



中華電信
Chungwa Telecom



Q3 2012 Operating Results

October 26, 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

This presentation 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. 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 the risks outlined in Chunghwa’s filings with the U.S. Securities and Exchange Commission on Forms F-1, F-3, 6-K and 20-F, in each case as amended. The forward-looking statements in this presentation reflect the current belief of Chunghwa as of the date of this presentation and Chunghwa undertakes no obligation to update these forward-looking statements for events or circumstances that occur subsequent to such date, 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 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.



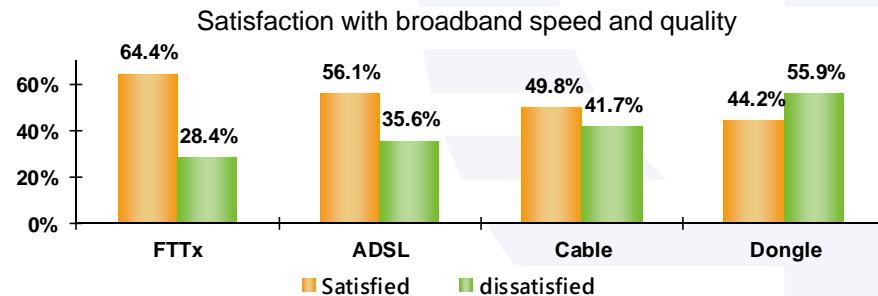
Recent Events



Fiber and MOD Services Highly Recognized

Broadband Service

- The “Broadband demand survey”
 - Surveys internet users behavior and their demand of broadband services
- 64.4% said they were satisfied with fiber broadband service



Conducted by the Global Views Monthly Magazine

- Most of the fiber access services are provided by Chunghwa in Taiwan

MOD Service

- The “Digital Convergence Investigation” survey
 - The general public was invited to rate the quality of their cable television services and Chunghwa’s MOD (IPTV) service

Service satisfaction :

	CHT	CATV
Display quality	82.0%	72.9%
Overall service	77.3%	63.9%
Channel versatility	66.8%	66.3%

Conducted by the Survey & Research Co., Ltd.

- 94% said they were impressed by MOD’s HD broadcast of the Olympic Games in London

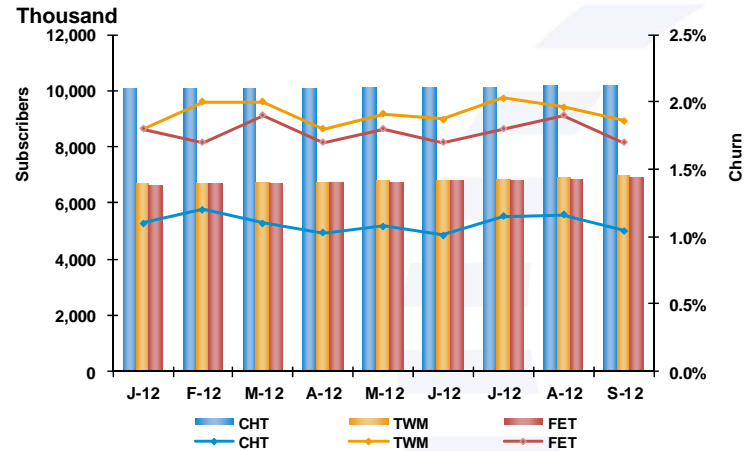


Business Overview



Smartphone – Value Driver for Mobile

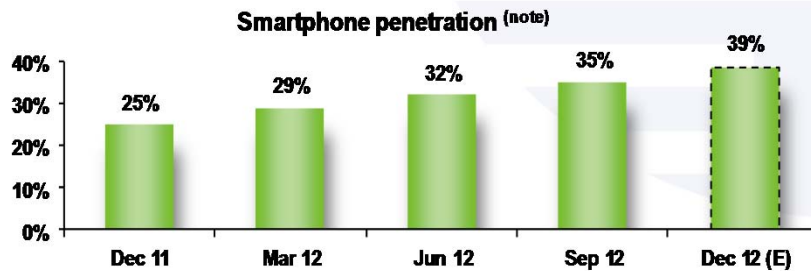
Highest Subs & Lowest Churn



Strategy

- Continuing mobile leadership by maintaining largest customer base and lowest churn rate
- Upgrading retail stores by:
 - Focusing on high traffic locations
 - Extending store hours
 - Improving customer service at all retail stores
- Expanding Wi-Fi access points to over 35,000 and 100 hot zones in metropolitan areas by year-end 2012

