



中華電信
Chunghwa Telecom

1Q 2018 Operating Results

April 27, 2018

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



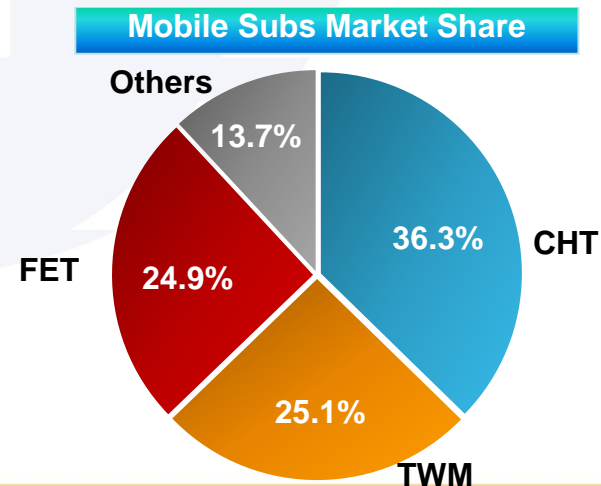
Chunghwa Telecom Overview

Strong Market Position ^(a)

- Domestic Fixed
 - #1 Local
 - 93.3% share by subs (10.65mn subs)
 - 85.8% share by minutes
 - #1 DLD
 - 85.0% share by minutes
 - #1 Broadband access
 - 72.4% share by subs ^{(b)(c)} (4.48 mn subs)
- Mobile
 - #1 Mobile subscribers
 - 36.3% market share ^(d) (10.41mn subs)
 - #1 Mobile revenue
 - 37.9% market share ^{(d)(e)}
- Internet
 - #1 ISP
 - 67.6% share by subs (4.13mn subs)
- International Fixed
 - #1 ILD
 - 67.7% 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

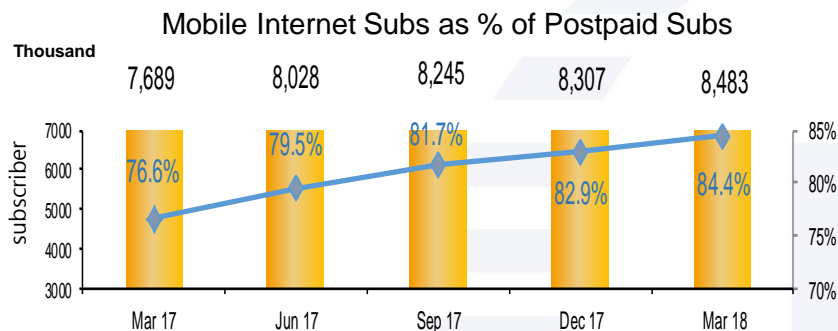


Source: Company data, MOTC, and NCC statistics

- a) Market share as of February 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 .

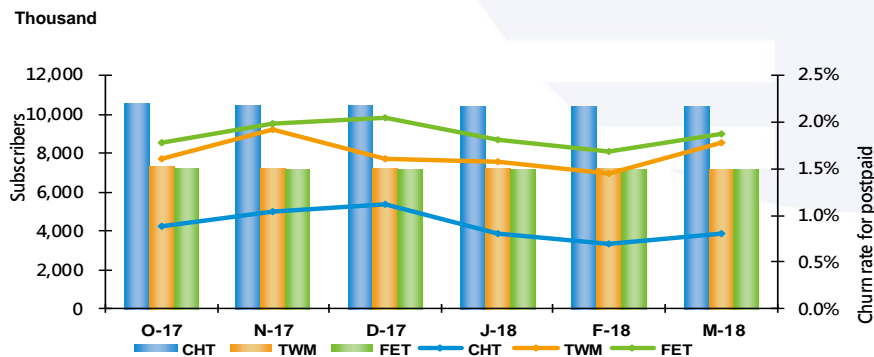
Number One Mobile Services Provider

Mobile Internet Adoption



Note : Subscribers with mobile internet plan subscription.

