

中華電信
Chunghwa Telecom



1H 2009 Operating Results

August 27, 2009

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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. Chunghwa may also make written or oral forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission on forms 20-F and 6-K., in its annual report to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. 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: extensive regulation of telecom industry; the intensely competitive telecom industry; our relationship with our labor union; general economic and political conditions, including those related to the telecom industry; possible disruptions in commercial activities caused by natural and human induced events and disasters, including terrorist activity, armed conflict and highly contagious diseases, such as SARS; and those risks outlined in Chunghwa's filings with the U.S. Securities and Exchange Commission, including its registration statements on Form F-1, F-3, F-6 and 20-F, in each case as amended. Chunghwa does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

This 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.

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.

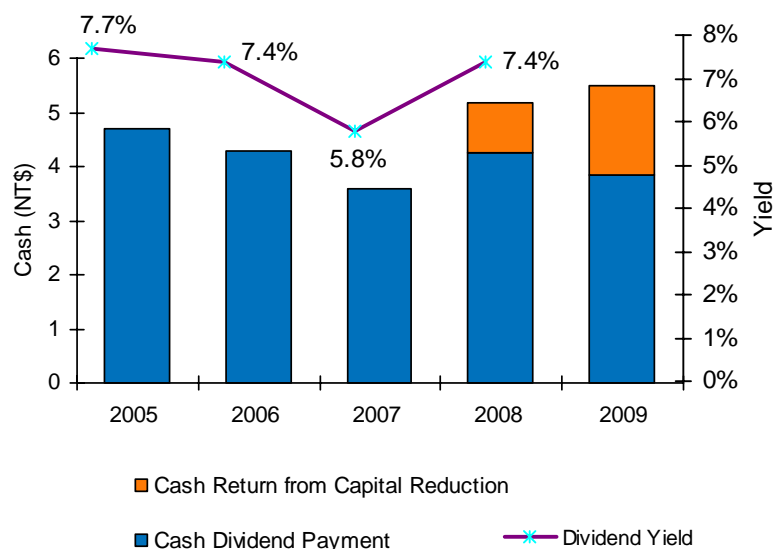
In managing our business we rely on EBITDA as a means of assessing our operating performance. We believe that EBITDA can be useful to facilitate comparisons of operating performance between periods and with other companies because it excludes the effect of (i) depreciation and amortization, which represents 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 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 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. For more information on these non-GAAP financial measures, please see the tables captioned set forth at the end of this release and which shall be read together with the accompanying financial statements prepared under ROC GAAP.

Consistent Shareholder Return

Committed to a Strong Return Policy

Dividend Yield



Note: The dividend yield was calculated based on cash dividend and cash return from capital reduction, stock dividend was not included.

Capital Management

- The AGM approved the 3rd round of capital reduction in June 2009
- Estimated total cash return from the 3rd round of capital reduction is NT\$9.7bn
- Cumulative cash returns of NT\$28.8bn to shareholders in the previous two rounds of capital reduction

Segment Reporting Redefined

Old		
Segment	Major Items	
Fixed line	Local	Local
	DLD	DLD
	ILD	ILD
Cellular Service	Mobile services	
Internet & data	Internet services 1.HiNet service 2.Internet VAS 3.Narrowband Access 4.Broadband Access (ADSL+ FTTx)	
	Data services 1.Leased line (Local, DLD & International) 2.Other (MOD, IDC, Managed Data services :①Domestic Data services, ②Data Communication services, ③International Data services)	
Cellular Phone	Sales of mobile handsets and data cards	
All others	Satellite services	
	Paging services	
	Miscellaneous (including non-core VAS, Domestic Other, International Other, Internet Other, Mobile Other, non-Telecom services)	

Note : DLD : Domestic long distance
 ILD : International long distance
 MOD : Multimedia on Demand
 ICT : Information and communication technologies
 IDC : Internet Data Center