Smartphone Adoption

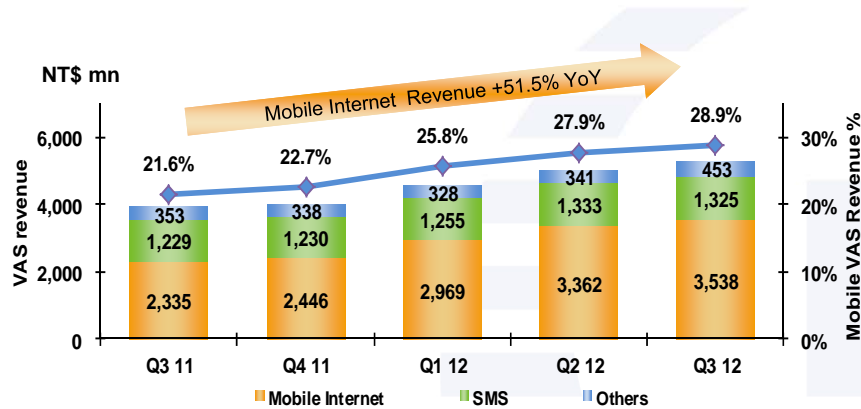


Note: number of smartphone (iOS/ Android/ Symbian S60 above/ WM/ Blackberry/ Bada/ Brew MP) in mobile network/ total postpaid subs

- Q3 2012 smartphone sales breakdown:
 - Top-tier: 38%
 - Mid-tier: 34%
 - Low-tier: 28%
- Smartphone customers account for 67% of the total handsets CHT offered in Q3 2012

Growing Mobile Value-added Services

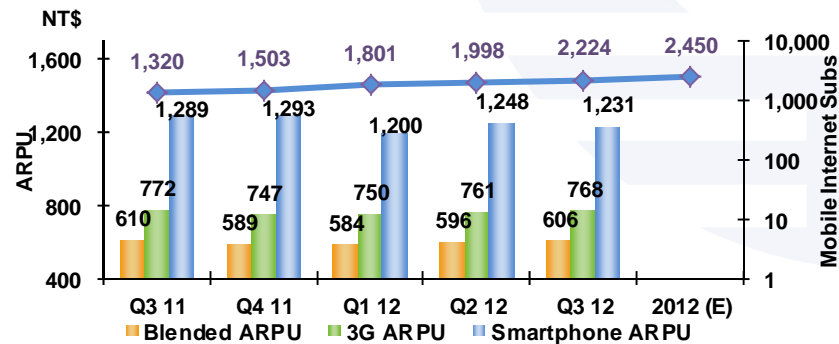
VAS Performance



Strategy

- Increasing mobile VAS revenue by:
 - Offering promotion programs focusing on additional data plan adoption with favorable voice discount
 - Providing customized and integrated Hami VAS services

