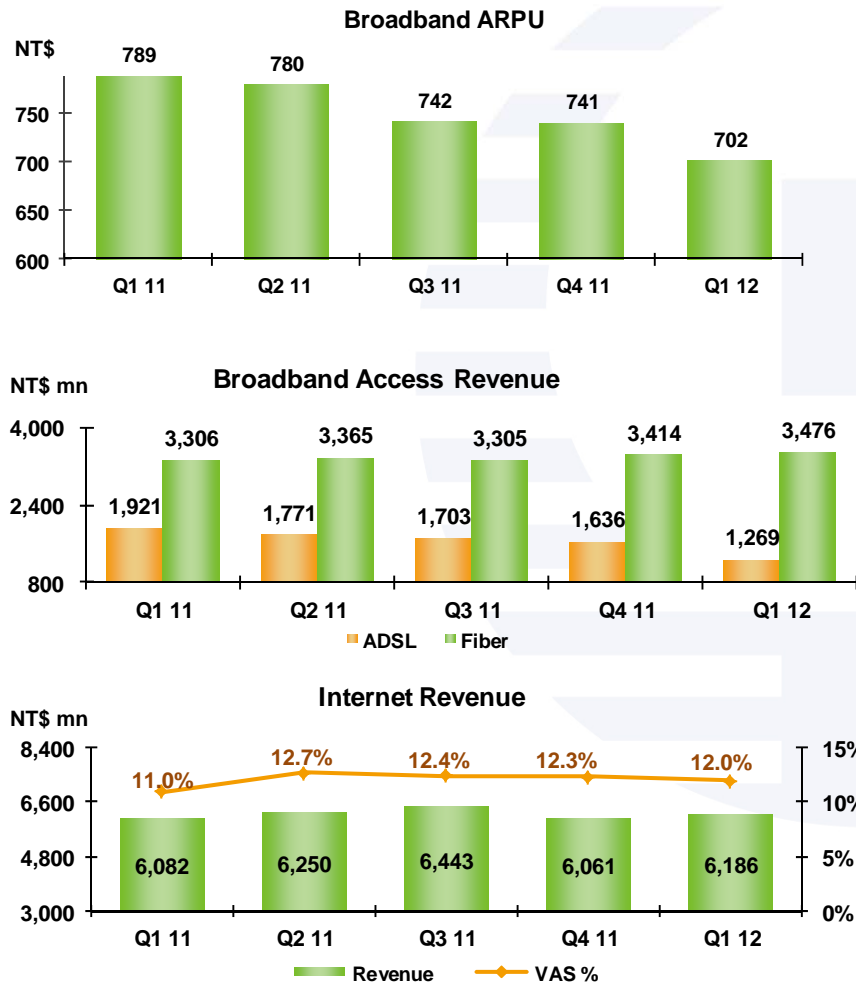
Strategies

Smartphone adoption

- Select popular high-end smartphone as well as mid and low tier models to offer customized services and meet various customer demand
- Smartphone customers account for 69% of the total handsets CHT offered in Q1 2012
 - Q4 2011 reached 57.6%
 - The percentage is expected to reach 70% by 2012

