



中華電信
Chunghwa Telecom

2Q 2016 Operating Results

July 28, 2016

Disclaimer

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The unaudited financial information under T-IFRSs in this presentation is preliminary and subject to adjustments and modifications. Adjustments and modifications to the financial statements may be identified during the course of the audit /review work, which could result in significant differences from this preliminary unaudited financial information.

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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 T-IFRSs. EBITDA should not be considered as an alternate measure of net income or income from operations, as determined on a consolidated basis using amounts derived from statements of operations prepared in accordance with U.S. GAAP or T-IFRSs, 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.



Business Overview



Chunghwa Telecom Overview

Strong Market Position ^(a)

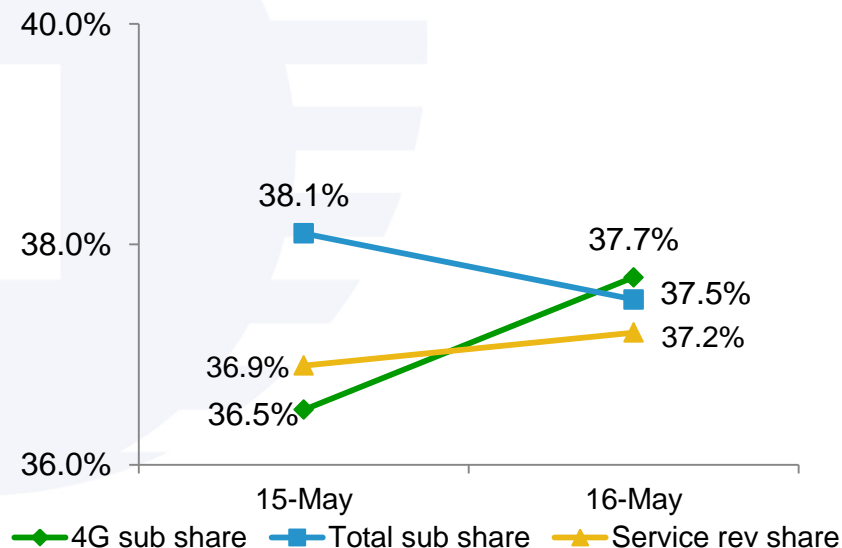
- Domestic Fixed
 - #1 Local
 - 93.7% share by subs (11.07mn subs)
 - 85.3% share by minutes
 - #1 DLD
 - 82.6% share by minutes
 - #1 Broadband access
 - 75.1% share by subs ^{(b)(c)} (4.48 mn subs)
- Mobile
 - #1 Mobile subscribers
 - 37.5% market share ^(d) (10.90mn subs)
 - #1 Mobile revenue
 - 37.2% market share ^{(d)(e)}
- Internet
 - #1 ISP
 - 68.7% share by subs (4.18 mn subs)
- International Fixed
 - #1 ILD
 - 55.1% share by minutes

Source: Company data, MOTC, and NCC statistics

- a) Market share as of May 2016
- b) CHT access circuits were not included
- c) Excluding PWLAN subscriber numbers
- d) Includes 2G, 3G and 4G
- e) Revenues are based on T-IFRSs .

Mobile Performance

- Accumulating 5.7 million 4G subscribers by the end of June 2016
- The Big 4G plan begins to see up-selling



Number One Mobile Services Provider

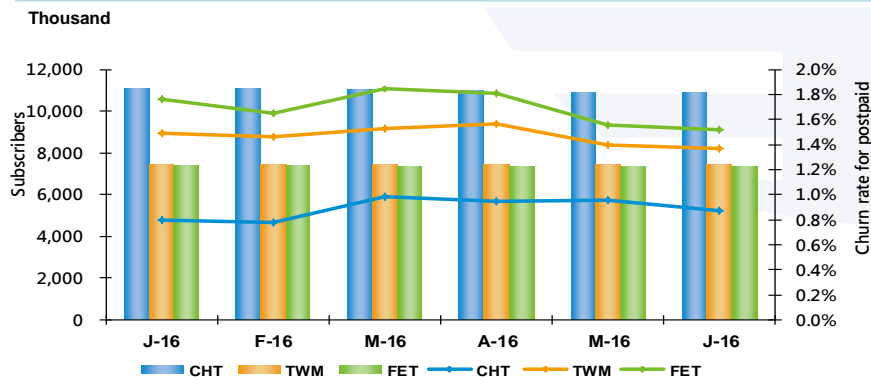
Mobile Broadband Spectrum Advantage-3CA

- Having the largest 130MHz mobile broadband spectrum
- Offering a faster peak speed via 3CA : **900MHz/1800MHz/2600MHz**
- Enabling load balancing between high/low bands for best QoE
- Providing a solid foundation for developing IoT, video and value-added services