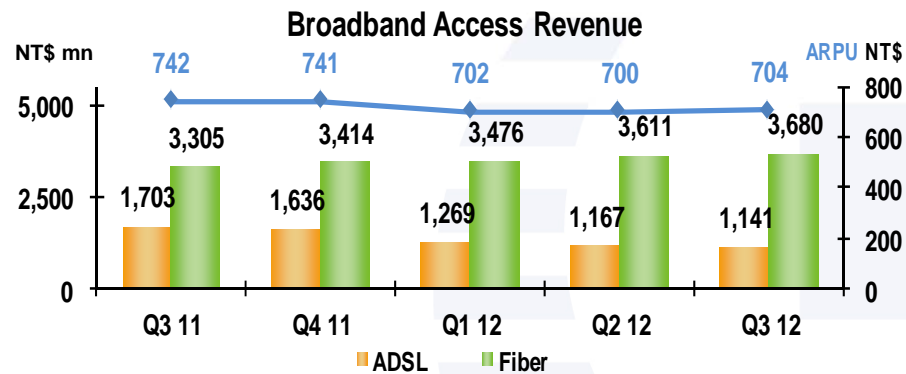
ARPU & Mobile Internet Subs



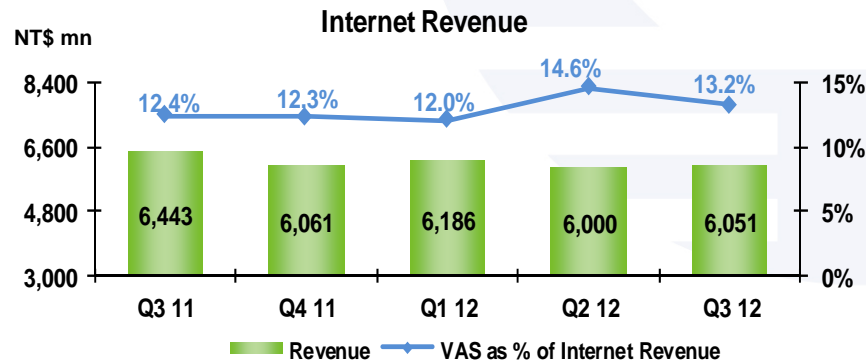
Note: Mobile subs are excluding mobile internet users without internet packages subscription

Fixed Broadband and Internet Services

Performance



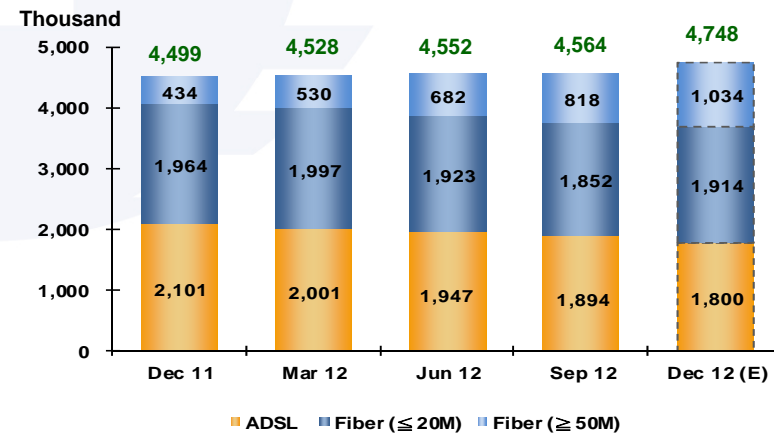
Note: Broadband ARPU is calculated as access plus ISP



Strategy

- Ⓞ Migrating customers to higher speed services
- Ⓞ Expanding fiber broadband customer base
- Ⓞ Increasing fiber network coverage, promoting high-speed internet
- Ⓞ Developing cross platform services to strengthen digital convergence capabilities
- Ⓞ Promoting machine-to-machine devices connection

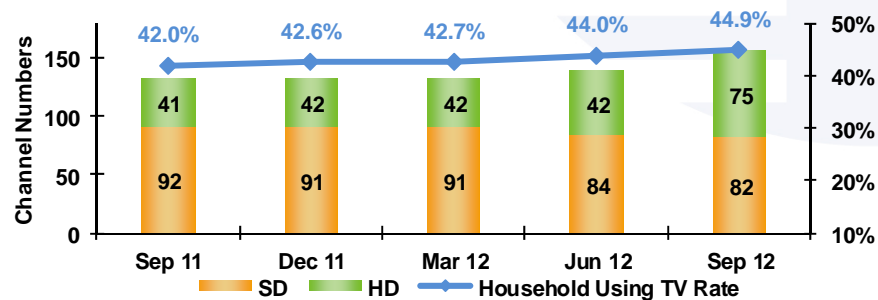
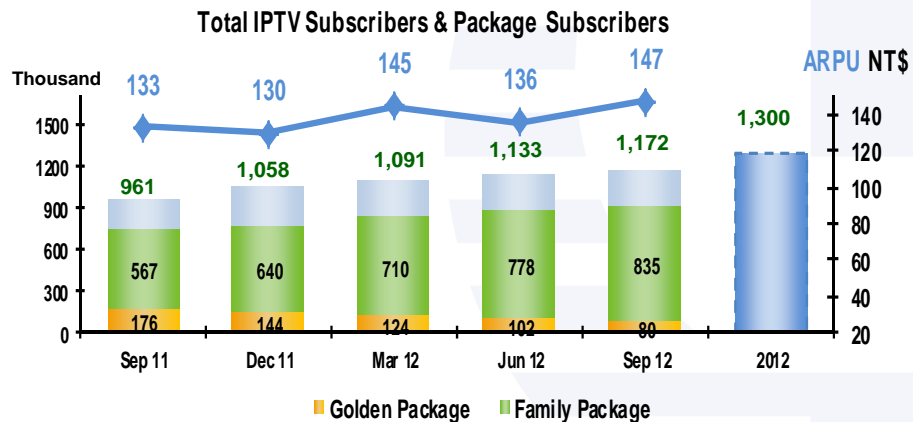
Fixed Broadband Subs



