



中華電信
Chunghwa Telecom

1Q 2019 Operating Results

April 29, 2019

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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



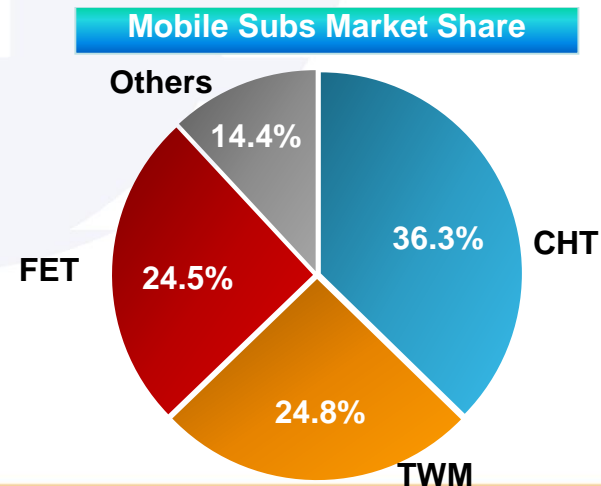
Chunghwa Telecom Overview

Strong Market Position ^(a)

- ④ Domestic Fixed
 - #1 Local
 - 92.9% share by subs (10.38mn subs)
 - 85.5% share by minutes
 - #1 DLD
 - 84.3% share by minutes
 - #1 Broadband access
 - 70.8% share by subs ^{(b)(c)} (4.47 mn subs)
- ④ Mobile
 - #1 Mobile subscribers
 - 36.3% market share (10.59mn subs)
 - #1 Mobile revenue
 - 38.1% market share ^(d)
- ④ Internet
 - #1 ISP
 - 66.7% share by subs (4.06mn subs)
- ④ International Fixed
 - #1 ILD
 - 68.4% share by minutes

Operational Strategies

- ④ Streamline services and strengthen profitability
- ④ Capitalize and remain at the forefront of digital convergence trends
- ④ Continue to invest in talent and R&D
- ④ Broaden corporate governance initiatives
- ④ Commence a customer-centric value creation transformation plan to move upward via strengthen core, deploy more, optimize cost and enhance fundamentals

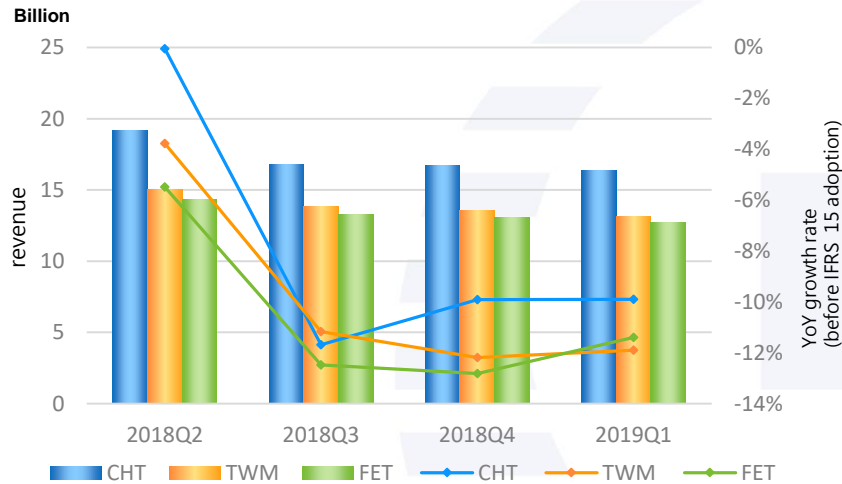


Source: Company data, MOTC, and NCC statistics

- a) Market share as of February 2019
- b) CHT access circuits were not included
- c) Excluding PWLAN subscriber numbers
- d) Revenues are based on T-IFRSs .

Number One Mobile Services Provider

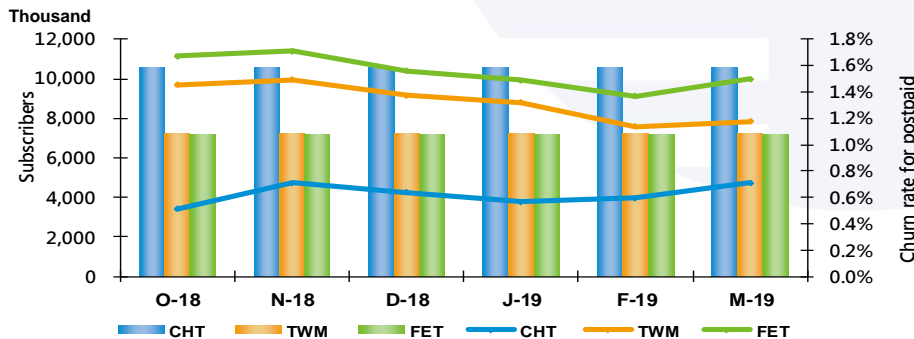
Mobile Service Revenue



Strategy

- Expand IoT services over NB-IoT and Cat-M1 network
- Offer diversified rate plans and product portfolio to satisfy customer demands
- Enhance brand image
- Strengthen subscriber acquisition and retention initiatives
- Promote VAS and new applications
- Grow enterprise customers revenues