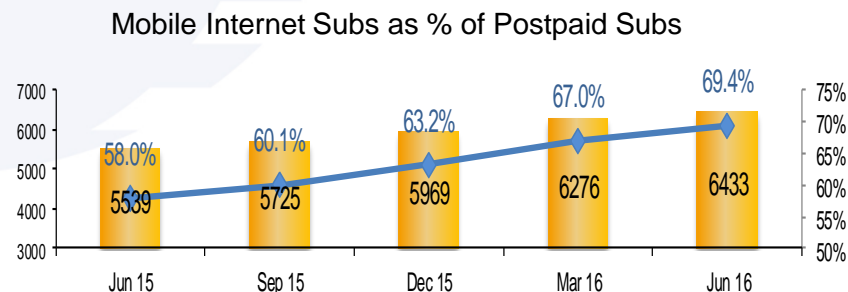
Strategy

- Rolling out 2.6G service in March to offer best QoE to 4G customers
- Raising threshold for unlimited data plans to shepherd the market in the direction of adopting tier-pricing and fair usage policies
- Promoting VAS and new applications
- Strengthening subscriber acquiring and retention initiatives

Highest Subs & Lowest Churn



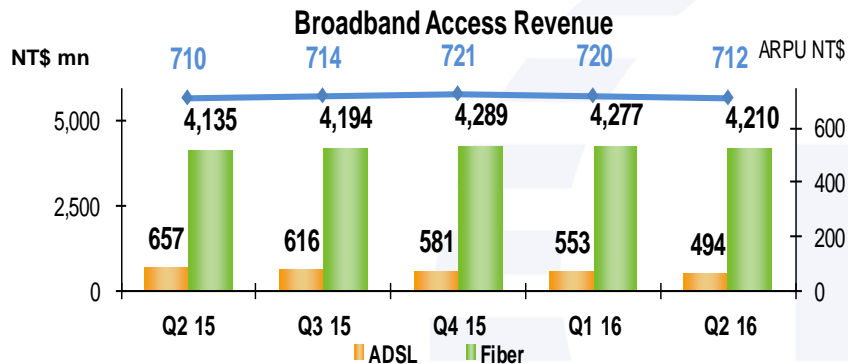
Mobile Internet Adoption



Note : Subscribers with mobile internet plan subscription.

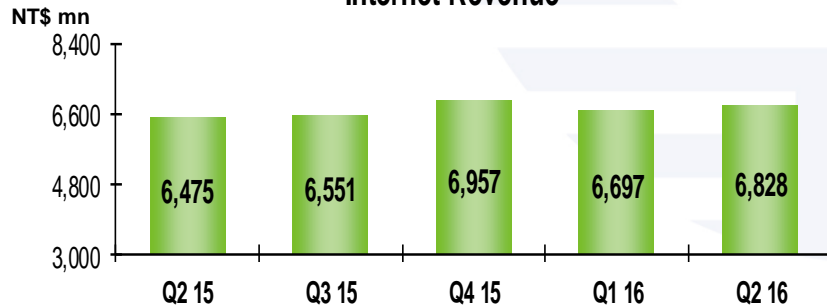
Fixed Broadband and Internet Services

Performance



Note 1 : Broadband ARPU is calculated as access plus ISP
 Note 2 : Revenue is calculated based on T-IFRSs