Fixed Broadband Services Performance

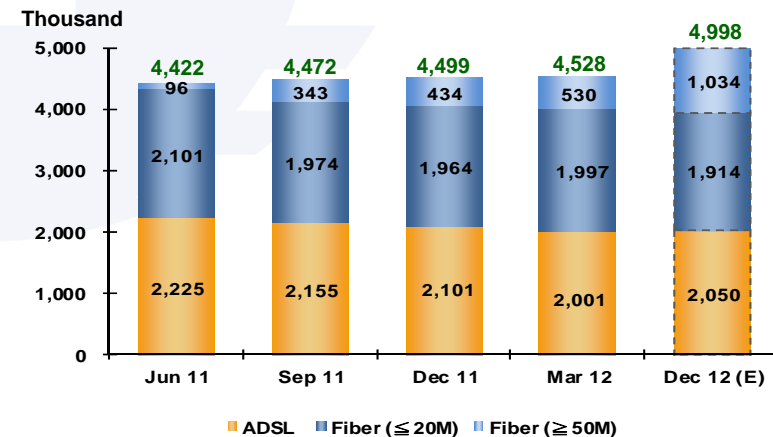
Performance



Strategies

- Continue migrating customers to higher speed services as well as attracting more broadband customers
- Increase fiber network coverage and promote high speed internet
- Develop triple play services to increase digital convergence competitiveness
- Promote IOT services etc. to stimulate the demand for innovative broadband VAS

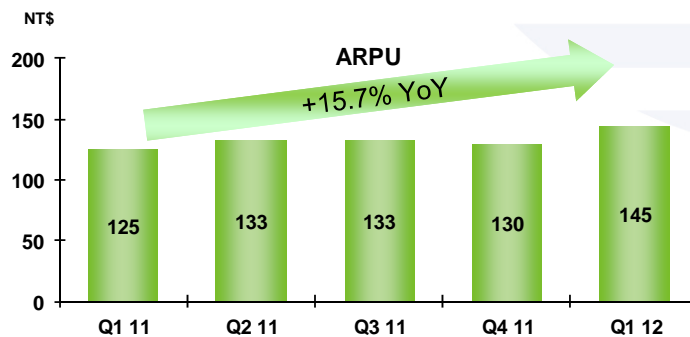
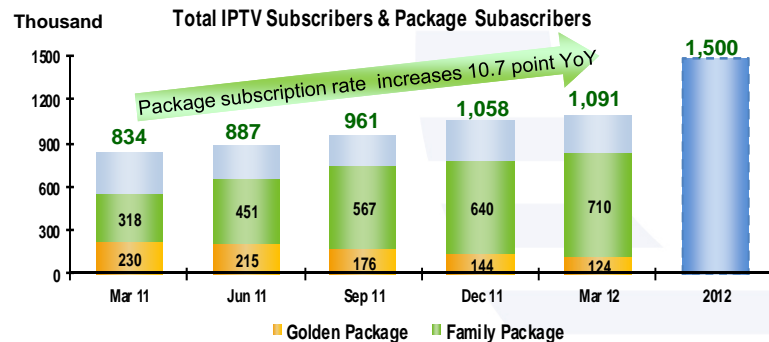
Fixed Broadband Subs



