



中華電信
Chunghwa Telecom



Q1 2011 Operating Results

April 28 , 2011

TSE: 2412
NYSE: CHT



Disclaimer

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The unaudited financial information under ROC GAAP in this presentation is preliminary and subject to adjustments and modifications. The audited financial statements and related notes with reconciliation to U.S. GAAP will be included in our annual report on Form 20-F for the year ending December 31, 2010. Adjustments and modifications to the financial statements may be identified during the course of the audit work, which could result in significant differences from this preliminary unaudited financial information.

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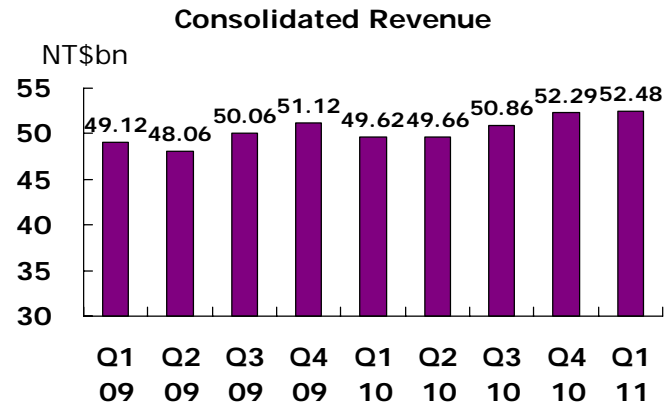
SPECIAL NOTE REGARDING NON-GAAP FINANCIAL MEASURES

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.

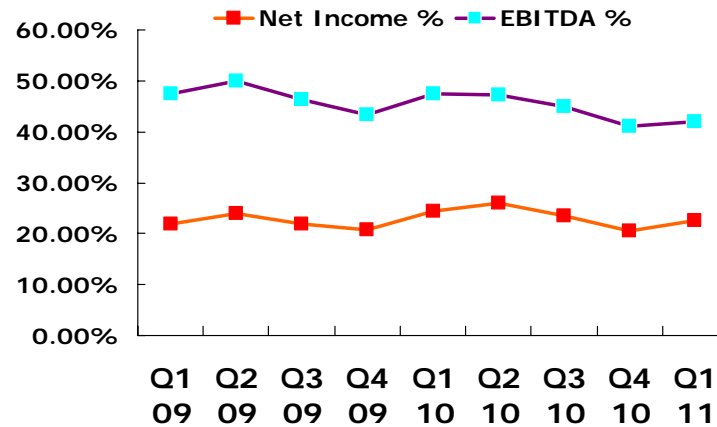
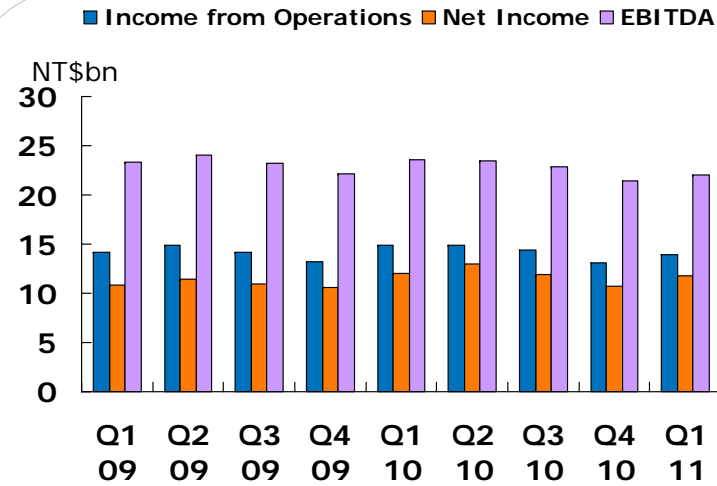
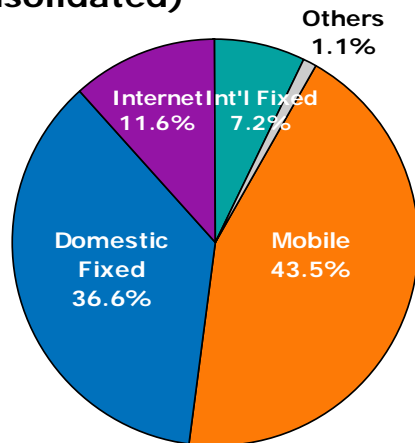
In managing our business we rely on EBITDA as a means of assessing our operating performance. We believe that EBITDA can be useful to facilitate comparisons of operating performance between periods and with other companies because it excludes the effect of (i) depreciation and amortization, which represents 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 ROC GAAP. EBITDA should not be considered as an alternate measure of net income or operating income, as determined on a consolidated basis using amounts derived from statements of operations prepared in accordance with U.S. GAAP or ROC GAAP, 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.