Highest Subs & Lowest Churn



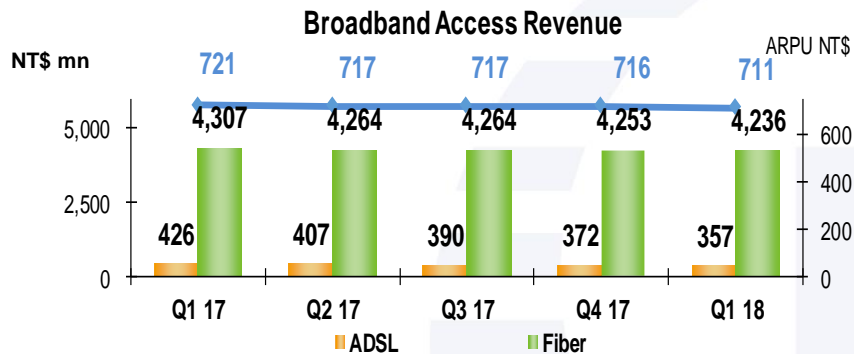
Note : Churn rate for postpaid subscribers

Strategy

- Continue raising threshold for unlimited data usage to move towards tier-pricing and fair usage policies
- 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

Fixed Broadband and Internet Services

Performance

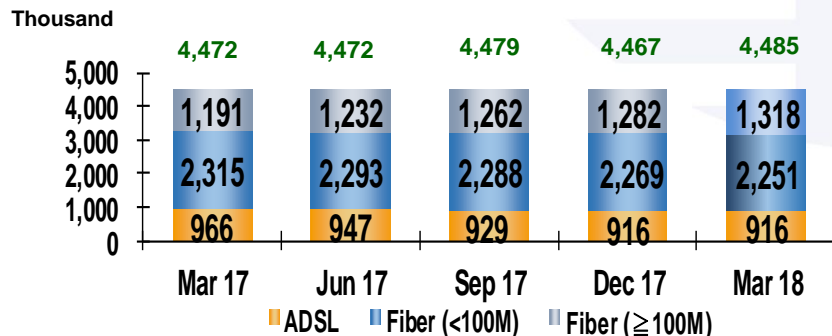


Note1 : Broadband ARPU is calculated as access plus ISP

Note2 : Revenue is calculated based on T-IFRSs

Note3 : Revenue starting from 2018 are calculated in accordance with IFRS 15

Fixed Broadband Subs



Strategy

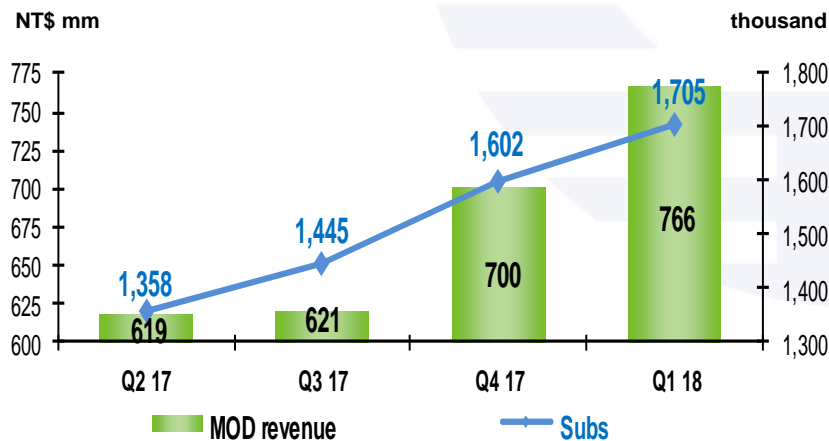
- Leverage network capability to offer high-speed upload service
- Leverage Big Data capability for precision marketing and precision network construction
- Leverage mobile, broadband and Wi-Fi capabilities to offer seamless internet services
- Expedite CDN construction and OTT promotion to enhance digital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

MOD/ IPTV Service

Performance

- Accumulated subscription for Q1 2018 grew 27.4% YoY
- Accumulated revenue for Q1 2018 grew 25.2% YoY
- Subscriber market share (CATV+IPTV) YoY grew to 23.5% in Q4 2017