New	
Segment	Major Items
Domestic Fixed Communications Business	Local
	DLD
	Narrowband Access
	Broadband Access (ADSL+ FTTx)
	Leased line- Local & DLD
	MOD
	Domestic Data services
Mobile Communications Business	Domestic Other (including ICT, corporate solution services and billing handling services, the leasing of real estate)
	Mobile services
	Paging services
	Sales of mobile handsets and data cards
Internet Business	Mobile Other (including corporate solution services and billing handling services, the leasing of real estate, ICT)
	HiNet service
	Internet VAS (including non-core VAS)
	Data Communication services
	IDC
International Fixed Communications Business	Internet Other (including government services, corporate solution services and billing handling services, the leasing of real estate)
	ILD
	Leased line- International
	International Data services
	Satellite services
Others	International Other (including corporate solution services and billing handling services, the leasing of real estate)
	non-Telecom services

Financials Overview

Financials: Income Statement Highlights

(NT\$bn)	ROC GAAP (Consolidated)					
	1H 2008	1H 2009	Growth Rate	Q2 2008	Q2 2009	Growth Rate
Revenue	100.92	97.18	(3.7%)	49.97	48.06	(3.8%)
EBITDA	51.51	47.41	(8.0%)	25.37	24.06	(5.2%)
Operating Profit	32.28	29.05	(10.0%)	15.86	14.92	(5.9%)
Net Income	23.23	22.26	(4.2%)	12.52	11.48	(8.3%)
EBITDA margin (%)	51.04	48.79		50.78	50.05	
Net Income Margin (%)	23.02	22.91		25.05	23.88	

Note :

1.The calculation of growth rate is based on NT\$mnn.

2.Some figures of 2008 are reclassified according to ROC SFAS 10 "Inventories".

Financials: Costs & Expenses

(NT\$bn)	ROC GAAP (Consolidated)					
	1H 2008	1H 2009	Growth Rate	Q2 2008	Q2 2009	Growth Rate
Operating Costs	55.22	54.27	(1.7%)	27.04	26.12	(3.4%)
Operating Expenses	13.42	13.86	3.3%	7.07	7.02	(0.7%)
Marketing	10.19	10.40	2.1%	5.45	5.27	(3.3%)
General and Administrative	1.66	1.93	16.3%	0.77	0.98	26.6%
R&D Expense	1.57	1.53	(3.0%)	0.85	0.77	(8.8%)
Total	68.64	68.13	(0.7%)	34.11	33.14	(2.9%)

Note :

- 1.The calculation of growth rate is based on NT\$m.
- 2.Some figures of 2008 are reclassified according to ROC SFAS 10 "Inventories".

Financials: Business Segment Revenues

(NT\$bn)	ROC GAAP (Consolidated)					
	1H 2008	1H 2009	Growth Rate	Q2 2008	Q2 2009	Growth Rate
Internet & Data	24.79	24.74	(0.2%)	12.27	12.27	0.0%
Mobile	36.28	35.24	(2.9%)	18.16	17.68	(2.6%)
Fixed line	28.74	26.54	(7.7%)	14.33	13.40	(6.4%)
Local	17.34	16.35	(5.7%)	8.71	8.24	(5.4%)
DLD	4.30	3.85	(10.5%)	2.18	1.94	(10.9%)
ILD	7.10	6.34	(10.7%)	3.44	3.22	(6.3%)
Other	11.11	10.66	(4.0%)	5.22	4.71	(9.7%)
Total	100.92	97.18	(3.7%)	49.97	48.06	(3.8%)

Note:

1. Other revenue includes revenues from handset sales of CHT & Senao, satellite, and billing handling services, etc.
2. The calculation of growth rate is based on NT\$mn.