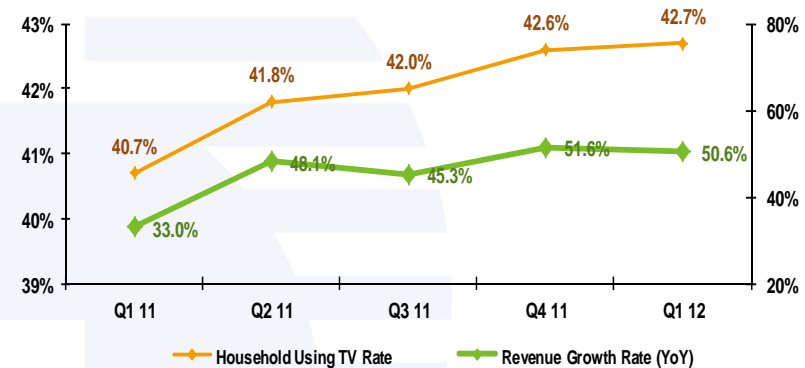
Growing Momentum in MOD/ IPTV

Subscriber & ARPU

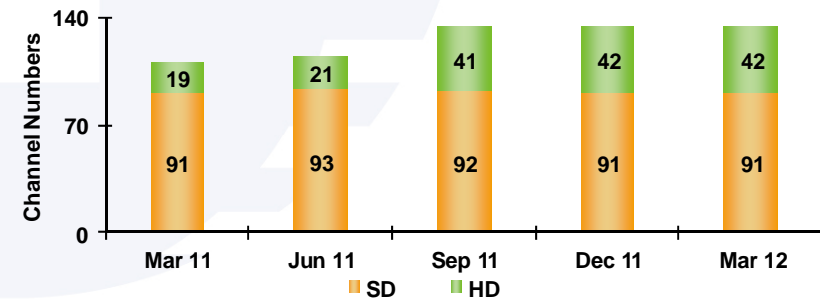
- Subscriber market share (CATV+IPTV) YoY grows from 13.8% to 17.3% in the end of 2011
- 76.5% of IPTV subscribers sign up additional Packages
 - Package subscription rate YoY increase from 65.8% to 76.5%



Performance



Note: Household Using TV Rate = average daily active subs per quarter / total IPTV subscribers



- Providing the highest number of HD channels in local market
- Expecting to launch Olympic 2012 broadcasting and on-demand services in July 2012
- Offering multi-screen cloud services

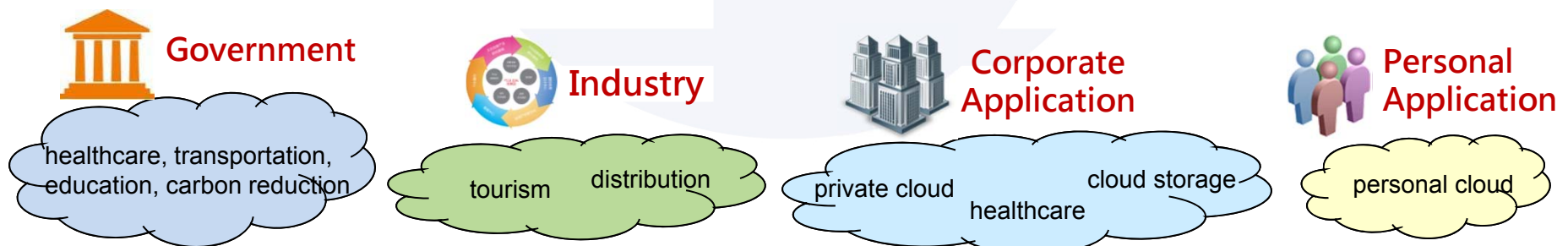
Business Opportunity- ICT and Cloud Computing

Strategy for ICT Business

- To expand business scope and focus on ICT potential business lines and government project
 - ITS, iEN, information security, IMO, call center, IDC, Cloud Computing, ICT for developers
 - IOT
- ICT YoY revenue growth in Q1 2012: 25.4 %

Strategy for Cloud Computing

- To strengthen cloud computing infrastructure to develop innovative cloud applications to facilitate digital life for customers
- 2012 focus: expect to offer personal, storage, enterprise, tourism, distribution, and healthcare cloud services
- Cooperate with independent software vendors to develop cloud applications in the hcloud apps mall





Financials Overview



Financials: Income Statement Highlights

(NT\$bn)	ROC GAAP (Consolidated)					
	2010	2011	Growth Rate	Q1 2011	Q1 2012	Growth Rate
Net Revenues	202.43	217.49	7.4%	52.48	55.42	5.6%
Operating Costs and Expenses	145.06	162.41	12.0%	38.53	44.09	14.4%
Income from Operations	57.37	55.08	(4.0%)	13.95	11.33	(18.7%)
Net Income	47.61	47.07	(1.1%)	11.84	9.49	(19.8%)
Net Income Margin (%)	23.52	21.64		22.55	17.12	
EBITDA	91.41	87.37	(4.4%)	22.00	19.40	(11.8%)
EBITDA margin (%)	45.16	40.17		41.93	35.00	