Solid Performance

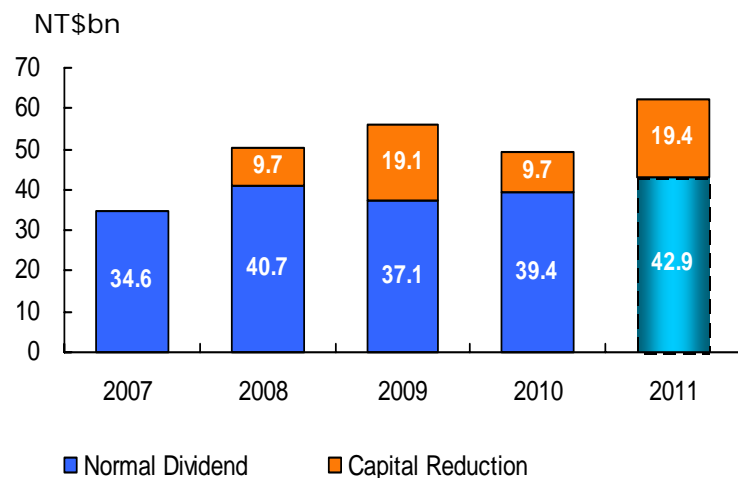


2011 Q1 Revenue Breakdown (Consolidated)



Consistent Return to Shareholders

Cash Return



Note:

1. The cash return was calculated based on cash dividend and cash return from capital reduction, stock dividend was not included.
2. 1 ADR = 10 common shares
3. The cash dividend for year 2011 was calculated based on total share number 7,757,446,545

- The board approved (still subject to AGM's approval) NT\$5.5243 cash dividend per share for year 2010
- Cumulative cash returns of NT\$57.9bn to shareholders in the previous four rounds of capital reduction

Financials Overview

Financials: Income Statement Highlights

(NT\$bn)	ROC GAAP (Consolidated)					
	2009	2010	Growth Rate	Q1 2010	Q1 2011	Growth Rate
Net Revenues	198.36	202.43	2.1%	49.62	52.48	5.8%
Operating Costs and Expenses	141.97	145.06	2.2%	34.74	38.53	10.9%
Income from Operations	56.39	57.37	1.7%	14.88	13.94	(6.3%)
Net Income	43.76	47.61	8.8%	12.06	11.84	(1.9%)
Net Income Margin (%)	22.06	23.52		24.31	22.55	
EBITDA	92.70	91.41	(1.4%)	23.56	22.00	(6.6%)
EBITDA margin (%)	46.73	45.16		47.49	41.93	

Note: The calculation of figures is based on NT\$mnn.

Financials: Business Segment Revenues

(NT\$bn)	ROC GAAP (Consolidated)					
	2009	2010	Growth Rate	Q1 2010	Q1 2011	Growth Rate
Domestic Fixed	71.47	70.69	(1.1%)	17.20	19.20	11.6%
Local	33.21	32.25	(2.9%)	7.91	9.82	24.3%
DLD	7.40	6.65	(10.2%)	1.70	1.48	(13.2%)
Broadband Access	19.90	20.32	2.1%	5.08	5.23	3.0%
Mobile	86.52	89.04	2.9%	22.22	22.84	2.8%
Mobile Voice	62.93	62.00	(1.5%)	15.39	14.16	(8.0%)
Mobile VAS	8.45	11.05	30.8%	2.54	3.52	38.6%
Handsets Sales	14.98	15.90	6.1%	4.28	5.14	20.2%
Internet	23.65	24.48	3.5%	5.87	6.08	3.6%
Internet Services	17.34	18.19	4.9%	4.46	4.59	2.9%
Internet VAS	1.98	2.15	8.5%	0.48	0.57	17.1%
International Fixed	15.24	15.53	1.9%	3.97	3.79	(4.5%)
ILD	12.92	12.86	(0.5%)	3.08	3.13	1.5%
Leased line	0.86	0.95	10.3%	0.44	0.24	(45.5%)
Others	1.47	2.68	82.0%	0.35	0.56	58.1%
Total	198.36	202.43	2.1%	49.62	52.48	5.8%

Note: The calculation of figures is based on NT\$mnn.

Financials: Costs & Expenses

(NT\$bn)	ROC GAAP (Consolidated)					
	2009	2010	Growth Rate	Q1 2010	Q1 2011	Growth Rate
Operating Costs	112.74	115.33	2.3%	27.79	31.24	12.4%
Operating Expenses	29.23	29.73	1.7%	6.95	7.29	4.9%
Marketing	22.29	22.47	0.8%	5.21	5.46	4.9%
General and Administrative	3.77	4.01	6.6%	0.98	1.00	1.6%
R&D Expense	3.17	3.25	2.4%	0.76	0.83	9.4%
Total	141.97	145.06	2.2%	34.74	38.53	10.9%

Note: The calculation of figures is based on NT\$m.