Internet Revenue

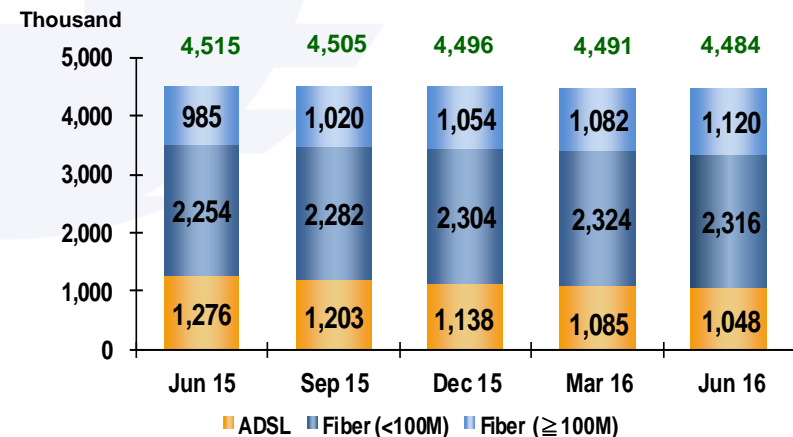


Note : Revenue is calculated based on T-IFRSs

Strategy

- Leveraging network capability to offer high-speed upload service
- Leveraging Big Data capability for precision marketing and precision network construction
- Leveraging mobile, broadband and Wi-Fi capabilities to offer seamless internet services
- Expediting CDN construction and OTT promotion to enhance digital convergence product competitiveness

Fixed Broadband Subs



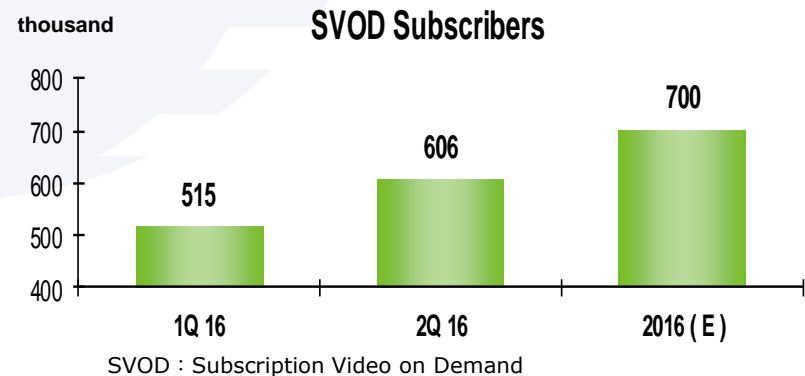
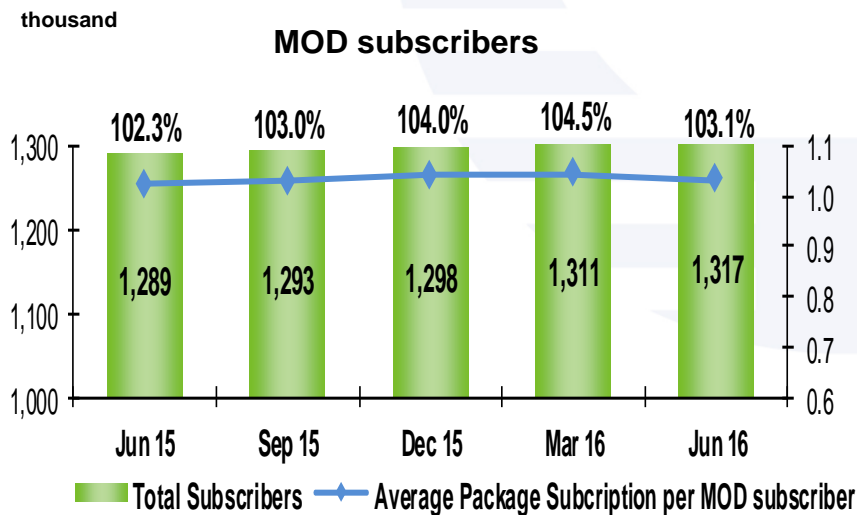
MOD/ IPTV Service

Performance

- Subscriber market share (CATV+IPTV) YoY remained at around 20.4% in Q1 2016
- Household TV Usage rate increased to 69.3% from 67.9% YoY for Q2 2016

Strategy

- Continuing to enrich content, including movies, drama, TV series for SVOD
- Enhancing both MOD and OTT user interfaces
- Leveraging the existing broadband and 4G mobile subscriber base to grow MOD and OTT subscribers
- Leveraging the existing media content position in VOD to acquire OTT contents with all rights across three platforms
- Becoming the leading multi-screen service provider via a robust network infrastructure