Note: The calculation of figures is based on NT\$m

Financials: Business Segment Revenues

(NT\$bn)	ROC GAAP (Consolidated)					
	2010	2011	Growth Rate	Q1 2011	Q1 2012	Growth Rate
Domestic Fixed	70.69	79.35	12.3%	19.20	19.00	(1.1%)
Local	32.25	41.69	29.3%	9.82	10.01	1.9%
DLD	6.65	5.79	(12.9%)	1.48	1.00	(32.2%)
Broadband Access	20.32	20.42	0.5%	5.23	4.75	(9.2%)
Mobile	89.04	93.00	4.4%	22.84	25.58	12.0%
Mobile Voice	62.00	55.67	(10.2%)	14.16	13.12	(7.3%)
Mobile VAS	11.05	15.22	37.7%	3.52	4.55	29.2%
Handset Sales	15.90	22.01	38.4%	5.14	7.90	53.7%
Internet	24.48	24.83	1.4%	6.08	6.19	1.7%
Internet Services	18.19	17.95	(1.3%)	4.59	4.23	(7.9%)
Internet VAS	2.15	2.47	14.6%	0.57	0.58	1.6%
International Fixed	15.53	15.22	(2.0%)	3.79	3.64	(4.0%)
ILD	12.86	12.42	(3.4%)	3.13	2.92	(6.6%)
Leased line	0.95	0.99	3.9%	0.24	0.26	10.1%
Others	2.68	5.10	89.9%	0.56	1.01	81.6%
Total	202.43	217.49	7.4%	52.48	55.42	5.6%

Note: The calculation of figures is based on NT\$m. n.

Financials: Costs & Expenses

(NT\$bn)	ROC GAAP (Consolidated)					
	2010	2011	Growth Rate	Q1 2011	Q1 2012	Growth Rate
Operating Costs	115.33	131.53	14.0%	31.24	36.62	17.2%
Operating Expenses	29.73	31.05	3.9%	7.29	7.47	2.4%
Marketing	22.47	23.17	3.1%	5.46	5.60	2.5%
General and Administrative	4.01	4.18	4.2%	1.00	1.01	1.2%
R&D Expense	3.25	3.53	8.5%	0.83	0.86	3.7%
Total	145.06	162.41	12.0%	38.53	44.09	14.4%

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

Cash Flow

(NT\$bn)	ROC GAAP (Consolidated)					
	2010	2011	Growth Rate	Q1 2011	Q1 2012	Growth Rate
Net Cash Flow from Operating Activities	84.77	75.36	(11.1%)	9.73	13.12	34.9%
CAPEX	24.62	26.88	9.2%	4.38	6.69	52.9%
Free Cash Flow	60.15	48.48	(19.4%)	5.35	6.43	20.3%
Cash and Cash Equivalent at the end of period	90.87	67.39	(25.8%)	75.00	69.94	(6.8%)

Note:

1. The calculation of figures is based on NT\$m.
2. Free cash flow is subtracting Capex from net cash flows from operating activities.

Forecast & Operating Results

(NT\$bn)	ROC GAAP (Parent Company Only)						
	2011	2012 (E)	Growth Rate	Q1 2011	Q1 2012	Q1 2012 (E)	Achieving Rate
Net Revenues	192.46	188.88	(1.9%)	47.58	47.74	46.29	103.1%
Operating Costs and Expenses	141.26	143.75	1.8%	34.02	37.27	34.83	107.0%
Income from Operations	51.20	45.13	(11.9%)	13.56	10.47	11.46	91.4%
Net Income	47.10	39.18	(16.8%)	11.83	9.49	11.84	95.4%
EPS	6.05	5.05		1.50	1.22	1.28	
EBITDA	83.11	77.09	(7.2%)	21.53	18.44	19.44	94.9%
EBITDA margin (%)	43.18	40.81		45.25	38.62	41.99	