Cash Flow

(NT\$bn)	ROC GAAP (Consolidated)					
	2009	2010	Growth Rate	Q1 2010	Q1 2011	Growth Rate
Net Cash Flows from Operating Activities	77.29	84.77	9.7%	15.69	9.73	(38.0%)
CAPEX	25.48	24.62	(3.4%)	4.17	4.38	5.0%
Free Cash Flow	51.81	60.15	16.1%	11.52	5.35	(53.6%)
Cash and Cash Equivalents at the end of period	73.26	90.88	24.0%	79.19	75.00	(5.3%)

Note:

1. The calculation of figures is based on NT\$m.
2. Free cash flow is subtracting Capex from net cash flows from operating activities.

Forecast & Operating Results

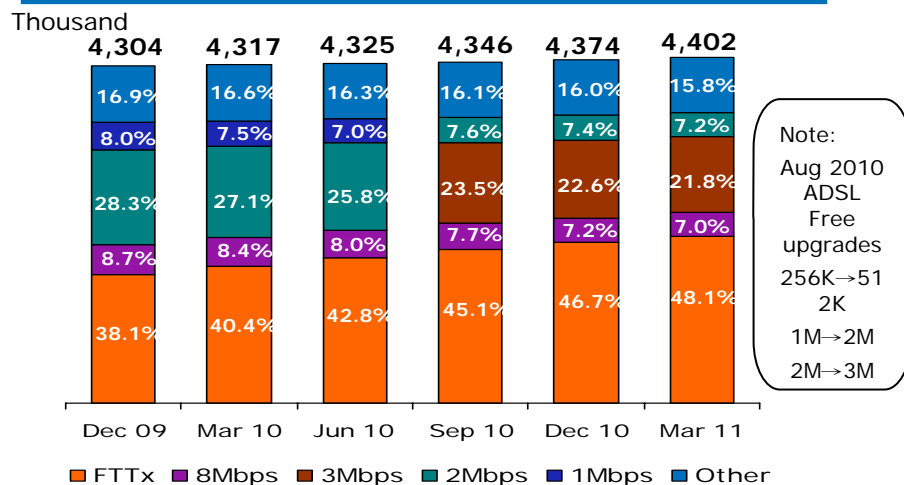
(NT\$bn)	ROC GAAP (Parent Company Only)					
	Q1 2011	2011 (E)	Achieving Rate	Q1 2011	Q1 2011 (E)	Achieving Rate
Net Revenues	47.58	190.02	25.0%	47.58	46.24	102.9%
Operating Costs and Expenses	34.02	138.61	24.5%	34.02	33.51	101.5%
Income from Operations	13.56	51.41	26.4%	13.56	12.73	106.5%
Net Income	11.83	45.73	25.9%	11.83	11.11	106.5%
Net Income Margin (%)	24.86	24.07		24.86	24.03	
EBITDA	21.52	83.80	25.7%	21.52	20.95	102.7%
EBITDA margin (%)	45.23	44.10		45.23	45.29	

Note: These projections are based on a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies.

Business Overview

Broadband Services - Growth Drivers in Fixed-Line

Broadband Subscribers

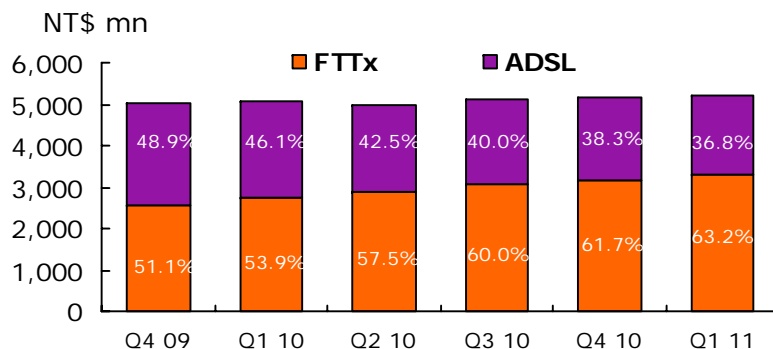


Strategies

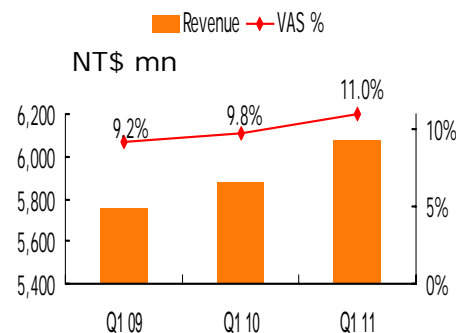
- Migrate ADSL subs to FTTx to offer services including HDTV, remote surveillance and cloud storage, etc
 - Focusing on 50Mbps service in 2011
- Continue offering differentiated services such as hifree, MOD HD, cloudbox etc.