Growing Momentum in MOD/ IPTV

Subscriber & Usage

- Subscriber market share (CATV+IPTV) YoY grows from 13.6% to 18.4% in Q2 2012
- 78.1% of IPTV subscribers sign up additional Packages
 - Package subscription rate YoY increase from 77.3% to 78.1%



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

Strategy

- Enriching content offerings for customers
- Introducing new platform to facilitate digital convergence service offerings
- Increasing HD channel selection
- Offering multi-screen cloud services

Performance

- IPTV revenue grew over 38% YoY in Q3 2012
- Expecting to generate more advertising revenue based on better customers' experiences during London Olympic Games

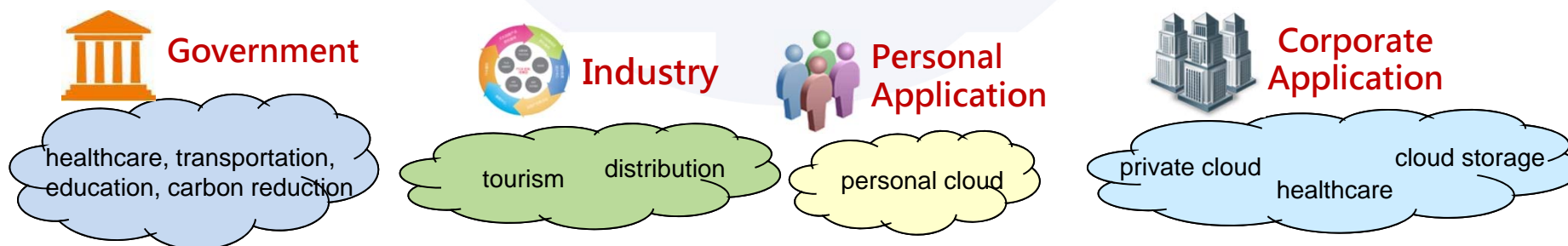
ICT and Cloud Computing Initiatives

ICT Business Strategy

- Expand business scope and focus to include:
 - ITS, iEN, information security, IMO, call center, IDC, Cloud Computing, ICT for developers
 - IOT
- Cross-selling capability with existing customers
- ICT revenue grew 29.1% QoQ in Q3 2012

Cloud Computing Strategy

- Strengthen cloud computing infrastructure
- Provide hicloud CaaS, SaaS CRM, hicloud marketplace, and Hami cloud
- Develop innovative cloud applications for retail customers
- 2012 focus: offer personal, storage, enterprise, tourism, distribution, and healthcare cloud services
- Major partners: Microsoft, Trend Micro, IBM, Intel, Fujitsu, R&H, Quanta, Inventec, Wistron, Show Chwan, NCP, CISA, ITRI, III





Regulatory Update



Regulatory Update

Telecom Act Amendment

- Executive Yuan returned the draft to NCC for reconsideration in Oct. 2012
- CHT expects the amendment to focus more on the facilitation of digital convergence capabilities for the overall all industry

IP Peering

- NCC announced the draft of amendment of “Regulation Governing Network Interconnection among Telecommunications Enterprises” (the “Draft Regulations”) to create standards for IP Peering in Sep. 2012
- CHT has submitted a proposal to NCC to amend the Draft Regulations and suggest:
 - Conform to international-accepted practices for ‘light regulation and mutual business negotiation among ISPs’