MOD subscribers and revenue

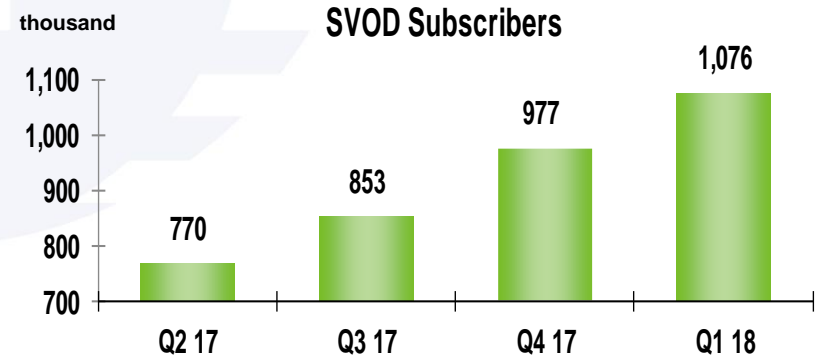


Note : Revenue starting from 2018 are calculated in accordance with IFRS 15

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 Subscribers



SVOD : Subscription Video on Demand

Enterprise ICT Initiatives

Performance

- Completed second phase rack installation of IDC in Banqiao with a 70% occupancy rate so far
- Accumulated more than 500 thousand IoT connected devices

Strategy

- Leverage our advantage on network infrastructure, IDC, CDN, etc. to expand ICT business
- 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, blockchain 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					
	Q1 2018 (Upon the adoption of IFRS 15)	Q1 2017 (Before the adoption of IFRS 15)	Growth %	2017 (Before the adoption of IFRS 15)	2016 (Before the adoption of IFRS 15)	Growth %
Revenues	53.63	54.53	(1.7)	227.51	229.99	(1.1)
Operating Costs and Expenses	42.62	42.99	(0.9)	180.71	181.39	(0.4)
Income from Operations	10.94	11.53	(5.1)	46.70	48.11	(2.9)
Net Income²	8.73	9.59	(9.0)	38.87	40.07	(3.0)
Net Income Margin³ (%)	16.78	18.05	-	17.60	17.93	-
EPS	1.13	1.24	(9.0)	5.01	5.16	(3.0)
EBITDA	18.91	19.61	(3.6)	78.60	80.58	(2.5)
EBITDA Margin (%)	35.26	35.96	-	34.55	35.04	-

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for Q1 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\$mn.

Financials: Business Segment Revenues

(NT\$bn)	Q1 2018	Q1 2017	Growth %	2017	2016	Growth %
Domestic Fixed	15.80	16.78	(5.8)	71.14	72.51	(1.9)
Local	6.94	7.39	(6.1)	29.60	31.65	(6.5)
DLD	0.61	0.65	(6.6)	2.65	2.88	(8.0)
Broadband Access	4.59	4.73	(3.0)	18.68	19.03	(1.8)
MOD	0.77	0.61	25.2	2.55	2.36	8.3
Mobile	26.78	26.66	0.5	109.38	110.80	(1.3)
Mobile Voice	6.38	8.49	(24.9)	32.60	37.29	(12.6)
Mobile VAS	9.66	10.60	(8.8)	43.22	41.50	4.2
Sales of Mobile Handsets, and Data Cards	10.45	7.29	43.3	32.20	30.85	4.4
Internet	6.99	6.90	1.2	28.92	27.92	3.6
Data Communications	5.27	5.31	(0.9)	21.37	20.73	3.1
Application VAS	1.19	1.04	14.5	5.20	5.14	1.2
International Fixed	2.97	3.15	(5.7)	13.55	14.88	(8.9)
ILD	1.40	1.71	(18.4)	7.38	8.83	(16.4)
Leased line	0.51	0.49	4.9	1.95	1.80	8.0
Others	1.10	1.05	4.8	4.53	3.87	17.0
Total	53.63	54.53	(1.7)	227.51	229.99	(1.1)

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for 201 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					
	Q1 2018 (Upon the adoption of IFRS 15)	Q1 2017 (Before the adoption of IFRS 15)	Growth %	2017 (Before the adoption of IFRS 15)	2016 (Before the adoption of IFRS 15)	Growth %
Operating Costs	34.60	34.62	(0.0)	146.84	147.55	(0.5)
Operating Expenses	8.02	8.37	(4.2)	33.87	33.84	0.1
Marketing	5.89	6.28	(6.2)	25.36	25.52	(0.6)
General and Administrative	1.20	1.17	2.8	4.63	4.54	2.0
R&D Expense	0.93	0.92	0.5	3.88	3.78	2.7
Total	42.62	42.99	(0.9)	180.71	181.39	(0.4)

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for Q1 2018 are unaudited.
2. The calculation of growth rates is based on NT\$ mn.