Performance

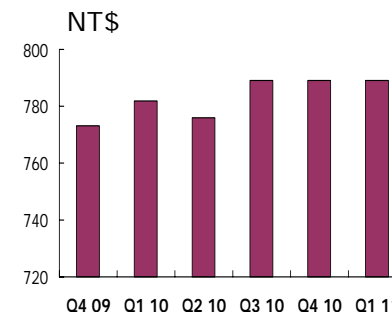
Revenue of Fixed Line Broadband



Internet Revenue

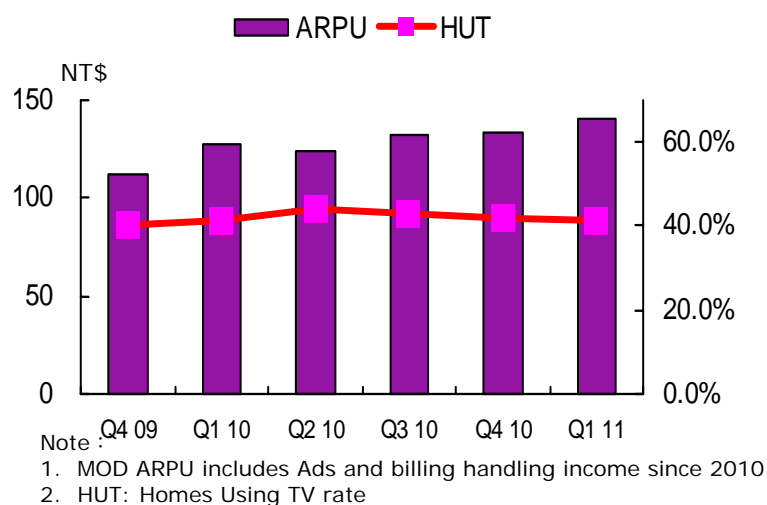
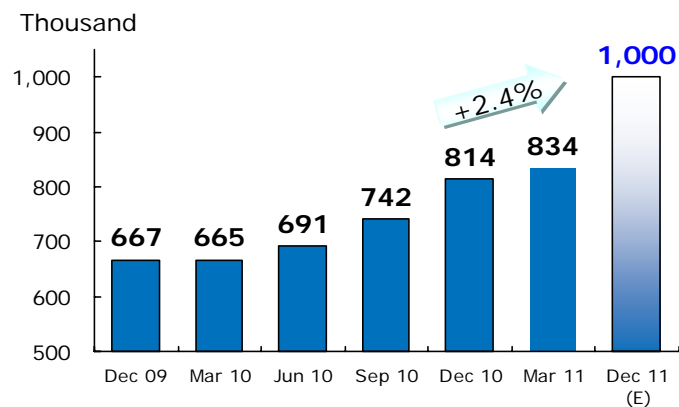


Broadband ARPU



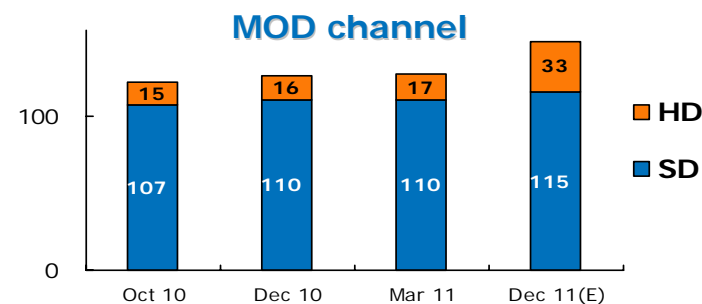
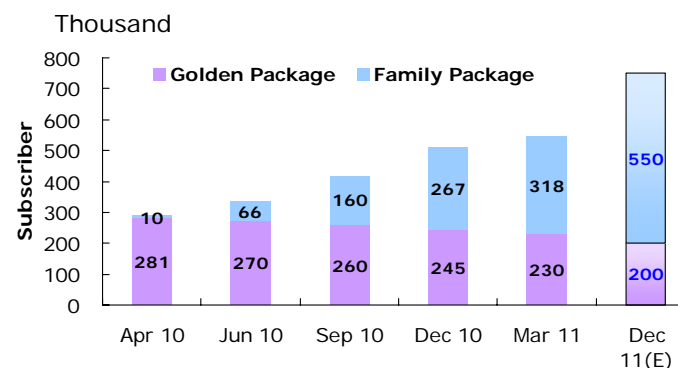
Growing Momentum in MOD/ IPTV

