



中華電信
Chunghwa Telecom

2Q 2018 Operating Results

July 30, 2018

Disclaimer

STATEMENT REGARDING UNAUDITED FINANCIAL INFORMATION

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.

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.

This presentation 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 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



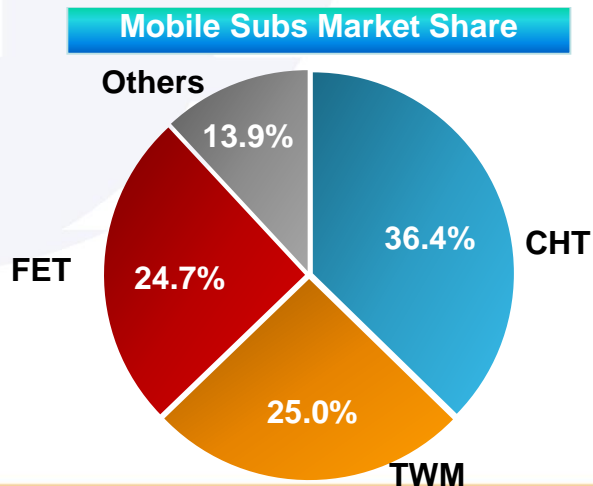
Chunghwa Telecom Overview

Strong Market Position ^(a)

- Domestic Fixed
 - #1 Local
 - 93.2% share by subs (10.58mn subs)
 - 84.1% share by minutes
 - #1 DLD
 - 83.1% share by minutes
 - #1 Broadband access
 - 72.0% share by subs ^{(b)(c)} (4.48 mn subs)
- Mobile
 - #1 Mobile subscribers
 - 36.4% market share ^(d) (10.52mn subs)
 - #1 Mobile revenue
 - 38.2% market share ^{(d)(e)}
- Internet
 - #1 ISP
 - 67.4% share by subs (4.11mn subs)
- International Fixed
 - #1 ILD
 - 66.4% share by minutes

Operational Strategies

- Streamline services and strengthen profitability
- Capitalize and remain at the forefront of digital convergence trends
- Leverage governments' new southbound development policy
- Broaden corporate governance initiatives
- Continue to invest in talent and R&D

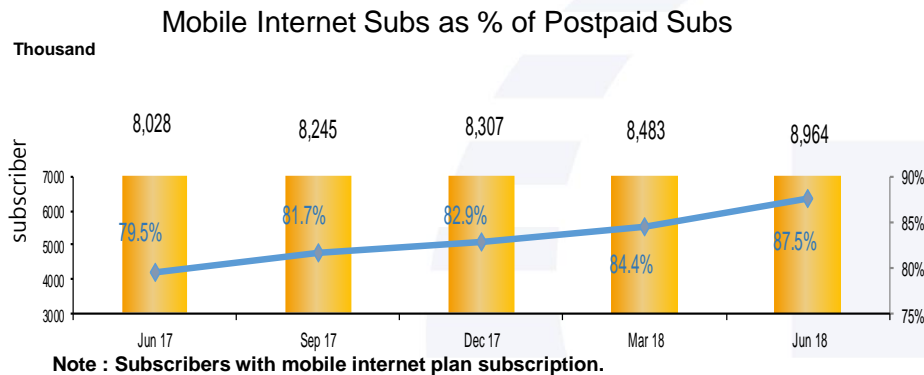


Source: Company data, MOTC, and NCC statistics

- a) Market share as of May 2018
- b) CHT access circuits were not included
- c) Excluding PWLAN subscriber numbers
- d) Includes 3G and 4G
- e) Revenues are based on T-IFRSs .