Financials: Cash Flow

(NT\$bn)	Consolidated					
	Q1 2018 (Upon the adoption of IFRS 15)	Q1 2017 (Before the adoption of IFRS 15)	Growth %	2017 (Before the adoption of IFRS 15)	2016 (Before the adoption of IFRS 15)	Growth %
Net Cash Flow from Operating Activities	7.39	10.65	(30.6)	70.93	64.95	9.2
CapEx	4.39	4.61	(4.8)	26.87	23.52	14.3
Free Cash Flow	3.00	6.04	(50.3)	44.06	41.43	6.3
Cash and Cash Equivalents at the end of period	31.59	38.01	(16.9)	28.83	31.10	(7.3)

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for Q1 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

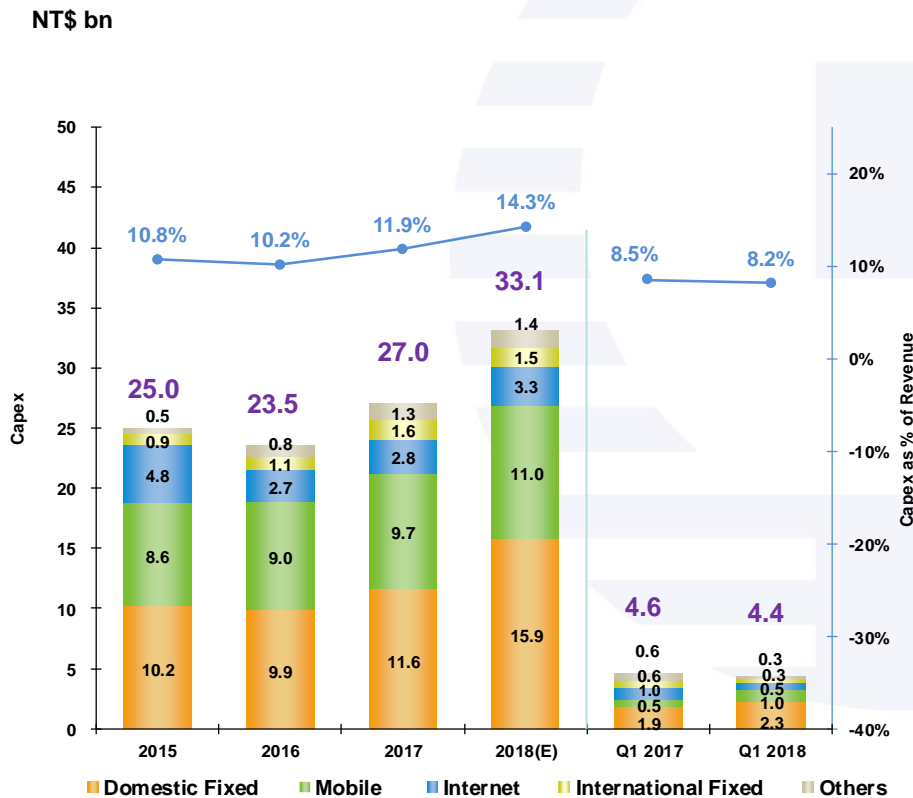
(NT\$bn)	Consolidated				
	Q1 2018 (A)	Q1 2018 (E)	Achieving %	2018 (E)	Achieving %
Revenues	53.63	53.94 ~ 54.16	99.0 ~ 99.4	231.47 ~ 232.97	23.0 ~ 23.2
Operating Costs and Expenses	42.62	42.11 ~ 42.72	99.8 ~ 101.2	182.07 ~ 184.24	23.1 ~ 23.4
Income from Operations	10.94	11.22 ~ 12.04	90.9 ~ 97.6	47.17 ~ 50.84	21.5 ~ 23.2
Net Income²	8.73	8.84 ~ 9.52	91.7 ~ 98.8	37.25 ~ 40.31	21.7 ~ 23.4
EPS	1.13	1.14 ~ 1.23	91.7 ~ 98.8	4.80 ~ 5.20	21.7 ~ 23.4
EBITDA	18.91	19.26 ~ 20.09	94.1 ~ 98.2	79.11 ~ 82.79	22.8 ~ 23.9
EBITDA Margin (%)	35.26	35.71 ~ 37.09	-	34.18 ~ 35.51	-

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for Q1 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