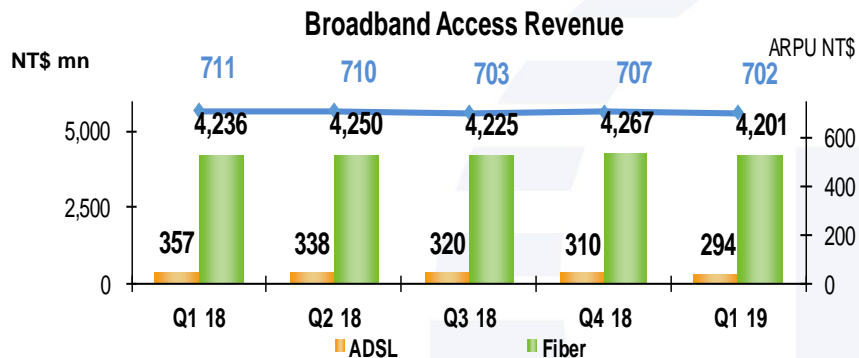
Highest Subs & Lowest Churn



Note : Churn rate for postpaid subscribers

Fixed Broadband and Internet Services

Performance

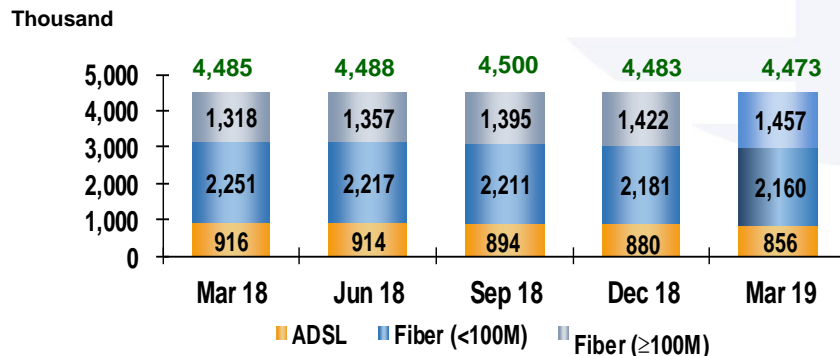


Note1 : Broadband ARPU is calculated as access plus ISP

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
- Continue to execute the strategy of encouraging FTTx migration to 300Mbps or higher