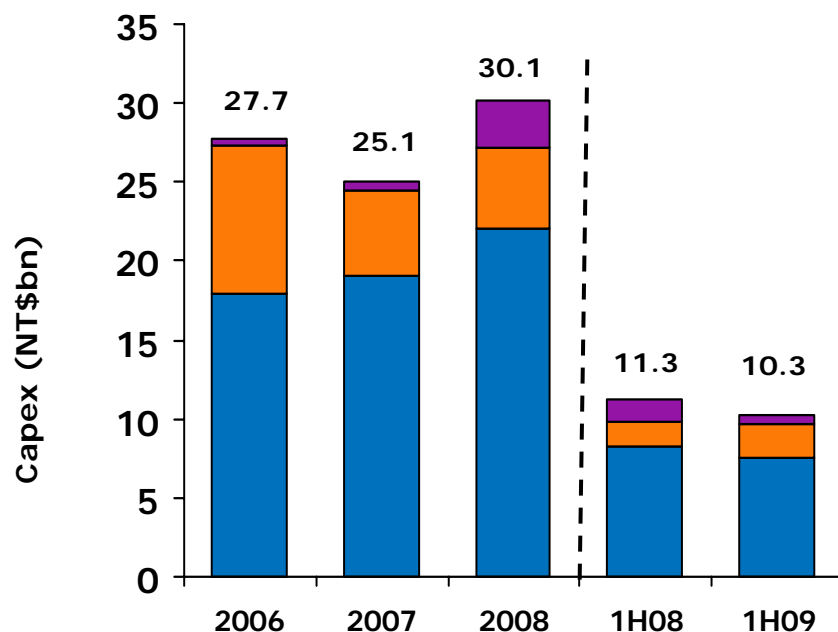
Financials: Cash Flow Highlights

(NT\$bn)	ROC GAAP (Consolidated)					
	1H 2008	1H 2009	Growth Rate	Q2 2008	Q2 2009	Growth Rate
Net Cash Flow from Operating Activities	43.33	34.25	(21.0%)	24.74	18.20	(26.4%)
CAPEX	(11.31)	(10.30)	(9.0%)	(5.85)	(5.59)	(4.4%)
Free Cash Flow	32.02	23.95	(25.2%)	18.89	12.61	(33.3%)
Cash and Cash Equivalent at the end of period	95.35	83.42	(12.5%)	95.35	83.42	(12.5%)

Note : The calculation of growth rate is based on NT\$m

Effective and Efficient Capital Expenditures

Capital Expenditure (NT\$bn)



CapEx as % of Revenue	2006	2007	2008	1H08	1H09
	15.0%	12.7%	14.9%	11.2%	10.6%

■ Wireline ■ Wireless ■ Others

Note:
Above figures are on consolidated basis. Some wireline equipment is jointly used by fixed line and data and internet services.

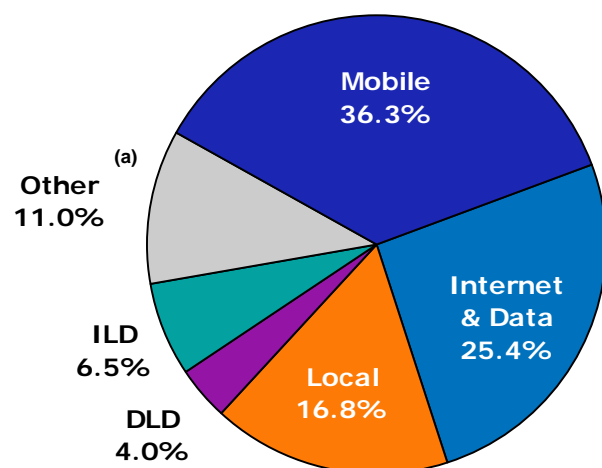
- Capex spending is expected to remain 15% of revenue over the next 5 years
- Future investments continue to focus on core businesses and on migrating mobile and data customers to higher revenue platforms
 - 3G / 3.5G / LTE
 - IP-based NGN
 - FTTx

Business Overview

Chunghwa Telecom Overview

Market Leader in Mobile Communication, Internet & Data and Fixed-line Services

Revenue Breakdown



1H09 Total Revenue: NT\$97.2bn

Source: Company data, MOTC, and NCC statistics

a) Other revenue includes revenues from handset sales of CHT, satellite, and billing handling services, etc.