MOD/IPTV Subscribers



Performance

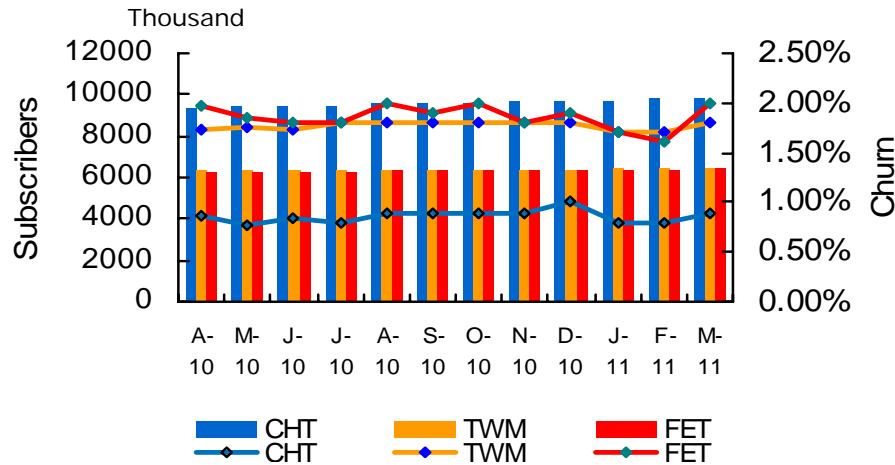
- Launching Family Packages on Apr 15, 2010



- Providing the highest number of HD channels in local market (Ex: ESPN, NGC, FOX, eye TV)
- More sport events and life info services to come
- Providing internet content (zodiac, movie ticketing, traffic) to enhance application

Number One Mobile Services Provider

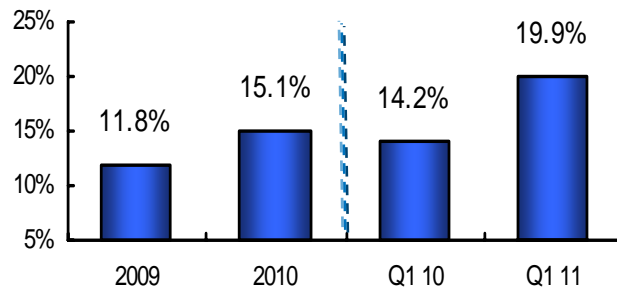
Highest Subs & Lowest Churn



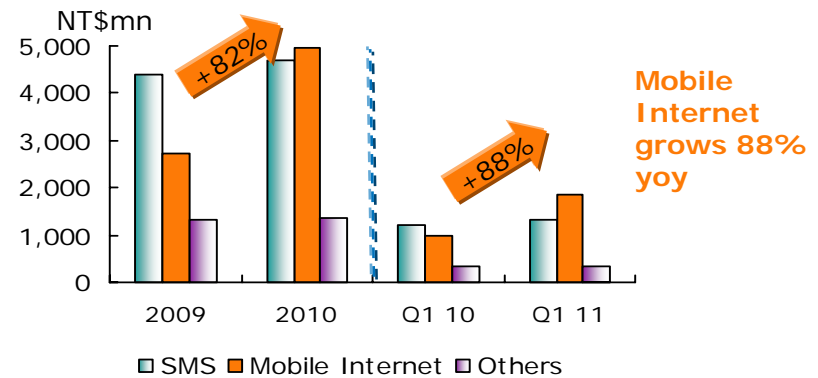
Strategies

- Maintain mobile leadership by acquiring customers, minimizing churn rate, and increasing user loyalties via compelling user experiences
- Create value via smartphone and tablets services
- Increase mobile VAS revenue by offering customized and integrated Hami VAS services with mobile Internet tariff plans over 3.5G+Wi-Fi networks
- Provide alternative network by accumulating Wi-Fi APs totaled 12,000 by 2011Q1, expect net add 10,000 by 2011

Mobile VAS Revenue %



VAS Breakdown

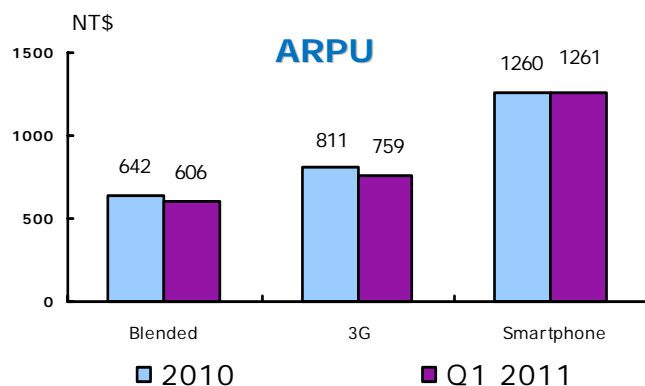
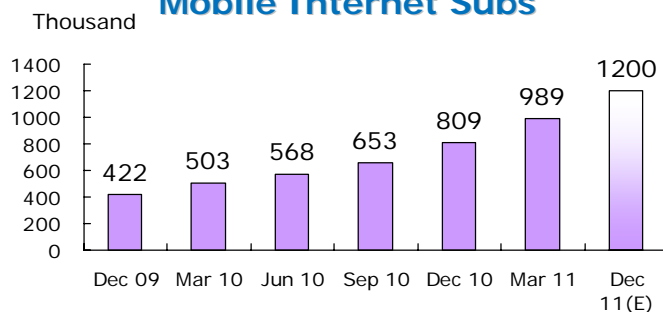