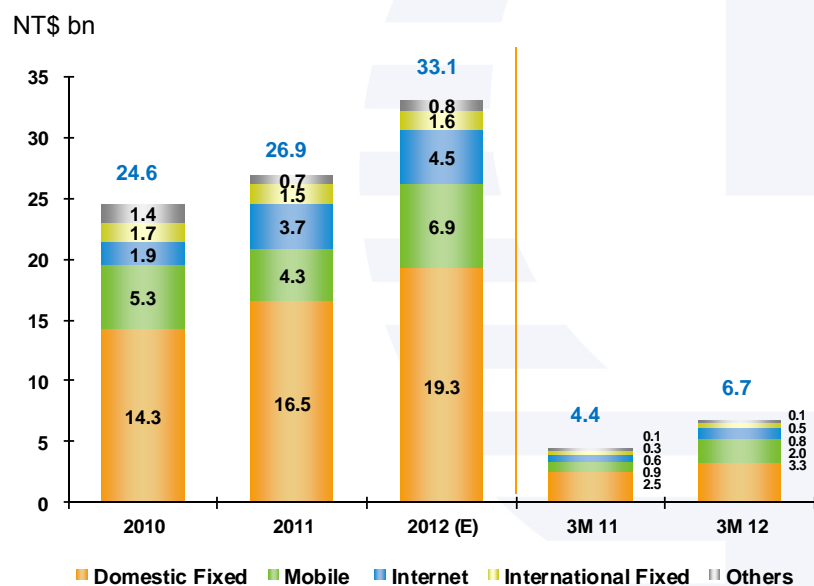
Note: These projections are based on a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies.

Financial Impact after adoption of IFRS

	Financial Impact on Jan. 1 st , 2012		
	Assets	Liabilities	Equity
Employee benefits-defined benefit plan (1) Pension obligation upon privatization (2) Recognition of cumulative actuarial gains and losses	(2)-NT\$15 mn	(2)+NT\$1.5 bn	(1) Retained earnings -NT\$20.65 bn APIC +NT\$20.65 bn (2) Retained earnings -NT\$1.5 bn Non-controlling interest +NT\$52 mn
Deemed costs of property, plant and equipment			Retained earnings +NT\$5.8 bn Other adjustments - NT\$5.8 bn
Recognition of revenue from providing fixed line service		+NT\$1.9 bn	Retained earnings -NT\$1.9bn
Recognition of construction contract revenue	-NT\$350 mn	-NT\$2 mn	Retained earnings -NT\$348 mn
Income tax	+NT\$588 mn		Retained earnings +NT\$579 mn Non-controlling interest +NT\$9 mn

Effective and Efficient Capital Expenditure

Capital Expenditure



CapEx as % of Revenue	2010	2011	2012 (E)	3M 11	3M 12
	12.2%	12.3%	17.3%	8.3%	12.1%

Note: Figures are on consolidated basis, except 2012 expected amount.

- ④ Moderately increase mid-term capital expenditure
 - Focus on Fixed and Mobile broadband
- ④ Budgeted capex for 2012: NT\$33.1 bn
- ④ Continue to focus on core businesses for future investments
 - 2G / 3G / HSPA / HSPA+
 - FTTx
 - Wi-Fi
 - Service Platforms
 - Cloud computing

Q&A



Reference



Regulatory Update

Tariff Regulation

- Wireline and wireless tariff reduction starting from April 1, 2010 over 3 years (PIs refer to reference page 22)

F2M calls Pricing Right

- Pricing rights was reverted back to fixed operator in the beginning of 2011 (PIs refer to reference page 23)

Digital Convergence Regulation

- Executive Yuan had passed Digital Convergence Policy Initiative in July 2010
 - Telecom Act and Broadcasting-related Regulations will be amended and reviewed by Legislative Yuan in June 2012
 - Digital Convergence Framework is expected to be approved in June 2014

2G license Extension

- Local GSM 900/1800 license will expire in 2012 and 2013
- License renewal guideline was released by MOTC on Nov 25 2010
 - The term of original 2G license can be extended to June 2017
 - The licenses to be auctioned by June 2015 will be technology neutral

