



## **Chunghwa Telecom Reports Un-Audited Consolidated Operating Results for the Fourth Quarter and Full Year of 2018**

TAIPEI, Taiwan, R.O.C. January 30, 2019 - Chunghwa Telecom Co., Ltd. (TAIEX: 2412, NYSE: CHT) (“Chunghwa” or “the Company”) today reported its un-audited operating results for the fourth quarter and full year of 2018. All figures were prepared in accordance with Taiwan-International Financial Reporting Standards (“T-IFRSs”) on a consolidated basis.

Due to the adoption of IFRS 15 starting from January 1, 2018, Chunghwa Telecom chose the modified retrospective method. The figures in 2018 were calculated in accordance with IFRS 15 while the figures in 2017 were prepared under the basis before the adoption of IFRS 15.

*(Comparisons throughout the press release, unless otherwise stated, are made with regard to the prior year period.)*

### **Fourth Quarter 2018 Financial Highlights**

- Total revenue decreased by 8.9% to NT\$55.46 billion.
- Mobile communications revenue decreased by 13.6% to NT\$25.03billion.
- Internet revenue increased by 9.9% to NT\$8.50 billion.
- Domestic fixed communications revenue decreased by 8.1% to NT\$18.02 billion.
- International fixed communications revenue decreased by 15.4% to NT\$ 3.0 billion.
- Total operating costs and expenses decreased by 9.8% to NT\$45.45billion.
- Net income attributable to stockholders of the parent decreased by 3.0% to NT\$8.42 billion.
- Basic earnings per share (EPS) was NT\$1.09.

### **Full Year 2018 Financial Highlights**

- Total revenue decreased by 5.3% to NT\$215.46 billion
- Mobile communications revenue decreased by 7.7 % to NT\$ 100.94 billion
- Internet revenue increased by 3.1% to NT\$ 29.8 billion
- Domestic fixed communications revenue decreased by 6.2 % to NT\$ 66.8 billion
- International fixed communications revenue decreased by 1.0 % to NT\$ 13.4 billion
- Total operating costs and expenses decreased by 4.9 % to NT\$ 171.94 billion

- Net income attributable to stockholders of the parent decreased by 8.6 % to NT\$ 35.52 billion
- Basic EPS was NT\$4.58

Mr. Yu Cheng, Chairman and CEO of Chunghwa Telecom, stated, “Competition in the overall market for the fourth quarter of 2018 remained intense, but we were pleased to see successful consolidation of our customer base in major segments. In our mobile business, we kept our leading market position in mobile subscribers and mobile revenue with market share of 36.3% and 37.8%, respectively. To maximize growth of mobile subscribers and mobile revenue, we will offer diversified rate plans and product portfolio to satisfy differing customer demands and encourage greater sign-ups of higher price plans in 2019. For the broadband and the MOD segment, we also maintained our leading market position in Taiwan with 4.5 million and more than 2 million subscribers respectively in the fourth quarter. We expect continued growth of MOD subscribers with our high quality content, such as the exclusive Netflix 4K streaming introduced in January.”

“In 2019, we aim to enhance overall business performance by making our research, sales and service distribution more efficient. In particular, we expect our ICT business will rebound as we develop more ICT-focused solutions with our advantages in capabilities of cloud operations, big data analysis, and block-chain technologies. We also aim to further expand our IDC business, which reported an increase in revenue and traffic volume in 2018, by continuing the third phase of construction of the highest rated data center in Banqiao. We remain committed to diversifying our growth drivers and solidifying our industry leadership in 2019 and in the years to come,” Mr. Cheng concluded.

## **Revenue**

Chunghwa Telecom’s total revenues for the fourth quarter of 2018 decreased by 8.9% to NT\$55.46 billion.

Mobile communications revenue for the fourth quarter of 2018 decreased by 13.6% to NT\$25.03 billion. Due to increased market competition and VoIP substitution, mobile service revenue decreased year-over-year, and smart device sales decreased as well.

Internet business revenue for the fourth quarter of 2018 increased by 9.9% year over year to NT\$8.50 billion. The increase was primarily attributable to the growth of Application VAS revenue.

Domestic fixed revenue for the fourth quarter of 2018 decreased by 8.1% year over year to

NT\$18.02 billion, mainly due to lower local telephone service and ICT project revenue. The decrease in local telephone service revenue was primarily driven by the increased mobile and VoIP substitution. Broadband access revenue decreased by 1.0% to NT\$4.58 billion.

International fixed communications revenue decreased by 15.4% to NT\$3.0 billion.

