



中華電信
Chunghwa Telecom

2Q 2019 Operating Results

July 31, 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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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



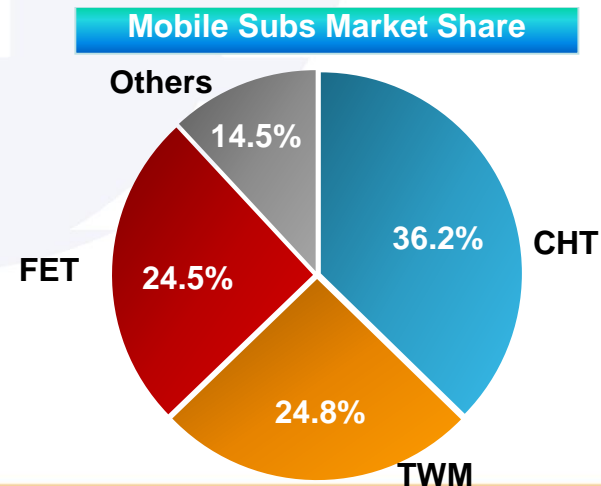
Chunghwa Telecom Overview

Strong Market Position ^(a)

- ④ Domestic Fixed
 - #1 Local
 - 92.8% share by subs (10.32 mn subs)
 - 83.8% share by minutes
 - #1 DLD
 - 82.3% share by minutes
 - #1 Broadband access
 - 70.2% share by subs ^{(b)(c)} (4.46 mn subs)
- ④ Mobile
 - #1 Mobile subscribers
 - 36.2% market share (10.60 mn subs)
 - #1 Mobile revenue
 - 37.8% market share ^(d)
- ④ Internet
 - #1 ISP
 - 66.2% share by subs (4.05 mn subs)
- ④ International Fixed
 - #1 ILD
 - 69.6% 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

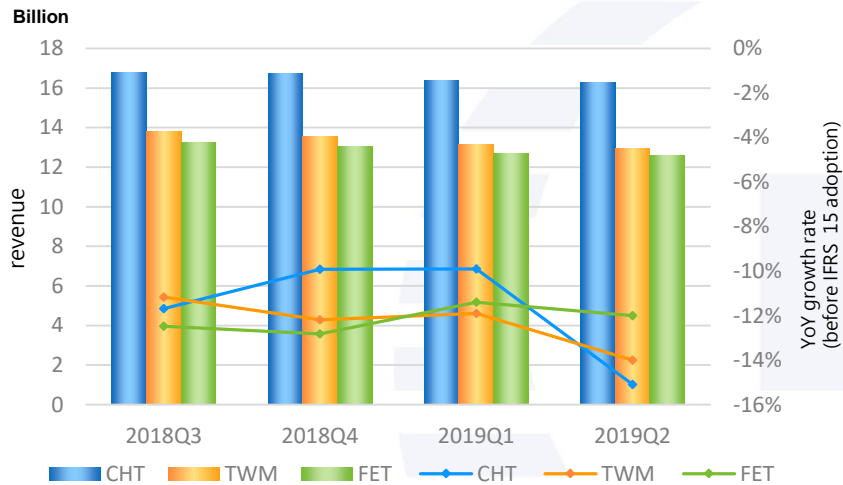


Source: Company data, MOTC, and NCC statistics

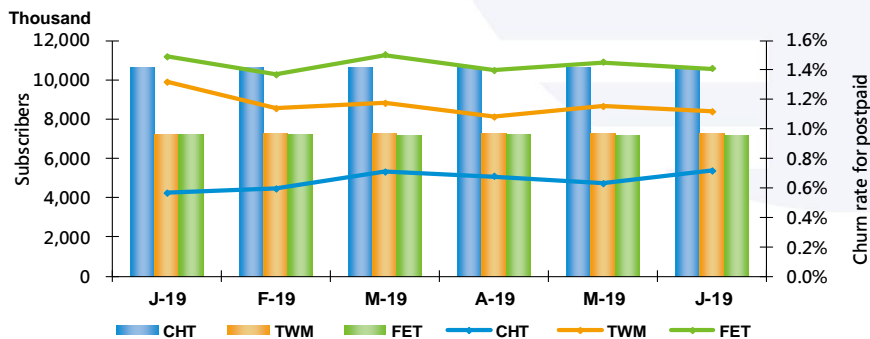
- a) Market share as of May 2019
- b) CHT access circuits were not included
- c) Excluding PWLAN subscriber numbers
- d) Revenues are based on T-IFRSs