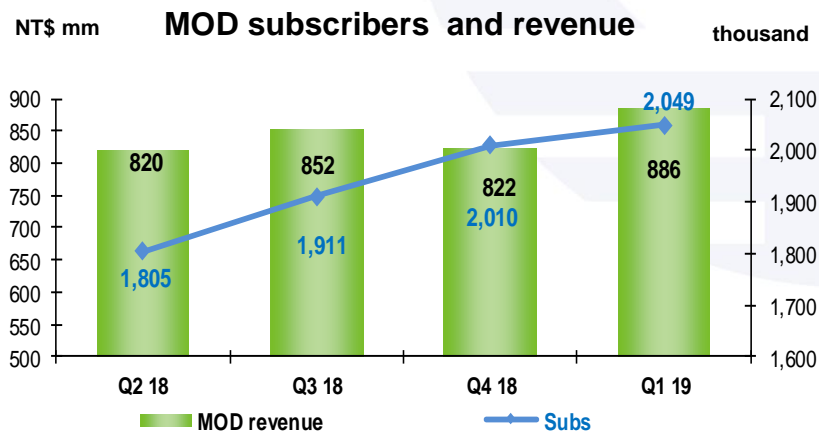
MOD/ IPTV Service

Performance

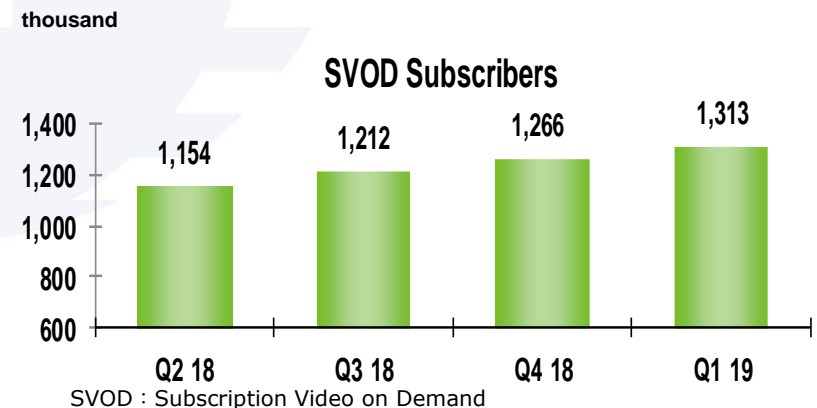
- Subscription for 1Q 2019 grew 20.2% YoY
- Revenue for 1Q 2019 grew 15.7% YoY
- Revenue from advertisement for 1Q 2019 grew 25.2% YoY
- Subscriber market share (CATV+IPTV) grew to 28.4% in Q4 2018

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



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



Enterprise ICT Initiatives

Performance

- IDC revenue for 1Q 2019 grew 69.0% YoY
- IoT revenue for 1Q 2019 grew 68.0% YoY
- Information security revenue for 1Q 2019 grew 23.5% YoY

Strategy

- Leverage our advantage on network infrastructure, IDC, CDN, ect. to expand ICT business
- Deploy 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					
	Q1 2019	Q1 2018	Growth %	2018 (Upon the adoption of IFRS 15)	2017 (Before the adoption of IFRS 15)	Growth %
Revenues	51.33	53.63	(4.3)	215.48	227.51	(5.3)
Operating Costs and Expenses	40.93	42.62	(4.0)	171.95	180.71	(4.8)
Income from Operations	10.40	10.94	(5.0)	43.64	46.70	(6.5)
Net Income²	8.35	8.73	(4.3)	35.50	38.87	(8.7)
Net Income Margin³ (%)	16.61	16.78	-	16.92	17.60	-
EPS	1.08	1.13	(4.3)	4.58	5.01	(8.7)
EBITDA	19.16	18.91	1.3	75.51	78.60	(3.9)
EBITDA Margin (%)	37.33	35.26	-	35.04	34.55	-

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for Q1 2019 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)	Q1 2019	Q1 2018	Growth %	2018	2017	Growth %
Domestic Fixed	15.79	15.76	0.2%	66.75	71.14	-6.2%
Local	6.46	6.94	-6.9%	27.57	29.60	-6.9%
DLD	0.55	0.61	-10.5%	2.43	2.65	-8.4%
Broadband Access	4.50	4.59	-2.1%	18.30	18.68	-2.0%
MOD	0.89	0.77	15.7%	3.26	2.55	27.7%
Mobile	24.48	26.82	-8.7%	100.94	109.38	-7.7%
Mobile Service Revenue	14.72	16.08	-8.5%	63.91	75.82	-15.7%
Sales of Mobile Handsets, and Data Cards	9.48	10.45	-9.2%	35.70	32.20	10.9%
Internet	7.42	6.99	6.2%	29.81	28.92	3.1%
Data Communications	5.24	5.27	-0.5%	21.14	21.37	-1.1%
Application VAS	1.55	1.19	30.1%	6.04	5.20	16.3%
International Fixed	2.77	2.97	-6.6%	13.43	13.55	-0.9%
ILD	1.12	1.40	-19.6%	6.56	7.38	-11.2%
Leased line	0.69	0.51	33.9%	2.17	1.95	11.3%
Others	0.87	1.10	-20.5%	4.55	4.53	0.3%
Total	51.33	53.63	-4.3%	215.48	227.51	-5.3%

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for 2019 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 2019	Q1 2018	Growth %	2018 (Upon the adoption of IFRS 15)	2017 (Before the adoption of IFRS 15)	Growth %
Operating Costs	33.48	34.45	(2.8)	139.55	146.84	(5.0)
Operating Expenses	7.45	8.17	(8.9)	32.40	33.87	(4.3)
Marketing	5.36	6.05	(11.5)	24.08	25.36	(5.1)
General and Administrative	1.17	1.20	(2.2)	4.60	4.63	(0.5)
R&D Expense	0.92	0.92	(0.4)	3.72	3.88	(4.1)
Total	40.93	42.62	(4.0)	171.95	180.71	(4.8)

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for Q1 2019 are unaudited.
2. The calculation of growth rates is based on NT\$ mn.

Financials: Cash Flow

(NT\$bn)	Consolidated					
	Q1 2019	Q1 2018	Growth %	2018 (Upon the adoption of IFRS 15)	2017 (Before the adoption of IFRS 15)	Growth %
Net Cash Flow from Operating Activities	13.23	7.32	80.6	66.37	70.93	(6.4)
CapEx	4.49	4.39	2.3	28.55	26.88	6.2
Free Cash Flow	8.74	2.93	197.7	37.82	44.05	(14.2)
Cash and Cash Equivalents at the end of period	37.55	31.53	19.1	27.65	28.83	(4.1)

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for Q1 2019 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.