Smartphone - Value Driver for Mobile

Performance

- Smartphone customers account for 39% of the total handsets CHT offered in Q1 2011
 - The percentage for year 2010 was 25%
 - The percentage is expected to reach 35% to 45% by 2011

Mobile Internet Subs



Successful Smartphone Strategies

- Promote smartphones with variety of applications to increase premium customer penetration
 - Platforms support open OS including iOS (iPhone), Android, Windows Mobile, Symbian and BMP etc.
 - Strategic partnership with HTC

Customized VAS

- Focus on 3G VAS to satisfy diversified customer demand and increase usage
- VAS services includes
 - Information: News, weather, finance, sports, public transportation timetables
 - Service applications: Movie ticketing, Xuite, shopping channel, Apps and e-book
 - Payment for parking fees, game debit card
 - Membership: Personal bill retrieving, online call center, website recommendation
 - Promotion: Festival special

New Business Initiatives for Future Growth

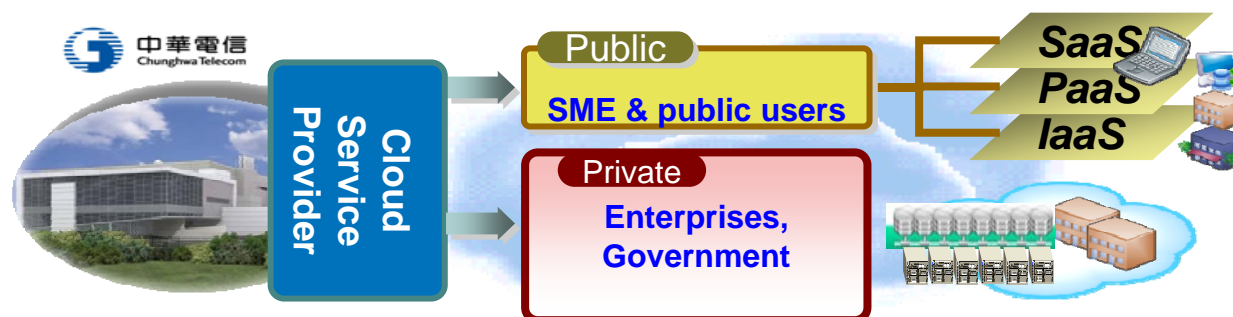
Convergence Services

- Services launched: Music (hifree, KKBOX), Video (Sports, Movie), News, Micropayment, weather, Surveillance, Multimedia Phone etc
- Multi-screen services available by 2011: Micropayment, Video (Movie), Weather, News, Music

ICT Business

- To focus on ICT business line and government project
 - ICT business line including ITS, iEN, information security, PBX, call center, billing VAS and IDC
 - Corporate ICT-related revenue is expected to grow 23% for 2011

Cloud Computing



Overseas Development

ICT Market

JV

- Vietnam (Viettel IDC): Major businesses include Hosting Co-location, Server rental, VAS etc
- China (Sertech): Duplicate our experiences in call center cross strait

Subsidiary

- Establish a subsidiary in China in Q1 2011: Provide ICT-related solution with iEN, mobile VAS, total solution for corporate customers, and Internet of Things etc.
- Schedule to Establish a subsidiary in Vietnam in Q2 2011 to provide ICT-related solution and VAS services etc.

Corporation

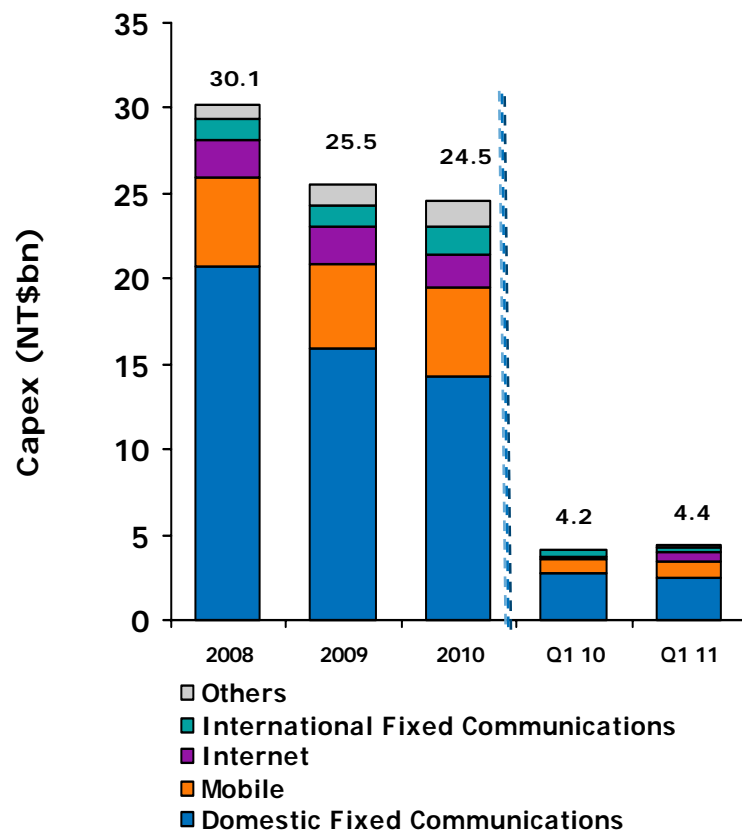
- Sign agreement with China Telecom to exploit energy saving market opportunities
- Sign LOI with China Telecom to capture cross-strait information development opportunities