Number One Mobile Services Provider

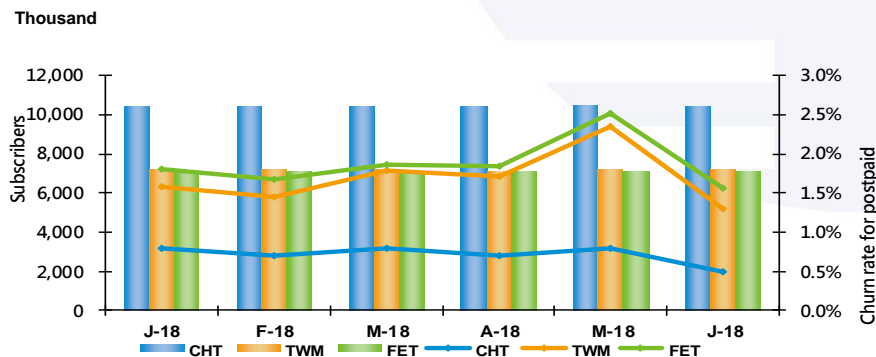
Mobile Internet Adoption



Strategy

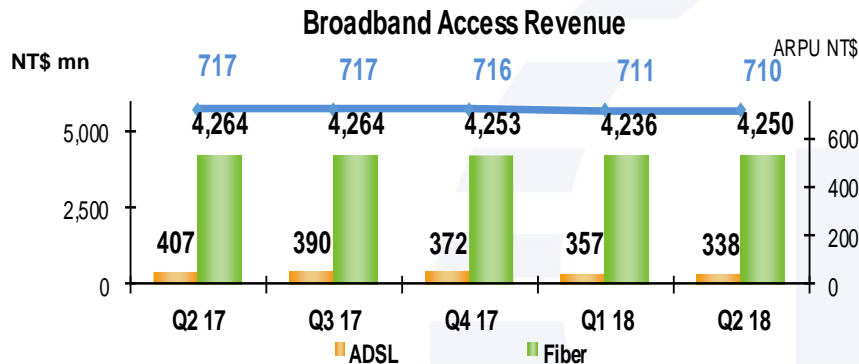
- Continue to enhance mobile network quality with precision construction
- Offer diversified product portfolio to satisfy customer demands
- Re-allocate marketing resource to shepherd subscription toward high-end bundled plans
- Strengthen subscriber acquisition and retention initiatives
- Promote VAS and new applications
- Grow enterprise customers revenues

Highest Subs & Lowest Churn



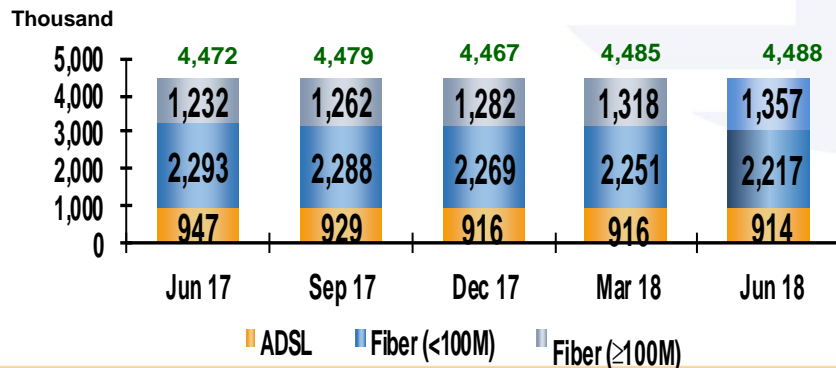
Fixed Broadband and Internet Services

Performance



Note 1 : Broadband ARPU is calculated as access plus ISP
 Note 2 : Revenue is calculated based on T-IFRSs
 Note 3 : Revenue starting from 2018 are calculated in accordance with IFRS 15