Number One Mobile Services Provider

Mobile Service Revenue



Highest Subs & Lowest Churn



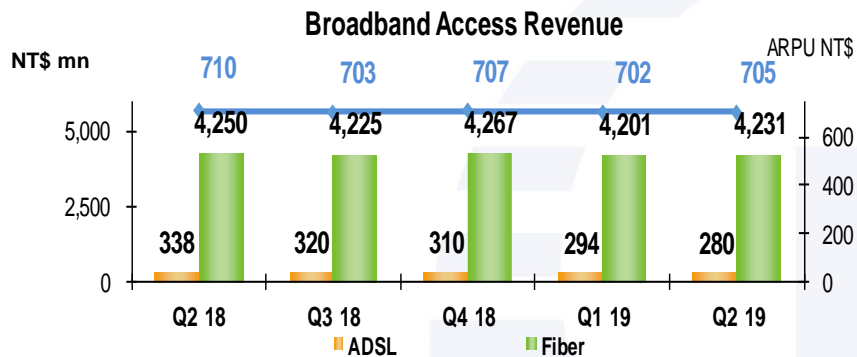
Note : Churn rate for postpaid subscribers

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 retention and acquisition initiatives
- Promote VAS and new applications
- Grow enterprise customers revenues

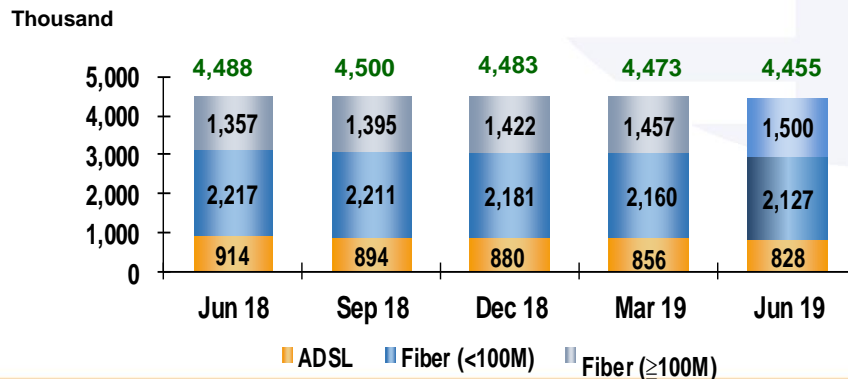
Fixed Broadband and Internet Services

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

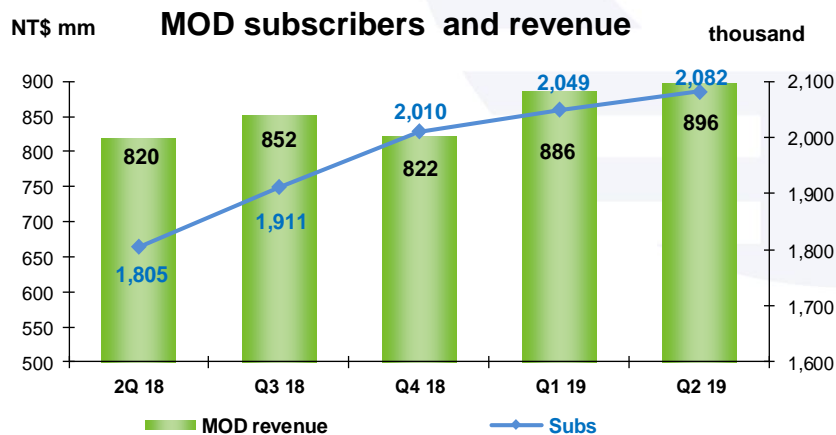
MOD/ IPTV Service

Performance

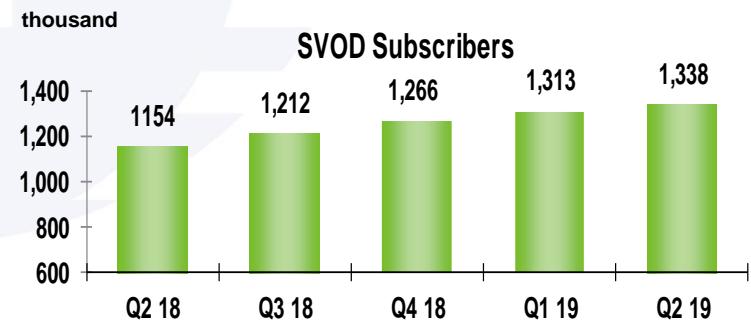
- Subscription for 2Q 2019 grew 15.3% YoY
- Revenue for 2Q 2019 grew 9.3% YoY
- Revenue from advertisement for 2Q 2019 grew 23.2% YoY
- Subscriber market share (CATV+IPTV) grew to 28.8% in Q1 2019

Strategy

- Continue to enrich content, including movies, drama and TV series for SVOD
- Leverage the existing broadband and 4G mobile subscriber base to grow MOD subscribers
- Enhance MOD platform to carry OTTs and APPs to become the smart home hub
- Facilitate MOD platform to be favorable for advertisements and marketing
- Differentiate products by acquiring sports contents including eSports



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



SVOD : Subscription Video on Demand

Enterprise ICT Initiatives

Performance

- IDC revenue for 1H 2019 grew 18.8% YoY
- Cloud revenue for 1H 2019 grew 20.9% YoY
- Information security revenue for 1H 2019 grew 9.4% 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					
	Q2 2019	Q2 2018	Growth %	H1 2019	H1 2018	Growth %
Revenues	50.11	53.66	(6.6)	101.44	107.29	(5.5)
Operating Costs and Expenses	39.80	41.60	(4.3)	80.72	84.21	(4.1)