2G license Extension & 4G License Award

- GSM 900/1800 license will expire in 2012 and 2013 respectively
- Subject to NCC’s approval, the term of original 2G license would be extended to June 2017. Chunghwa has submitted the application for extension of the license and the application currently is under NCC’s review
- Executive Yuan instructed NCC to release the 4G (technology- neutral) licenses before end of 2013, along with its regulatory framework which is still under discussion

3G Dominant Operator

- CHT, TWM and FET were announced as 3G mobile dominant operators by NCC on July 17, 2012
- The major tariff set by dominant operators are subject to competent authority’s prior approval
- The above three operators dominate both 3G and 2G markets



Financials Overview



Financials: Income Statement Highlights

(NT\$bn)	ROC GAAP (Consolidated)					
	Jan-Sep 2011	Jan-Sep 2012	Growth Rate	Q3 2011	Q3 2012	Growth Rate
Net Revenues	162.61	164.01	0.9%	55.71	54.40	(2.3%)
Operating Costs and Expenses	119.37	126.14	5.7%	41.83	42.30	1.1%
Income from Operations	43.24	37.87	(12.4%)	13.88	12.10	(12.8%)
Net Income	37.07	30.96	(16.5%)	11.93	10.20	(14.6%)
Net Income Margin (%)	22.79	18.88		21.42	18.74	
EBITDA	67.36	62.24	(7.6%)	21.94	20.27	(7.6%)
EBITDA margin (%)	41.42	37.95		39.38	37.25	

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

Financials: Business Segment Revenues

(NT\$bn)	ROC GAAP (Consolidated)					
	Jan-Sep 2011	Jan-Sep 2012	Growth Rate	Q3 2011	Q3 2012	Growth Rate
Domestic Fixed	59.50	56.38	(5.2%)	20.52	18.94	(7.7%)
Local	31.33	30.53	(2.6%)	10.74	10.29	(4.2%)
DLD	4.40	2.87	(34.8%)	1.46	0.94	(35.9%)
Broadband Access	15.37	14.34	(6.7%)	5.01	4.82	(3.7%)
Mobile	68.95	75.20	9.1%	23.76	24.88	4.7%
Mobile Voice	41.99	39.29	(6.4%)	14.21	13.13	(7.5%)
Mobile VAS	11.21	14.94	33.2%	3.92	5.35	36.5%
Handset Sales	15.68	20.95	33.6%	5.61	6.39	14.0%
Internet	18.78	18.24	(2.9%)	6.44	6.05	(6.1%)
Internet Services	13.55	12.70	(6.3%)	4.35	4.25	(2.3%)
Internet VAS	1.85	1.94	5.0%	0.61	0.65	5.4%
International Fixed	11.43	11.37	(0.5%)	3.78	3.86	2.2%
ILD	9.38	9.04	(3.6%)	3.03	3.02	(0.3%)
Leased line	0.73	0.90	24.4%	0.26	0.34	28.1%
Others	3.95	2.83	(28.5%)	1.21	0.67	(44.3%)
Total	162.61	164.01	0.9%	55.71	54.40	(2.3%)

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

Financials: Costs & Expenses

(NT\$bn)	ROC GAAP (Consolidated)					
	Jan-Sep 2011	Jan-Sep 2012	Growth Rate	Q3 2011	Q3 2012	Growth Rate
Operating Costs	96.76	104.38	7.9%	34.17	34.28	0.3%
Operating Expenses	22.61	21.76	(3.8%)	7.66	8.02	4.7%
Marketing	16.85	16.05	(4.7%)	5.82	6.12	5.1%
General and Administrative	3.16	2.97	(6.0%)	0.94	0.95	1.0%
R&D Expense	2.60	2.74	5.4%	0.90	0.95	5.9%
Total	119.37	126.14	5.7%	41.83	42.30	1.1%

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

Cash Flow & EBITDA Margin

(NT\$bn)	ROC GAAP (Consolidated)					
	Jan-Sep 2011	Jan-Sep 2012	Growth Rate	Q3 2011	Q3 2012	Growth Rate
Net Cash Flow from Operating Activities	45.05	43.08	(4.4%)	19.05	15.77	(17.2%)
CAPEX	16.58	22.56	36.0%	6.66	8.33	25.0%
Free Cash Flow	28.47	20.52	(27.9%)	12.39	7.44	(39.9%)
Cash and Cash Equivalent at the end of period	48.80	38.82	(20.4%)	48.80	38.82	(20.4%)
EBITDA Margin(%) -Consolidated	41.42	37.95		39.38	37.25	
EBITDA Margin(%) -Parent company only	44.41	42.41		42.40	41.47	

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.

