



中華電信  
Chunghwa Telecom

## **Chunghwa Telecom Reports Un-Audited Consolidated Operating Results for the Third Quarter of 2018**

TAIPEI, Taiwan, R.O.C. October 31, 2018 - Chunghwa Telecom Co., Ltd. (TAIEX: 2412, NYSE: CHT) (“Chunghwa” or “the Company”) today reported its un-audited operating results for the third quarter 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.)*

### **Third Quarter 2018 Financial Highlights**

- Total revenue decreased by 6.6% to NT\$52.71 billion.
- Mobile communications revenue decreased by 13% to NT\$23.45 billion.
- Internet revenue decreased by 0.2% to NT\$7.19 billion.
- Domestic fixed communications revenue decreased by 7.2% to NT\$16.5 billion.
- International fixed communications revenue increased by 32.4% to NT\$4.19 billion.
- Total operating costs and expenses decreased by 3.9% to NT\$42.28 billion.
- Net income attributable to stockholders of the parent decreased by 16.2% to NT\$8.50 billion.
- Basic earnings per share (EPS) was NT\$1.10.

Mr. Yu Cheng, Chairman and CEO of Chunghwa Telecom, stated, “The overall market during the third quarter of 2018 remained competitive, which resulted in a slight revenue decrease year over year. However, we are delighted to see that we maintained our leading market position in terms of subscriber base across each of our businesses. In our mobile business, we sustained our market lead with 36.4% market share in mobile subscribers and 37.8% market share in mobile revenue. We are also pleased to see that the number of subscribers in our mobile business experienced another quarter of sequential increase, helped by our Back-to-School promotion in August, which expanded the total number of young subscribers. In

our broadband business, our strategy of guiding customers to upgrade to higher speed services resulted in a 10.6% year-over-year increase in users signing up for connection speeds of 100Mbps or higher, and we will continue to upsell higher speed offerings and home-centric services to differentiate our products to further improve this growth.”

“This was another strong quarter for our IPTV business; we maintained our leading market share position in Taiwan with more than 1.9 million subscribers. Based on our outstanding subscriber numbers and viewership, we continue to expand advertisement revenue on the IPTV platform. With both IDC revenue and traffic volume increasing during the quarter, we also continue to see increasing demand for ICT services. We strengthen our resource integration platform among sales, product development and research to further improve margins in ICT-related business. Going forward, as we maintain our competitive advantages to provide reliable and comprehensive ICT solutions and maintain our leading position in the market, we remain committed to developing our leading-edge businesses. As we seek ways to further grow our market and revenues, we will also actively look for ways to enter innovative emerging businesses in the near future,” Mr. Cheng concluded.

## **Revenue**

Chunghwa Telecom’s total revenues for the third quarter of 2018 decreased by 6.6% to NT\$52.71 billion.

Mobile communications revenue for the third quarter of 2018 decreased by 13% to NT\$23.45 billion. Due to increased market competition and VoIP substitution, mobile service revenue decreased year-over-year, which was partially offset by the increase in smart device sales.

Internet business revenue for the third quarter of 2018 decreased by 0.2% year over year to NT\$7.19 billion. The decrease was primarily attributable to lower data communications revenue.

Domestic fixed revenue for the third quarter of 2018 decreased by 7.2% year over year to NT\$16.5 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 while the decrease in ICT project revenue was due to the decrease of the number of projects completed and accepted and the fact that we became more selective on margin. Broadband access revenue decreased by 2.3% to NT\$4.55 billion.

International fixed communications revenue increased by 32.4% to NT\$4.19 billion.

## **Operating Costs and Expenses**

Total operating costs and expenses for the third quarter of 2018 decreased by 3.9% year over year to NT\$42.28 billion, mainly due to the lower cost of goods sold and ICT project costs.

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

Income from operations for the third quarter of 2018 decreased by 16.1% to NT\$10.42 billion. The operating margin was 19.8%, as compared to 22.0% in the same period of 2017. Net income attributable to stockholders of the parent decreased by 16.2% to NT\$8.50 billion. Basic earnings per share was NT\$1.10.

### **Cash Flow and EBITDA**

Cash flow from operating activities for the third quarter of 2018 increased by 12.4% to NT\$21.76 billion.

Cash and cash equivalents, as of September 30<sup>th</sup>, 2018, decreased by 20.2 % to NT\$20.33 billion, as compared to that as of September 30<sup>th</sup>, 2017.

EBITDA for the third quarter of 2018 decreased by 9.1% to NT\$18.38 billion. EBITDA margin was 34.9%, as compared to 35.8% in the same period of 2017.

### **Business and Operational Highlights**

#### **Broadband/HiNet**

The Company continued to execute its strategy of encouraging FTTx migration. As of September 30<sup>th</sup>, 2018, the number of FTTx subscribers reached 3.61 million, accounting for 80.1% of the Company's total broadband users. Moreover, the number of subscribers signing up for speeds of 100Mbps or higher increased by 10.6% year over year, reaching 1.40 million.

HiNet broadband subscribers decreased by 1.1% year over year to 3.71 million as of September 30<sup>th</sup>, 2018.

#### **Mobile**

As of September 30<sup>th</sup>, 2018, Chunghwa Telecom had 10.55 million mobile subscribers, representing a 0.3% year-over-year decrease. The Company also had 9.28 million mobile Internet subscribers, representing an 12.5% year-over-year increase.

As of September 30<sup>th</sup>, 2018, the Company accumulated 9.08 million 4G subscribers.

#### **Fixed line**

As of September 30<sup>th</sup>, 2018, the Company maintained its leading position in the fixed-line market, with a total of 10.49 million subscribers.

## **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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