Income from Operations	10.30	12.05	(14.5)	20.71	23.00	(10.0)
Net Income²	8.57	9.86	(13.1)	16.92	18.59	(9.0)
Net Income Margin³ (%)	17.48	18.75	-	17.04	17.77	-
EPS	1.10	1.27	(13.1)	2.18	2.40	(9.0)
EBITDA	19.11	20.02	(4.6)	38.27	38.93	(1.7)
EBITDA Margin (%)	38.13	37.31	-	37.72	36.29	-

Note:

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

Financials: Business Segment Revenues

(NT\$bn)	Q2 2019	Q2 2018	Growth %	H1 2019	H1 2018	Growth %
Domestic Fixed	15.92	16.40	(2.9)	31.71	32.16	(1.4)
Local	6.51	7.01	(7.1)	12.97	13.95	(7.0)
DLD	0.56	0.62	(10.0)	1.11	1.23	(10.2)
Broadband Access	4.51	4.59	(1.7)	9.01	9.18	(1.9)
MOD	0.90	0.82	9.3	1.78	1.59	12.4
Mobile	22.90	25.72	(11.0)	47.38	52.54	(9.8)
Mobile Service Revenue	14.67	17.85	(17.8)	29.39	33.93	(13.4)
Sales of Mobile Handsets, and Data Cards	7.97	7.55	5.5	17.45	18.00	(3.0)
Internet	7.26	7.15	1.6	14.68	14.13	3.8
Data Communications	5.26	5.28	(0.2)	10.50	10.54	(0.4)
Application VAS	1.38	1.29	6.7	2.92	2.48	18.0
International Fixed	3.11	3.25	(4.4)	5.88	6.22	(5.4)
ILD	1.41	1.69	(16.3)	2.54	3.08	(17.8)
Leased line	0.65	0.50	29.0	1.34	1.02	31.5
Others	0.92	1.15	(19.8)	1.80	2.25	(20.1)
Total	50.11	53.66	(6.6)	101.44	107.29	(5.5)

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					
	Q2 2019	Q2 2018	Growth %	H1 2019	H1 2018	Growth %
Operating Costs	32.27	33.19	(2.8)	65.75	67.64	(2.8)
Operating Expenses	7.53	8.41	(10.4)	14.97	16.57	(9.6)
Marketing	5.44	6.33	(14.0)	10.79	12.37	(12.8)
General and Administrative	1.14	1.17	(2.6)	2.31	2.37	(2.4)
R&D Expense	0.95	0.91	5.0	1.87	1.83	2.2
Total	39.80	41.60	(4.3)	80.72	84.21	(4.1)

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.