Single-tariff for fixed-line calls

- In Jan 2011, Legislative Yuan resolved that NCC and CHT to propose a single tariff for island-wide fixed-line phone service, and the single tariff was effective since 2012/01/01

Tariff Regulations

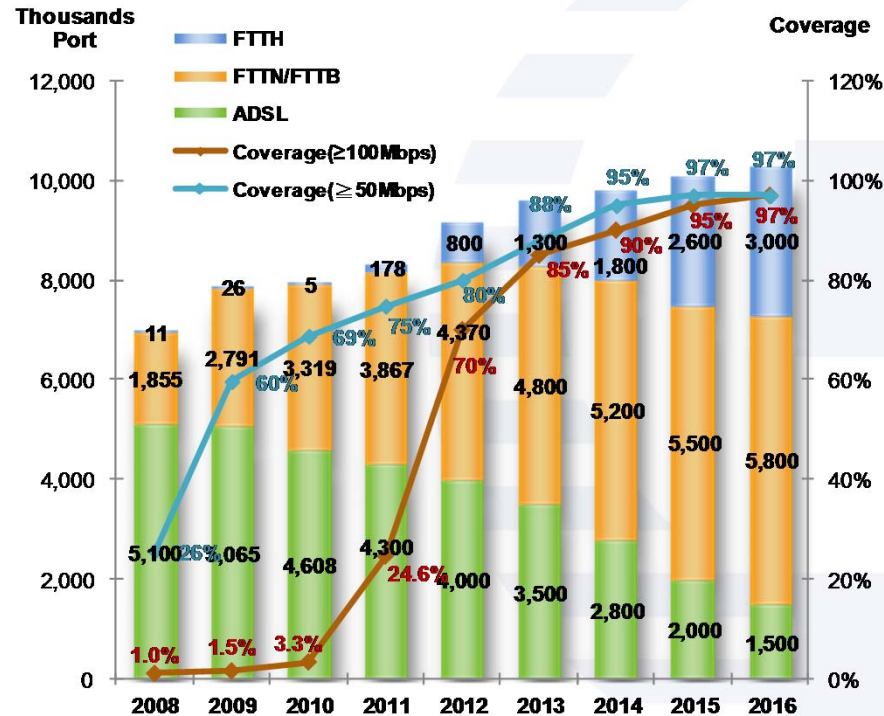
Target	Business Operation	Applicable services	X factor	Years in effect	Formula: $\Delta\text{CPI} - X$
SMP (Significant Market Power)	Fixed-line	1 IP Peering	4.816%	3	1. The three year tariff reduction plan is applicable from Apr 1, 2010 to Mar 31, 2013 and applied based on the previous year tariff.
		2 Domestic wholesale leased line			
		3 ADSL circuit			
		4 Domestic long distance call (excl. Public phone call)			
All 2G/3G operators	Mobile	1 Domestic SMS	5%	3	2. ΔCPI for year 2009 = -0.87 3. ΔCPI for year 2010 = 0.96 4. ΔCPI for year 2011 = 1.42 5. ΔCPI for year 2012 = to be decided
		2 Off-net voice call tariffs including (1) Off-net mobile (2) Mobile to fixed calls			
		3 voice call interconnection	NCC will modify regulations of wholesale rates of voice call termination on mobile network.		

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) in peak hours and Mobile Interconnection Fee (NT\$2.15) only in off-peak hours ◎ Transition Fee decreases to zero over the period of 6 years						No higher than CHT's 2G tariff before the reverse
	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) in all hours						No higher than CHT's 2G tariff before the reverse

Continuing Broadband Network Construction

Fiber Deployment Plan



Note:

(1) The Coverage rate is based on the household number (8.08mn) as of Mar. 2012

(2) Wireline : Fixed + Internet

- FTTx access exceeded ADSL access in Aug. 2011
- FTTx coverage (≥ 100Mbps) expected to reach 97% by year 2016
- Broadband access + ISP revenue slightly growing in upcoming years
- Wireline^(note) VAS revenues expected to have higher growth