Enterprise ICT Initiatives

Performance

- Information security and cloud service revenue increased 55% YoY in H1 2016
- Personal Cloud (Hami+) subscribers was 3.1 million till June 2016
- IoT service revenue totaled NT\$2.2 bn in H1 2016, a 116% increase YoY
- Acquired several significant ICT projects in H1 2016 with contract amount totaling NT\$11.2bn

Strategy

- Leveraging our advantage on network infrastructure, IDC, CDN, etc. to expand ICT business
- Launching highest-rated cloud IDC to further explore business opportunities in finance and ICP/OTT industries
- Offering ICT total solutions by integrating our capabilities on cloud, information security, IoT and customization
- Developing in-house big data capability for future commercialization
- Cooperating with partners to develop an ecosystem to provide IoT services across various industries



Financials Overview



Financials: Income Statement Highlights

(NT\$bn)	Consolidated					
	Q2 2016	Q2 2015	Growth %	H1 2016	H1 2015	Growth %
Revenues	56.20	56.92	(1.3)	113.14	113.39	(0.2)
Operating Costs and Expenses	43.31	43.71	(0.9)	86.46	88.37	(2.2)
Income from Operations	12.88	13.20	(2.4)	26.66	24.98	6.7
Net Income²	11.06	11.13	(0.7)	22.73	21.55	5.5
Net Income Margin³ (%)	20.17	19.96	-	20.56	19.34	-
EPS	1.43	1.44	(0.7)	2.93	2.78	5.5
EBITDA	20.99	21.60	(2.8)	42.90	41.94	2.3
EBITDA Margin (%)	37.35	37.94	-	37.92	36.98	-

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for Q2 2016 are unaudited.
2. Net income attributable to owners of the parent.
3. Net income margin is based on consolidated net income (including net income attributable to NCI)
4. The calculation of growth rates is based on NT\$mn.

Financials: Business Segment Revenues

(NT\$bn)	Q2 2016	Q2 2015	Growth %	H1 2016	H1 2015	Growth %
Domestic Fixed	18.41	17.76	3.7	36.21	35.30	2.6
Local	8.01	8.50	(5.7)	15.97	16.85	(5.2)
DLD	0.73	0.80	(7.8)	1.45	1.56	(7.3)
Broadband Access	4.70	4.79	(1.8)	9.53	9.66	(1.3)
MOD	0.57	0.73	(21.5)	1.16	1.39	(16.8)
Mobile	26.48	28.51	(7.1)	54.64	56.51	(3.3)
Mobile Voice	9.44	10.46	(9.8)	19.08	20.64	(7.5)
Mobile VAS	10.35	9.86	5.0	20.66	19.43	6.3
Sales of Mobile Handsets, Tablets and Data Cards	6.43	8.01	(19.8)	14.32	16.07	(10.9)
Internet	6.83	6.48	5.5%	13.53	12.87	5.1
Data Communications	5.21	5.07	2.7%	10.40	10.14	2.6
Application VAS	1.10	0.93	17.7%	2.15	1.81	18.7
International Fixed	3.55	3.52	0.9%	7.04	7.40	(5.0)
ILD	2.21	2.23	(1.0)	4.39	4.92	(10.7)
Leased line	0.45	0.42	7.4	0.92	0.83	10.5
Others	0.93	0.65	42.5	1.73	1.32	31.7
Total	56.20	56.92	(1.3)	113.14	113.39	(0.2)

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for Q2 2016 are unaudited.
2. The calculation of growth rates is based on NT\$ mn.

Financials: Costs & Expenses

(NT\$bn)	Consolidated					
	Q2 2016	Q2 2015	Growth %	H1 2016	H1 2015	Growth %
Operating Costs	35.25	35.71	(1.3)	70.36	72.41	(2.8)
Operating Expenses	8.06	8.00	0.8	16.10	15.96	0.9
Marketing	6.01	6.03	(0.3)	12.01	12.01	0.0
General and Administrative	1.10	1.10	(0.1)	2.25	2.25	0.2
R&D Expense	0.95	0.87	9.0	1.84	1.70	8.5
Total	43.31	43.71	(0.9)	86.46	88.37	(2.2)

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for Q2 2016 are unaudited.
2. The calculation of growth rates is based on NT\$ mn.