b) Includes 2G, 3G and PHS

c) CHT access circuits were not included

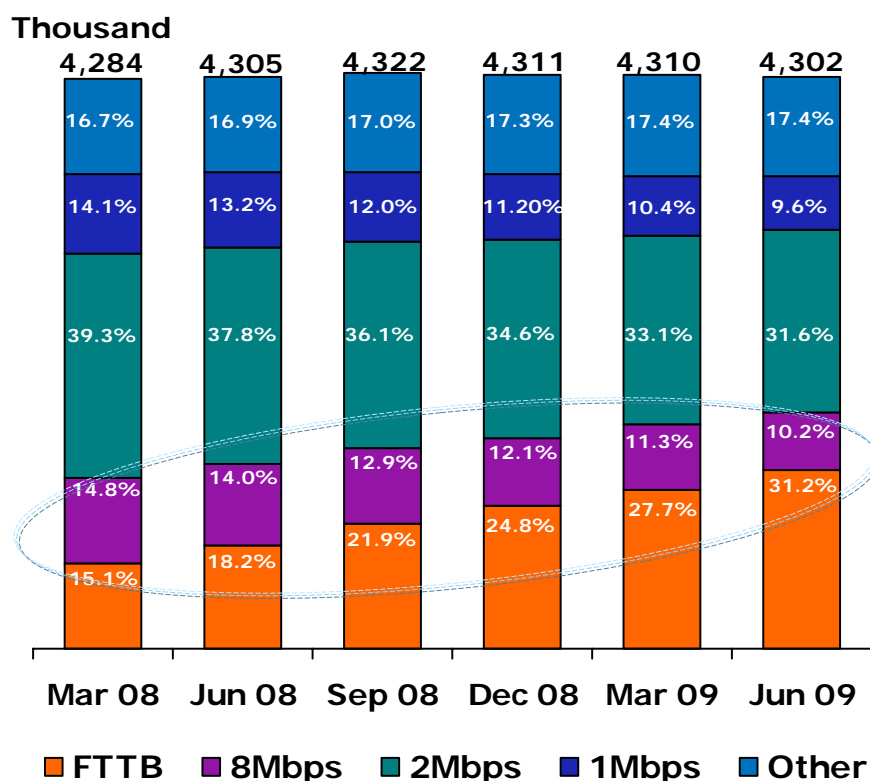
(Note) Market share numbers are as of June 2009

Integrated Services Provider with Dominant Market Positions

- Mobile
 - #1 Mobile subscribers
 - 34.5% market share^(b) (9.04mm subs)
 - #1 Mobile revenue
 - 33.1% market share^(b)
- Internet and Data
 - #1 ISP subscribers
 - 70.1% market share (4.1 mm subs)
 - #1 Broadband access
 - 83.7% market share^(c) (4.3 mm subs)
- Fixed-line
 - #1 Local subscribers
 - 97.3% share (12.6 mm subs)
 - 87.4% share by minutes
 - #1 DLD minutes
 - 83.9% share by minutes
 - #1 ILD minutes
 - 59.4% share by minutes

Taiwan's Leading Internet and Data Provider

Broadband Subscribers



Note:

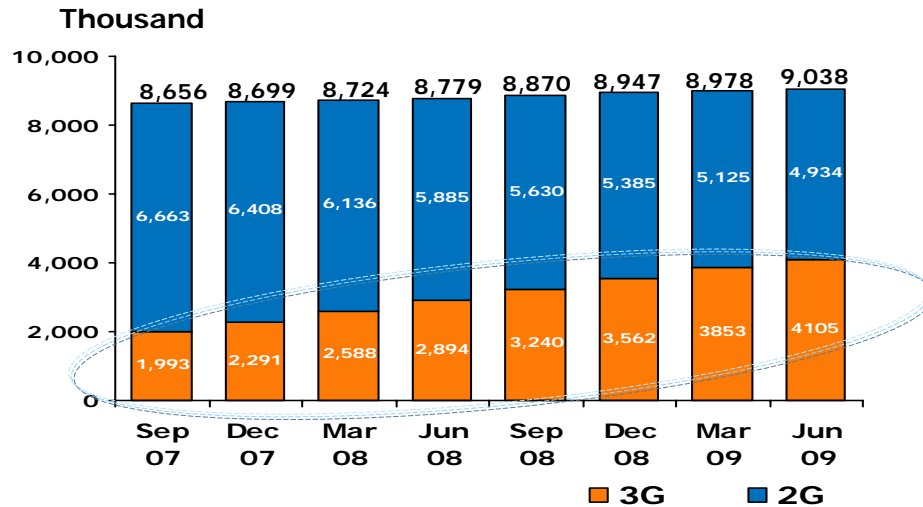
- Others include 256k, 768k, 4M & 6M services
- 8M include 8M, 12M