Telecom Market

- Expand international fixed business to provide quality and competitive services to multinational corporate customers
- Major business: IPLC, IP-VPN, IP transit, voice and data wholesale and type I/II services
- Cooperate with China Unicom to help expand its distribution channels and enlarge mobile VAS business scale

Effective and Efficient Capital Expenditures

Capital Expenditure



CapEx as % of Revenue	2008	2009	2010	Q1 10	Q1 11
CapEx as % of Revenue	14.9%	12.8%	12.2%	8.4%	8.3%

Note: Figures are on consolidated basis.

- Future investments continue to focus on core businesses
 - 3G / HSPA / HSPA+ / LTE
 - FTTx
 - Wi-Fi / Femtocell
 - Service Platforms
- Additional investment will be on cloud computing business over next 2~3 years

Regulatory Update

Regulatory Update

Tariff Regulation	<ul style="list-style-type: none">• Wireline and wireless tariff reduction starting from April 1, 2010 over 3 years (Pls refer to reference page 24)
F2M calls Pricing Right	<ul style="list-style-type: none">• Pricing rights was reverted back to fixed operator in the beginning of 2011 (Pls refer to reference page 25~26)
Digital Convergence Regulation	<ul style="list-style-type: none">• Executive Yuan had passed Digital Convergence Policy Initiative in July 2010<ul style="list-style-type: none">– Telecom Act and Broadcasting-related Regulations will be amended and reviewed by Legislative Yuan in 2012– Digital Convergence Framework is expected to be approved in June 2014
2G license Extension	<ul style="list-style-type: none">• Local GSM 900/1800 license will expire in 2012 and 2013• License renewal guideline was released by MOTC on Nov 25 2010<ul style="list-style-type: none">– The term of original 2G license can be extended to Jun 2017– The licenses to be auctioned in 2015 will be technology neutral
Single-tariff for fixed-line calls	<ul style="list-style-type: none">• In Jan 2011, Legislative Yuan resolved that NCC and CHT to propose a single tariff for island-wide phone service in six months

Management Highlights

Business Strategy and Policy

- **Pursue business growth**
 - Focus on broadband, VAS, innovation and digital converged services
 - Cooperate with subsidiaries to expand overseas business and operation scale
- **Focus on innovative services**
 - Accelerate network upgrades and integration to enhance competitiveness
 - Utilize industry alliances to develop market leading products and capture new service opportunity
- **Strengthen human resources**
 - Promote professional development and encourage early retirement
 - Foster talent to meet the needs for the innovative services of the overseas expansion
- **Continue cost efficiency**
 - Continue to drive cost efficiency
- **Reinforce corporate social responsibility**
 - Consistently implement Corporate Social Responsibility
 - Join in Green Touch Alliance and make effort to reduce energy consumption and carbon emission

Q&A

Reference

Tariff Regulations

Target	Business Operation	Applicable services	X factor	Years in effect	Formula: $\Delta\text{CPI} - X$
SMP (Significant Market Power)	Fixed-line	1 IP Peering	4.816%	3	<p>1. The three year tariff reduction plan is applicable from Apr 1, 2010 to Mar 31, 2013 and applied based on the previous year tariff.</p> <p>2. ΔCPI for year 2009 = -0.87</p> <p>3. ΔCPI for year 2010 = 0.96</p> <p>4. ΔCPI for year 2011 to be decided</p>
		2 Domestic wholesale leased line			
		3 ADSL circuit			
		4 Domestic long distance call (excl. Public phone call)			
All 2G/3G operators	Mobile	1 Domestic SMS	5%	3	
		2 Off-net voice call tariffs including (1) Off-net mobile (2) Mobile to fixed calls			
		3 voice call interconnection	NCC will modify regulations of wholesale rates of voice call termination on mobile network.		