Total revenue for the full year of 2018 decreased by 5.3 % year over year to NT\$215.46 billion.

### **Operating Costs and Expenses**

Total operating costs and expenses for the fourth quarter of 2018 decreased by 9.8% year over year to NT\$45.45 billion, mainly due to the lower cost of goods sold.

Total operating costs and expenses for 2018 decreased by 4.9 % year over year to NT\$171.94 billion.

### **Operating Income and Net Income**

Income from operations for the fourth quarter of 2018 decreased by 2.1% to NT\$10.21 billion. The operating margin was 18.4%, as compared to 17.1% in the same period of 2017. Net income attributable to stockholders of the parent decreased by 3.0% to NT\$8.42 billion. Basic earnings per share was NT\$1.09.

Income from operations for 2018 decreased by 6.6 % to NT\$ 43.62 billion. The operating margin was 20.3%, compared to 20.5% for 2017. Net income attributable to stockholders of the parent decreased by 8.6 % to NT\$ 35.52 billion. Basic earnings per share was NT\$4.58.

### **Cash Flow and EBITDA**

Cash flow from operating activities for the fourth quarter of 2018 decreased by 19.6% to NT\$20.11 billion.

Cash and cash equivalents, as of December 31<sup>st</sup>, 2018, decreased by 4.1% to NT\$ 27.66 billion, as compared to that as of December 31<sup>st</sup>, 2017.

EBITDA for the fourth quarter of 2018 decreased by 1.3% to NT\$18.19 billion. EBITDA margin was 32.8%, as compared to 30.3% in the same period of 2017.

EBITDA for 2018 decreased by 4.0 % to NT\$75.49 billion, and EBITDA margin was 35.0%, compared to 34.6% for 2017.

### **Capital Expenditure (“Capex”)**

Total Capex for the fourth quarter of 2018 decreased by 10.5% to NT\$ 9.21 billion.

### **Business and Operational Highlights**

## Broadband/HiNet

The Company continued to execute its strategy of encouraging FTTx migration. As of December 31<sup>st</sup>, 2018, the number of FTTx subscribers reached 3.60 million, accounting for 80.3% of the Company's total broadband users. Moreover, the number of subscribers signing up for speeds of 100Mbps or higher increased by 10.9% year over year, reaching 1.42 million.

HiNet broadband subscribers decreased by 1.3% year over year to 3.68 million as of December 31<sup>st</sup>, 2018.

## Mobile

As of December 31<sup>st</sup>, 2018, Chunghwa Telecom had 10.59 million mobile subscribers, representing a 1.4% year-over-year increase. The Company also had 9.63 million mobile Internet subscribers, representing a 15.9% year-over-year increase.

As of December 31<sup>st</sup>, 2018, the Company accumulated 9.46 million 4G subscribers.

## Fixed line

As of December 31<sup>st</sup>, 2018, the Company maintained its leading position in the fixed-line market, with a total of 10.42 million subscribers.

(in NT\$ billion)

	2018		2017		YoY%	
	4Q18	Jan.-Dec.	4Q18	Jan.-Dec.	4Q18	Jan.-Dec.
Revenue	55.46	215.46	60.88	227.51	-8.9	-5.3
Operating costs and expenses	45.45	171.94	50.38	180.71	-9.8	-4.9
Other income and expense (Note 1)	0.20	0.11	-0.07	-0.10	376.1	202.9
Operating income	10.21	43.62	10.43	46.70	-2.1	-6.6
Pretax income	10.50	44.97	10.74	48.00	-2.3	-6.3
Net income attributable to stockholders of the	8.42	35.52	8.68	38.87	-3.0	-8.6

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EBITDA	18.19	75.49	18.42	78.60	-1.3	-4.0
EPS(NT\$)	1.09	4.58	1.12	5.01	-3.0	-8.6

Note 1: "Other income and expenses" includes gains (losses) on disposal of property, plant and equipment (PP&E) and investment property, and impairment loss on PP&E and investment property.

Note 2: The calculation of growth rates is based on NT\$ thousand.

### **2019 Guidance**

For 2019, the Company expects total revenue to increase by 2.4~3.5%, to NT\$220.56~NT\$222.91 billion as compared to the un-audited consolidated total revenue of 2018. Operating costs and expenses are expected to increase by 3.4%~3.7%, to NT\$177.84~NT\$178.25 billion as compared to the prior year. Income from operations is expected to decrease by 2.1%~ increase by 2.3% to NT\$42.69~NT\$44.63 billion, year over year. Income before income tax and net income attributable to stockholders of the parent are expected to be NT\$43.82~NT\$45.76 billion and NT\$34.11~NT\$35.68 billion, respectively. Basic earnings per share is expected to be NT\$4.40~NT\$4.60. Acquisition of Material Assets in 2019 is expected to increase by NT\$4.64 billion as compared to the prior year.

