



Chunghwa Telecom Reports Un-Audited Consolidated Operating Results for the Third Quarter of 2019

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

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

Third Quarter 2019 Financial Highlights

- Total revenue decreased by 3.5% to NT\$ 50.85 billion.
- Mobile communications revenue increased by 0.7% to NT\$ 23.63 billion.
- Internet revenue increased by 1.0% to NT\$ 7.27 billion.
- Domestic fixed communications revenue decreased by 5.1% to NT\$ 15.63 billion.
- International fixed communications revenue decreased by 29.8% to NT\$ 2.94 billion.
- Total operating costs and expenses decreased by 3.5% to NT\$ 40.81 billion.
- Net income attributable to stockholders of the parent decreased by 4.9% to NT\$ 8.09 billion.
- Basic earnings per share (EPS) was NT\$1.04.

Mr. Chi-Mau Sheih, Chairman and CEO of Chunghwa Telecom, stated, "We are glad to see that the overall mobile market was relatively stable during the third quarter, which helped us maintain our leading position by both mobile revenue and market share in Taiwan. Attributable to the launch of the iPhone 11 and certain popular mobile plans, the number of net new users turned positive, and the number of subscribers who signed up for NT\$999 or higher-priced bundle plans increased significantly. In our broadband business, revenue dropped slightly due to a decrease in the number of total broadband subscribers, which was partially offset by our customers' continued migration to higher-speed fiber services. The impact of the subscriber decrease was further mitigated by our broadband and MOD bundled package, which enhanced customer stickiness."

"Our MOD/IPTV business continued to outperform during the quarter. We remained the

largest video platform in Taiwan, reaching 2.09 million subscribers, and IPTV revenue reached NT\$902 million, representing a 5.9% increase year over year. With our free-to-choose channel package plan, which was launched in September, 75% of these new users chose the highest-priced package, and we expect that the revenue contribution will be reflected in the fourth quarter. As we move forward, in order to further enhance overall MOD/IPTV performance, we will continue enriching our content by introducing OTT services and popular sports events such as the upcoming Tokyo Olympic Games. As for our ICT business, both enterprise customer revenue and ICT revenue increased year over year in the third quarter due to our constant efforts of enhancing ICT initiatives and project acquisitions. We are delighted to announce that we once again obtained the AML project from the Taiwan Power Company during the quarter to strengthen our IoT deployment and the long-term revenue creation. Going forward, despite intense competition, we are confident that we will be able to maintain our leading position in the industry by providing excellent services, and we will continue our investment in our core businesses.”

Revenue

Chunghwa Telecom’s total revenues for the third quarter of 2019 decreased by 3.5% to NT\$ 50.85 billion.

Mobile communications revenue for the third quarter of 2019 increased by 0.7 % to NT\$ 23.63 billion. This was mainly due to the increase in handset sales revenue, offset by the decrease in mobile service revenue resulted from market competition and VoIP substitution.

Internet business revenue for the third quarter of 2019 increased by 1.0 % year over year to NT\$ 7.27 billion. The increase was primarily attributable to higher application value-added service revenue.

Domestic fixed revenue for the third quarter of 2019 decreased by 5.1 % year over year to NT\$ 15.63 billion, mainly due to the decrease of local telephone service revenue by 6.3% to NT\$ 6.45 billion, primarily driven by the increased mobile and VoIP substitution.

International fixed communications revenue decreased by 29.8 % to NT\$ 2.94 billion, mainly due to lower international long distance communications revenue as a result of increased market competition.

Operating Costs and Expenses

Total operating costs and expenses for the third quarter of 2019 decreased by 3.5 % year over year to NT\$ 40.81 billion, mainly due to lower interconnection costs and ICT project costs.

Operating Income and Net Income

Income from operations for the third quarter of 2019 decreased by 3.9 % to NT\$ 10.02 billion. The operating margin was 19.7 %, as compared to 19.8 % in the same period of 2018. Net income attributable to stockholders of the parent decreased by 4.9% to NT\$ 8.09 billion. Basic earnings per share was NT\$1.04.

Cash Flow and EBITDA

Cash flow from operating activities for the third quarter of 2019 decreased by 9.6% to NT\$ 19.68 billion, mainly due to some cash collection deferred because of typhoon.

Cash and cash equivalents, as of September 30th, 2019, increased by 17.9 % to NT\$ 23.97 billion as compared to that as of September 30th, 2018.

EBITDA for the third quarter of 2019 increased by 2.4 % to NT\$ 18.81 billion. EBITDA margin was 37.0 %, as compared to 34.9 % in the same period of 2018.

Business and Operational Highlights

Broadband/HiNet

The Company continued to execute its strategy of encouraging FTTx migration. As of September 30th, 2019, the number of FTTx subscribers reached 3.63 million, accounting for 81.9% 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 1.54 million.

HiNet broadband subscribers decreased by 1.6% year over year to 3.65 million as of September 30th, 2019.

Mobile

As of September 30th, 2019, Chunghwa Telecom had 10.64 million mobile subscribers, representing a 0.8% year-over-year increase.

Fixed line

As of September 30th, 2019, the Company maintained its leading position in the fixed-line market, with a total of 10.23 million subscribers.

Financial Statements

Financial statements and additional operational data can be found on the Company's website at <http://www.cht.com.tw/en/home/cht/investors/financials/quarterly-earnings>

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

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