Regulatory Update- F2M call pricing

	Payment to Mobile Operators (NT\$/Minute)						F2M call pricing
Dominant Fixed-line Market player (CHT)	◎ Mobile Interconnection Fee (NT\$2.15) + Transition Fee (NT\$1.956~0) in peak hours and Mobile Interconnection Fee (NT\$2.15) only in off-peak hours ◎ Transition Fee decreases to zero over the period of 6 years						No higher than CHT's 2G tariff before the reverse
	2011	2012	2013	2014	2015	2016	
	1.956	1.7304	1.3843	1.0383	0.6922	0.3461	
Other Fixed-line Operators	Mobile Interconnection Fee (zero transition fee) in all hours						No higher than CHT's 2G tariff before the reverse

F2M Call Pricing Right Revert Back (2)

– Illustration of impact on profit

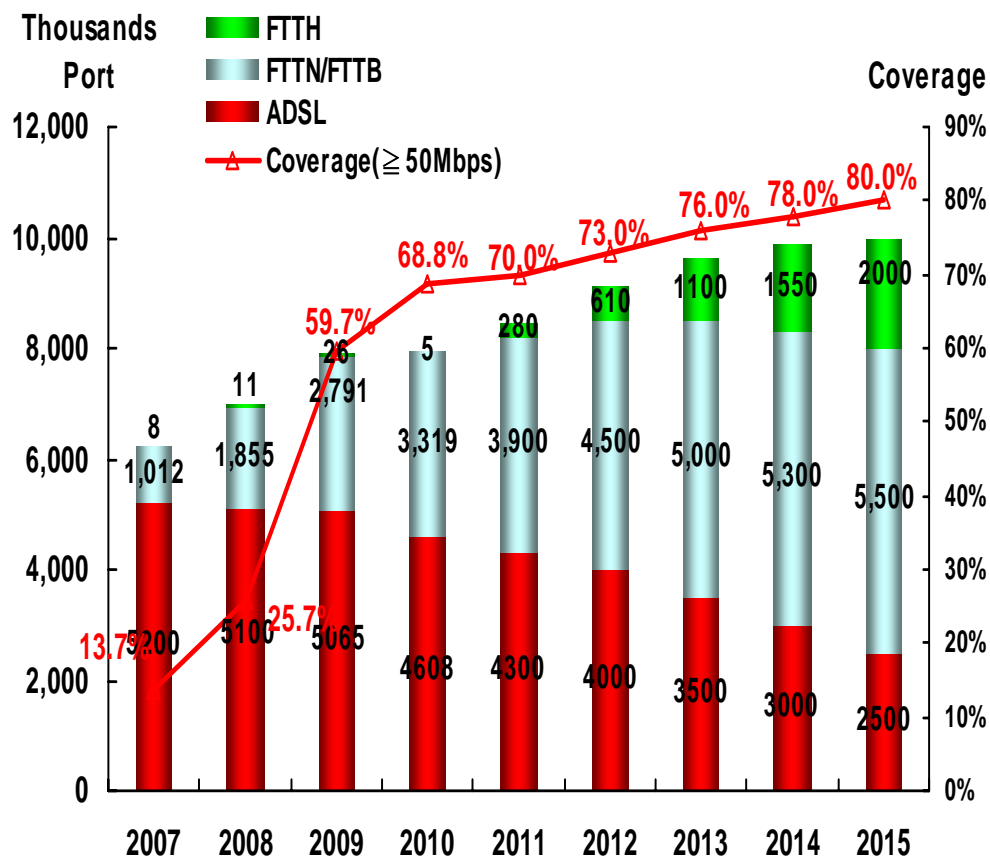
NT\$bn	Annual Impact ^a		
	Fixed Voice	Mobile Voice	Total
Service revenues from external customers	+11.48 ^b	-7.48	+4.00
Intersegment service revenues	-1.28 ^d	+5.74 ^c	+4.46
Operating costs & expenses	+5.32 ^e	-0.01 ^f	+5.31
Intersegment costs and expenses	+5.74 ^c	-1.28 ^d	+4.46
Profit Impact	-0.86	-0.45	-1.31

Note:

- (a) The illustration are based on actual traffic volume for year 2010.
- (b) Fixed voice revenue will increase but partially offset by the removal of interconnection and billing handling income from other mobile operators
- (c) Interconnection and transition payment from CHT fixed to CHT mobile segment
- (d) No more interconnection and billing handling fee from CHT mobile to CHT fixed segment
- (e) Interconnection and transition payment to other mobile operators and increase of franchise fee
- (f) Mobile franchise fee to decrease

ü The interconnection and transition payment will be declining over years

Continuing Broadband Network Construction



Note:

(1) The Coverage rate(≥50Mbps) is based on the household number (7.93mn) as of Dec. 2010

(2) Wireline : Fixed + Internet

Fiber Deployment Plan

- FTTx access expected to exceed ADSL access by year 2011
- FTTx coverage (≥ 50Mbps) expected to reach 80% by year 2015
- Broadband access + ISP revenue slightly growing in upcoming years
- Wireline* VAS revenues expected to have higher growth