(NT\$ billion except EPS)	2019(F)	2018 (un-audited)	change	YoY(%)
Revenue	220.56~222.91	215.46	5.10~7.45	2.4%~3.5%
Operating Costs and Expenses	177.84~178.25	171.94	5.90~6.31	3.4%~3.7%
Other Income and Expense	(0.03)	0.10	(0.13)	(129.5%)
Income from Operations	42.69~44.63	43.62	(0.93)~1.01	(2.1%)~2.3%
Non-operating Income	1.13	1.35	(0.22)	(16.3%)
Income before Income Tax	43.82~45.76	44.97	(1.15)~0.79	(2.6%)~1.8%
Net Income Attributable to Stockholders of The Parent	34.11~35.68	35.52	(1.41)~0.16	(4.0%)~0.5%
EPS(NT\$)	4.40~4.60	4.58	(0.18)~0.02	(4.0%)~0.5%
EBITDA	78.03~79.95	75.49	2.54~4.46	3.4%~5.9%
EBITDA Margin	35.4%~35.9%	35.0%	0.3%~0.8%	
Acquisition of Material Assets	33.69	29.05	4.64	16.0%
Acquisition of Property, Plant and Equipment	28.99	28.55	0.44	1.5%

Others	4.70	0.50	4.20	850.5%
Disposal of Material Assets	3.10	0.13	2.97	2363.0%

## Financial Statements

Financial statements and additional operational data can be found on the Company's website at <http://www.cht.com.tw/ir>

## NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This press release 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 press release reflect the current belief of Chunghwa as of the date of this press release 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 press 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.

## NON-GAAP FINANCIAL MEASURES

To supplement the Company's consolidated financial statements presented in accordance with International Financial Reporting Standards pursuant to the requirements of the Financial Supervisory

Commission, or T-IFRSs, Chunghwa Telecom also provides EBITDA, which is a "non-GAAP financial measure". EBITDA 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 income, net, (iv) income tax, (v) (income) loss from discontinued operations.

In managing the Company's business, Chunghwa Telecom relies on EBITDA as a means of assessing its operating performance 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 (iv) other expenses or income not related to the operation of the business.

#### **CAUTIONS ON USE OF NON-GAAP FINANCIAL MEASURES**

In addition to the consolidated financial results prepared under T-IFRSs, Chunghwa Telecom also provide non-GAAP financial measures, including "EBITDA". The Company believes that the non-GAAP financial measures provide investors with another method for assessing its operating results in a manner that is focused on the performance of its ongoing operations.

Chunghwa Telecom's management believes investors will benefit from greater transparency in referring to these non-GAAP financial measures when assessing the Company's operating results, as well as when forecasting and analyzing future periods. However, the Company recognizes that:

- these non-GAAP financial measures are limited in their usefulness and should be considered only as a supplement to the Company's T-IFRSs financial measures;
- these non-GAAP financial measures should not be considered in isolation from, or as a substitute for, the Company's T-IFRSs financial measures;
- these non-GAAP financial measures should not be considered to be superior to the Company's T-IFRSs financial measures; and
- these non-GAAP financial measures were not prepared in accordance with T-IFRSs and investors should not assume that the non-GAAP financial measures presented in this earnings release were prepared under a comprehensive set of rules or principle.

Further, these non-GAAP financial measures may be unique to Chunghwa Telecom, as they may be different from non-GAAP financial measures used by other companies. As such, this presentation of non-GAAP financial measures may not enhance the comparability of the Company's results to the results of other companies. Readers are cautioned not to view non-GAAP results as a substitute for results under T-IFRSs, or as being comparable to results reported or forecasted by other companies.

#### **About Chunghwa Telecom**

Chunghwa Telecom (TAIEX 2412, NYSE: CHT) (“Chunghwa” or “the Company”) is Taiwan’s largest integrated telecommunications services company that provides fixed-line, mobile, broadband, and internet services. The Company also provides information and communication technology services to corporate customers with its big data, information security, cloud computing and IDC capabilities, and is expanding its business into innovative technology services such as IoT, AI, etc. In recent years, Chunghwa has been actively involved in corporate social responsibility and has won domestic and international awards and recognition. For more information, please visit our website at [www.cht.com.tw](http://www.cht.com.tw)

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