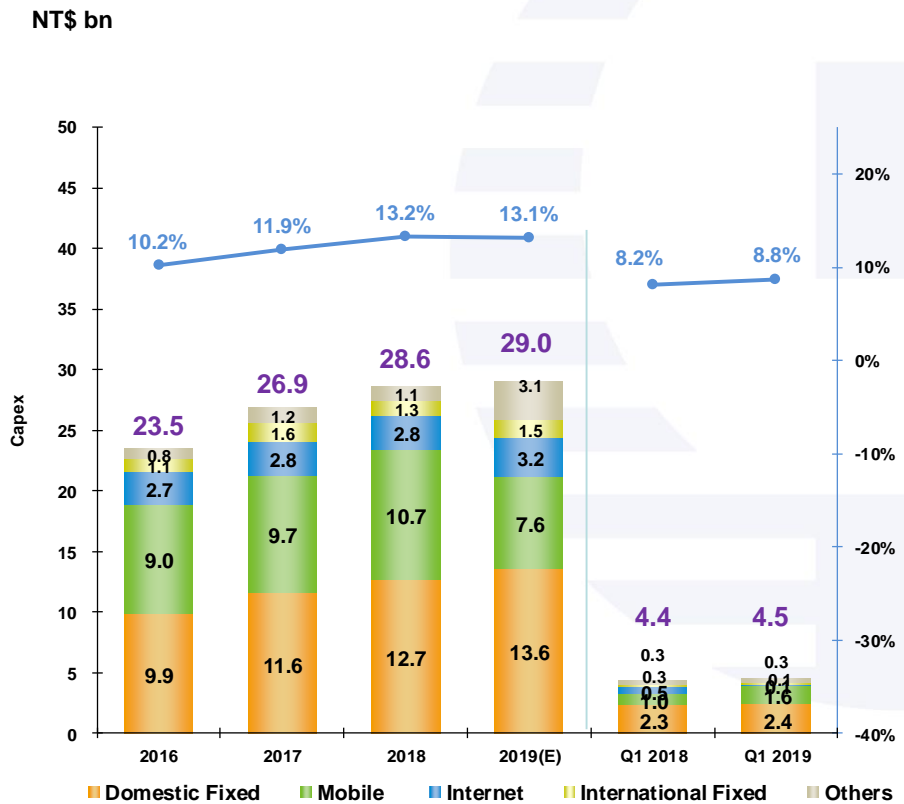
Operating Results vs. Forecast

(NT\$bn)	Consolidated				
	Q1 2019 (A)	Q1 2019 (E)	Achieving %	2019 (E)	Achieving %
Revenues	51.33	52.43 ~ 52.72	97.4 ~ 97.9	220.56 ~ 222.91	23.0 ~ 23.3
Operating Costs and Expenses	40.93	42.08 ~ 42.14	97.1 ~ 97.3	177.84 ~ 178.25	23.0 ~ 23.0
Income from Operations	10.40	10.34 ~ 10.57	98.4 ~ 100.6	42.69 ~ 44.63	23.3 ~ 24.4
Net Income ²	8.35	8.25 ~ 8.43	99.1 ~ 101.2	34.11 ~ 35.68	24.4 ~ 24.5
EPS	1.08	1.06 ~ 1.09	99.1 ~ 101.2	4.40 ~ 4.60	24.4 ~ 24.5
EBITDA	19.16	19.18 ~ 19.39	98.8 ~ 99.9	78.03 ~ 79.95	24.0 ~ 24.6
EBITDA Margin (%)	37.33	36.58 ~ 36.78	-	35.38 ~ 35.87	-

- Note:
1. Financials are prepared in accordance with T-IFRSs. Figures for Q1 2019 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 2019: NT\$29.0 bn
- Continue to focus on core businesses for future investments
 - FTTx
 - 4G
 - IDC/ Cloud
 - Service Platforms



Regulation Update



Telecommunications Management Act Draft Update

Key Areas

- ④ Reduce the entry barrier to the telecom markets by changing the original concession/approval system to the registration system
- ④ General market players shall have only ordinary obligations to minimum necessary extent, dominant market players will be subject to more stringent control measures
- ④ Open the markets of domestic roaming, frequency transferring, frequency leasing, frequency lending or sharing mechanisms

Anticipated Impacts

- ④ Increase competition by reducing entry barrier
- ④ Enable operators to share resources, which might change market competition landscape
- ④ CHT will likely be regarded as dominant player in specific telecom markets



Q&A