Fixed Broadband Subs



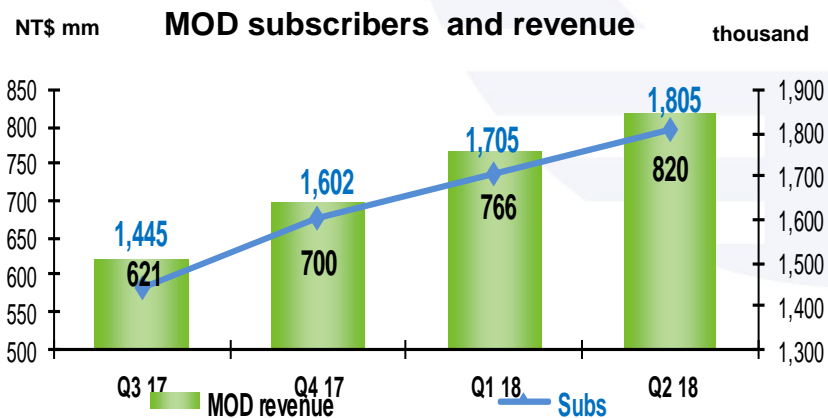
Strategy

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

MOD/ IPTV Service

Performance

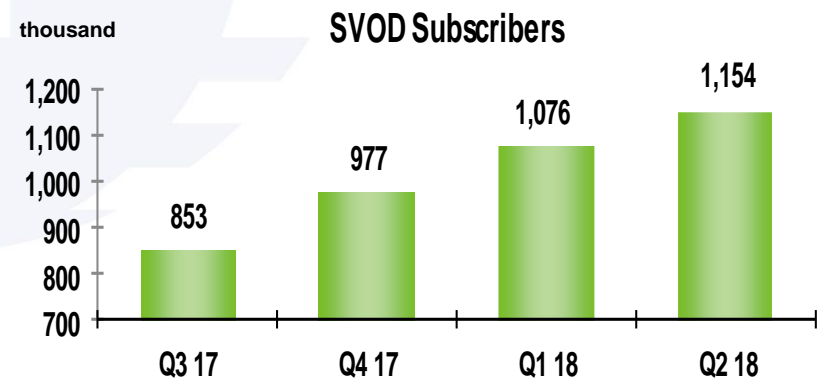
- Subscription for Q2 2018 grew 32.9% YoY
- Revenue for Q2 2018 grew 32.5% YoY
- In H1, accumulated revenue from advertisement grew 77% YoY
- Subscriber market share (CATV+IPTV) grew to 24.7% in Q1 2018



Note : Revenue starting from 2018 are calculated in accordance with IFRS 15

Strategy

- Continue to enrich content, including movies, drama, TV series and cartoons for SVOD
- Leverage the existing broadband and 4G mobile subscriber base to grow MOD subscribers
- Carry OTT and 4K service on the platform to make MOD the smart home hub
- Differentiate products by acquiring sports contents including eSports



SVOD : Subscription Video on Demand

Enterprise ICT Initiatives

Performance

- Obtain Advanced Metering Infrastructure (AMI) project from Taipower to establish more than 50 thousand NB-IoT metering connections
- Own 80% market share in clean pipe network/information security and 55% market share in PKI applications
- The only certificated telecom operator in Taiwan that combined AI technology to provide FIDO (Fast ID Online) biometric identity verification service
- Provide smart city solutions in governance, surveillance, health management, tourism and agriculture for more than 80% cities in Taiwan

Strategy

- Leverage our advantage on network infrastructure, IDC, CDN, ect. to expand ICT business
- Leverage nationwide NB-IoT/Cat M1 dual network to provide high-efficiency and quality IoT service via our IoT Platform
- Launch highest-rated cloud IDC to further explore business opportunities in finance, ISP and ICP/OTT industries
- Offer ICT total solutions by integrating our capabilities on cloud, information security, big data analysis, IoT, AI, block chain and customization
- Cooperate with partners to develop an ecosystem to provide IoT services across various industries



Financials Overview



Financials: Income Statement Highlights

(NT\$bn)	Consolidated					
	Q2 2018 (Upon the adoption of IFRS 15)	Q2 2017 (Before the adoption of IFRS 15)	Growth %	H1 2018 (Upon the adoption of IFRS 15)	H1 2017 (Before the adoption of IFRS 15)	Growth %
Revenues	53.66	55.67	(3.6)	107.29	110.21	(2.6)
Operating Costs and Expenses	41.60	43.35	(4.0)	84.21	86.34	(2.5)
Income from Operations	12.05	12.32	(2.2)	23.00	23.85	(3.6)
Net Income²	9.86	10.45	(5.6)	18.59	20.04	(7.2)
Net Income Margin³ (%)	18.75	19.36	-	17.76	18.71	-
EPS	1.27	1.35	(5.6)	2.40	2.58	(7.2)
EBITDA	20.02	20.35	(1.6)	38.93	39.95	(2.6)
EBITDA Margin (%)	37.31	36.54	-	36.28	36.25	-

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for 2018 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. EBITDA = operating income + Depreciation & Amortization.
5. The calculation of growth rates is based on NT\$m.