Cash Flow & EBITDA Margin

(NT\$bn)	Consolidated					
	Q2 2016	Q2 2015	Growth %	H1 2016	H1 2015	Growth %
Net Cash Flow from Operating Activities	13.41	18.13	(26.0)	19.90	29.92	(33.5)
CapEx	3.43	4.79	(28.3)	6.82	10.32	(33.9)
Free Cash Flow	9.98	13.34	(25.2)	13.08	19.60	(33.3)
Cash and Cash Equivalents at the end of period	44.64	34.28	30.2	44.64	34.28	30.2
EBITDA Margin(%)	37.35	37.94	-	37.92	36.98	-

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for Q2 2016 are unaudited.
2. The calculation of growth rates is based on NT\$ mn.
3. Free cash flow is calculated by subtracting CapEx from Net Cash Flows from Operating Activities.

Operating Results vs. Forecast

(NT\$bn)	Consolidated					
	Q2 2016 (A)	Q2 2016 (E)	Achieving %	1H 2016 (A)	1H 2016 (E)	Achieving %
Revenues	56.20	56.54	99.4	113.14	112.71	100.4
Operating Costs and Expenses	43.31	44.23	97.9	86.46	88.91	97.3
Income from Operations	12.88	12.30	104.6	26.66	23.80	112.0
Net Income²	11.06	10.43	106.0	22.73	20.11	113.0
EPS	1.43	1.34	106.3	2.93	2.59	113.0
EBITDA	20.99	20.94	100.2	42.90	40.85	105.0
EBITDA Margin (%)	37.35	37.04	-	37.92	36.24	-

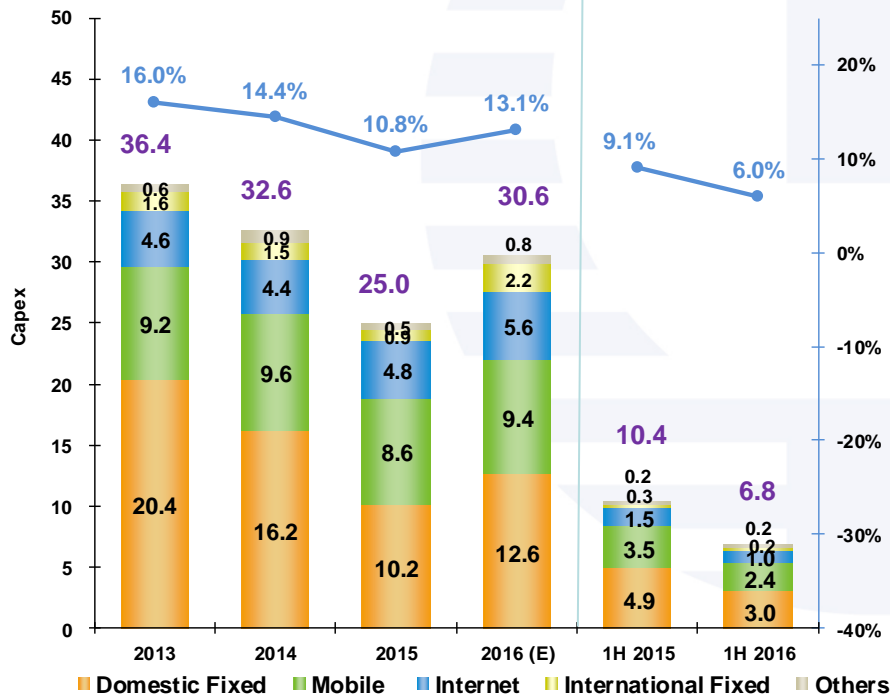
Note:

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2. Net income attributable to owners of the parent.

Effective and Efficient Capital Expenditure

Capital Expenditure

NT\$ bn



Budgeted capex for 2016: NT\$30.6 bn

Continue to focus on core businesses for future investments

- 4G
- FTTx
- Service Platforms
- IDC/ Cloud



Q&A