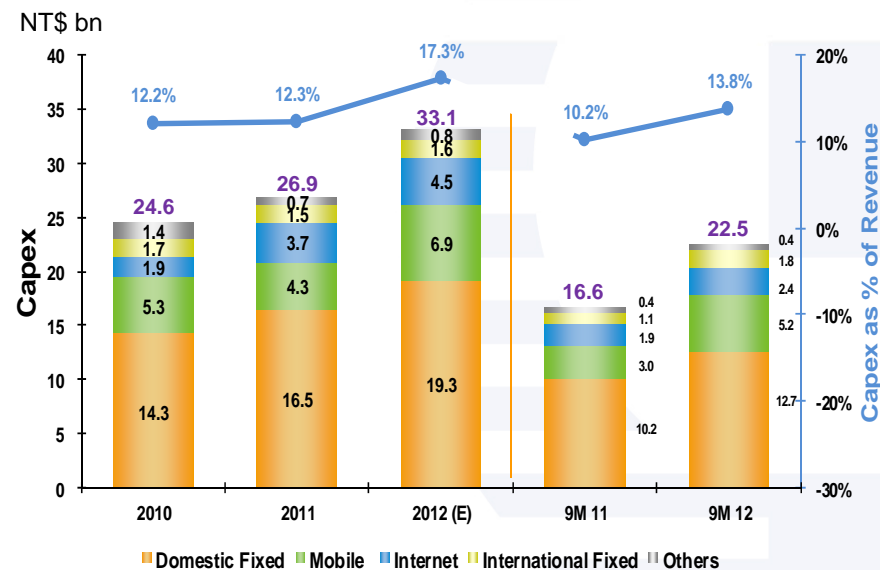
Forecast & Operating Results

(NT\$bn)	ROC GAAP (Parent Company Only)					
	Jan-Sep 2012	2012 (E)	Achieving Rate	Q3 2012	Q3 2012 (E)	Achieving Rate
Net Revenues	141.60	188.88	75.0%	47.24	47.96	98.5%
Operating Costs and Expenses	105.91	143.75	73.7%	35.71	36.06	99.0%
Income from Operations	35.69	45.13	79.1%	11.53	11.90	96.9%
Net Income	30.96	39.18	79.0%	10.20	10.32	98.8%
EPS	3.99	5.05		1.31	1.33	
EBITDA	59.76	77.09	77.5%	19.59	19.87	98.6%
EBITDA margin (%)	42.21	40.81		41.47	41.42	

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

Effective and Efficient Capital Expenditure

Capital Expenditure



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

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

Q&A



Reference



Regulatory Development

Tariff Regulation

- Wireline and wireless tariff reduction starting from April 1, 2010 over 3 years (Please refer to reference page 23)
- NCC is drafting the next round of tariff reduction plan