Financials: Business Segment Revenues

(NT\$bn)	Q2 2018	Q2 2017	Growth %	H1 2018	H1 2017	Growth %
Domestic Fixed	16.44	16.99	(3.2)	32.24	33.76	(4.5)
Local	7.01	7.43	(5.6)	13.95	14.81	(5.8)
DLD	0.62	0.67	(7.0)	1.23	1.32	(6.8)
Broadband Access	4.59	4.67	(1.8)	9.18	9.41	(2.4)
MOD	0.82	0.62	32.5	1.59	1.23	28.8
Mobile	25.68	26.79	(4.1)	52.46	53.45	(1.8)
Mobile Voice	6.98	8.36	(16.5)	13.36	16.85	(20.7)
Mobile VAS	10.83	10.81	0.2	20.49	21.41	(4.3)
Sales of Mobile Handsets, and Data Cards	7.56	7.32	3.2	18.00	14.61	23.2
Internet	7.14	7.08	0.9	14.13	13.99	1.0
Data Communications	5.27	5.33	(1.1)	10.54	10.65	(1.0)
Application VAS	1.29	1.16	11.1	2.47	2.20	12.7
International Fixed	3.25	3.69	(12.0)	6.22	6.84	(9.1)
ILD	1.69	2.23	(24.2)	3.08	3.94	(21.7)
Leased line	0.50	0.45	12.5	1.02	0.94	8.5
Others	1.15	1.12	2.4	2.25	2.17	3.5
Total	53.66	55.67	(3.6)	107.29	110.21	(2.6)

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for 2018 are unaudited.
2. The calculation of growth rates is based on NT\$ mn.
3. Businesses shown under each segment are highlighted; therefore, sum of the highlighted revenues is not equal to the total.

Financials: Costs & Expenses

(NT\$bn)	Consolidated					
	Q2 2018 (Upon the adoption of IFRS 15)	Q2 2017 (Before the adoption of IFRS 15)	Growth %	H1 2018 (Upon the adoption of IFRS 15)	H1 2017 (Before the adoption of IFRS 15)	Growth %
Operating Costs	33.20	35.08	(5.4)	67.64	69.70	(2.9)
Operating Expenses	8.40	8.27	1.6	16.57	16.64	(0.4)
Marketing	6.32	6.15	2.7	12.37	12.44	(0.5)
General and Administrative	1.17	1.16	1.2	2.37	2.32	2.0
R&D Expense	0.91	0.96	(5.1)	1.83	1.88	(2.4)
Total	41.60	43.35	(4.0)	84.21	86.34	(2.5)

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for 2018 are unaudited.
2. The calculation of growth rates is based on NT\$ mn.

Financials: Cash Flow

(NT\$bn)	Consolidated					
	Q2 2018 (Upon the adoption of IFRS 15)	Q2 2017 (Before the adoption of IFRS 15)	Growth %	H1 2018 (Upon the adoption of IFRS 15)	H1 2017 (Before the adoption of IFRS 15)	Growth %
Net Cash Flow from Operating Activities	17.24	15.92	8.3	24.56	26.57	(7.6)
CapEx	6.83	5.08	34.5	11.22	9.69	15.8
Free Cash Flow	10.41	10.84	(4.0)	13.34	16.88	(21.0)
Cash and Cash Equivalents at the end of period	43.78	48.31	(9.4)	43.78	48.31	(9.4)

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for 2018 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