Financials: Cash Flow

(NT\$bn)	Consolidated					
	Q2 2019	Q2 2018	Growth %	H1 2019	H1 2018	Growth %
Net Cash Flow from Operating Activities	15.96	17.12	(6.8)	29.18	24.45	19.3
CapEx	5.82	6.82	(14.7)	10.32	11.21	(8.0)
Free Cash Flow	10.14	10.30	(1.6)	18.86	13.24	42.5
Cash and Cash Equivalents at the end of period	36.58	43.84	(16.6)	36.58	43.84	(16.6)

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. Free cash flow is calculated by subtracting CapEx from Net Cash Flows from Operating Activities.

Operating Results vs. Forecast

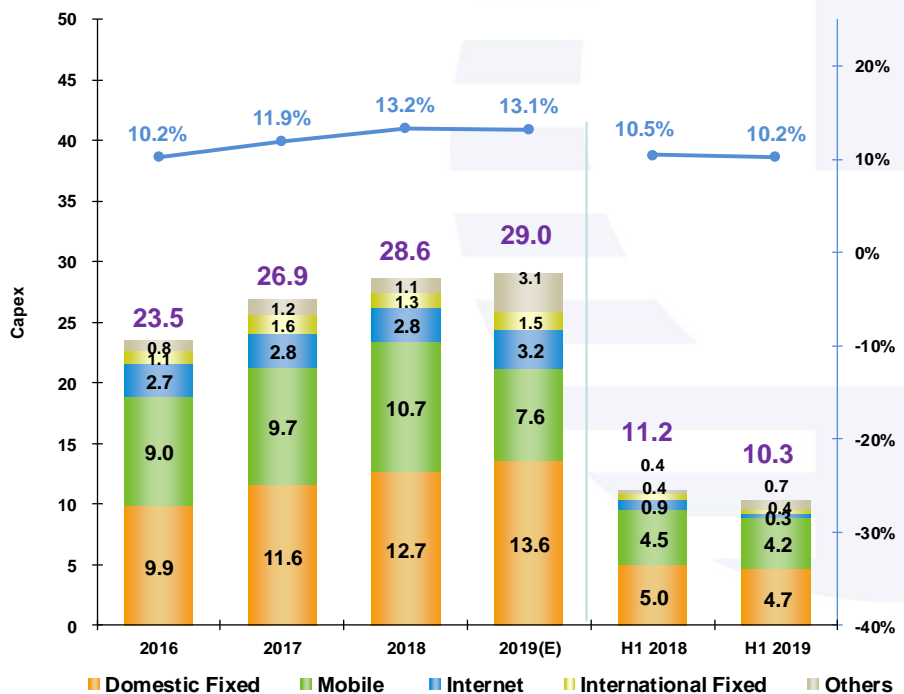
(NT\$bn)	Consolidated					
	Q2 2019 (A)	Q2 2019 (E)	Achieving %	H1 2019 (A)	2019 (E)	Achieving %
Revenues	50.11	53.52 ~ 53.96	92.9 ~ 93.6	101.44	220.56 ~ 222.91	45.5 ~ 46.0
Operating Costs and Expenses	39.80	42.84 ~ 42.84	92.9 ~ 92.9	80.72	177.84 ~ 178.25	45.3 ~ 45.4
Income from Operations	10.30	10.67 ~ 11.11	92.8 ~ 96.6	20.71	42.69 ~ 44.63	46.4 ~ 48.5
Net Income ²	8.57	8.69 ~ 9.04	94.8 ~ 98.7	16.92	34.11 ~ 35.68	47.4 ~ 49.6
EPS	1.10	1.12 ~ 1.17	94.8 ~ 98.7	2.18	4.40 ~ 4.60	47.4 ~ 49.6
EBITDA	19.11	19.54 ~ 19.88	96.1 ~ 97.8	38.27	78.03 ~ 79.95	47.9 ~ 49.0
EBITDA Margin (%)	38.13	36.51 ~ 36.85	-	37.72	35.38 ~ 35.87	-

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

NT\$ bn



- Budgeted capex for 2019: NT\$29.0 bn
- Continue to focus on core businesses for future investments
 - FTTx
 - 4G
 - IDC/ Cloud
 - Service Platforms



Q&A