Single-tariff for Fixed-line Calls

- In January 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 Jan. 1, 2012

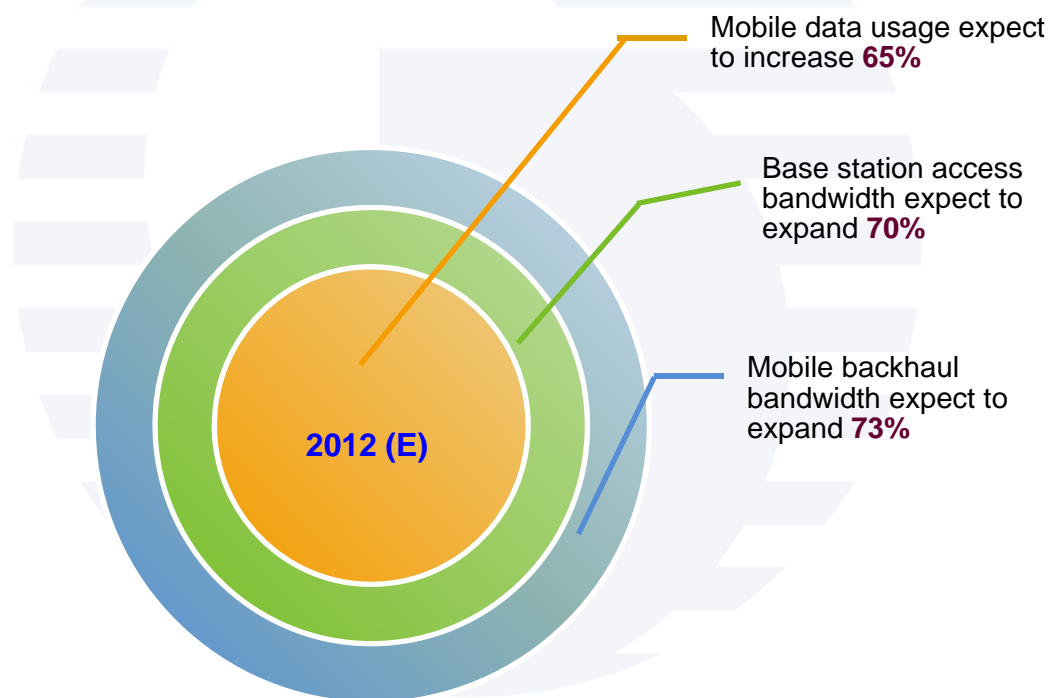
Tariff Regulations

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.		

High-quality Mobile Network Build-out

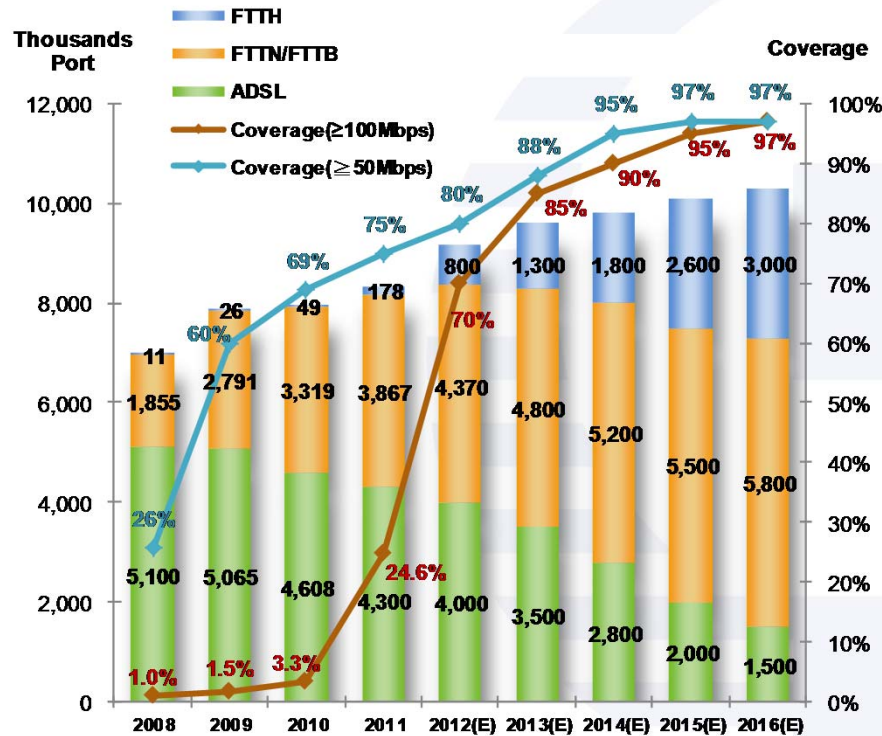
④ Heterogeneous network to enhance efficiency

- 21M HSPA+ base stations to increase to 5,000 by 2012
- WiFi
- Femtocell



Higher quality to meet customers' demand

Continuing Broadband Network Construction



Fiber Deployment Plan

- ④ FTTx coverage (≥100M) reach 97% by 2016
- ④ Increase FTTH construction in order to meet the demand of high speed broadband
- ④ 1Gbps trial services has reached over 1,000 households
 - Chunghwa is one of the leading operators that provides 1Gbps residential broadband service
- ④ Fiber construction plan including capex will be reviewed in accordance with market demand

Note:

- (1) The Coverage rate is based on the household number (8.17mn) as of September 2012
- (2) Wireline : Fixed + Internet