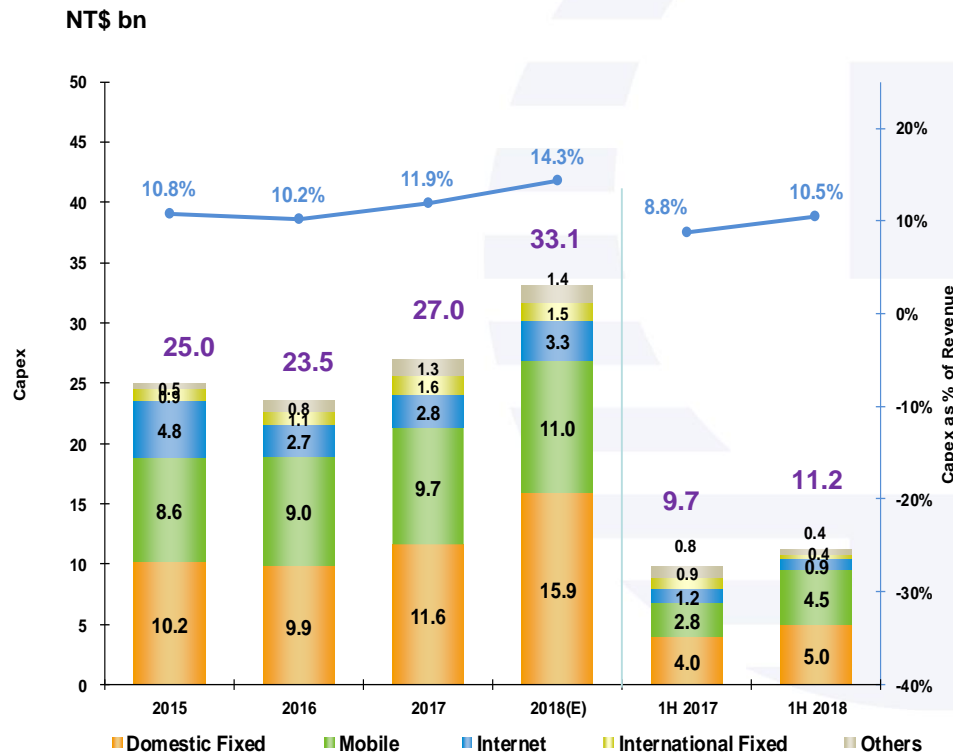
(NT\$bn)	Consolidated					
	Q2 2018 (A)	Q2 2018 (E)	Achieving %	H1 2018 (A)	2018 (E)	Achieving %
Revenues	53.66	55.80 ~ 56.06	95.7 ~ 96.2	107.29	231.47 ~ 232.97	46.1 ~ 46.4
Operating Costs and Expenses	41.60	43.35 ~ 43.92	94.7 ~ 95.9	84.21	182.07 ~ 184.24	45.7 ~ 46.3
Income from Operations	12.05	11.87 ~ 12.70	94.9 ~ 101.6	23.00	47.17 ~ 50.84	45.2 ~ 48.8
Net Income ²	9.86	9.47 ~ 10.21	96.6 ~ 104.1	18.59	37.25 ~ 40.31	46.1 ~ 49.9
EPS	1.27	1.22 ~ 1.32	96.6 ~ 104.1	2.40	4.80 ~ 5.20	46.1 ~ 49.9
EBITDA	20.02	19.85 ~ 20.68	96.8 ~ 100.9	38.93	79.11 ~ 82.79	47.0 ~ 49.2
EBITDA Margin (%)	37.31	35.57 ~ 36.89	-	36.28	34.18 ~ 35.51	-

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for 2018 are unaudited.
2. Net income attributable to owners of the parent.
3. EBITDA = operating income + Depreciation & Amortization.

Effective and Efficient Capital Expenditure

Capital Expenditure



- Budgeted capex for 2018: NT\$33.1bn
- Continue to focus on core businesses for future investments
 - FTTx
 - 4G
 - IDC/ Cloud
 - Service Platforms



Q&A