Strategies

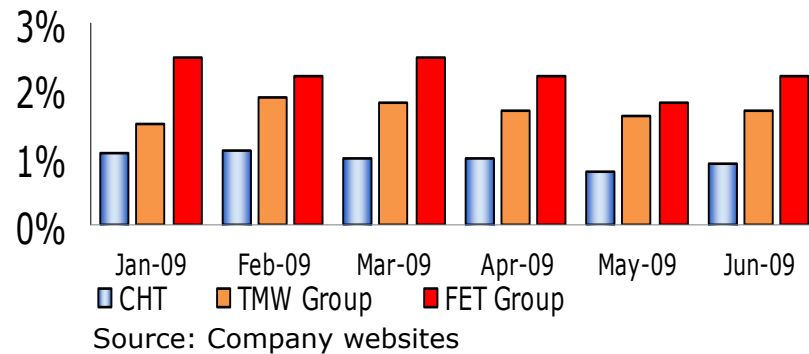
- Migrate ADSL subs to FTTx to offer quality network service and increase revenue
- Retain lower speed subs through competitive price by offering ISP service from strategic partner
- Continue promoting Internet VAS
 - Fast growing VAS
 - Internet pornography gatekeeper: 127.1% YoY
 - HiNet Music: 34.7% YoY
 - HiNet Games: 45.1% YoY

Number One Mobile Provider

Mobile Subscribers



Mobile Churn Rates

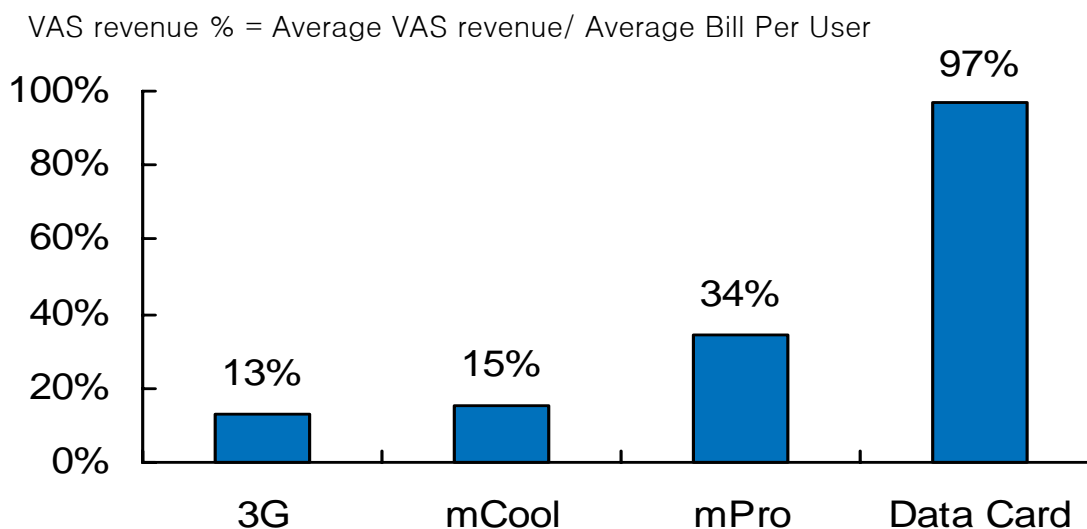


Strategies

- Maintain mobile leadership by retaining users, minimizing churn rate, enhancing user experiences, and increasing user loyalties via segmentation strategy
 - Offer various handset subsidies and priority discount to retain quality customers' contract renewals
 - Promote world-class customized smartphones with various applications to increase premium customer penetration
- Focus on 3G VAS to satisfy diversified customer demand and increase usage
- Focus on network infrastructure advancement to enhance overall service quality and streamline network efficiency

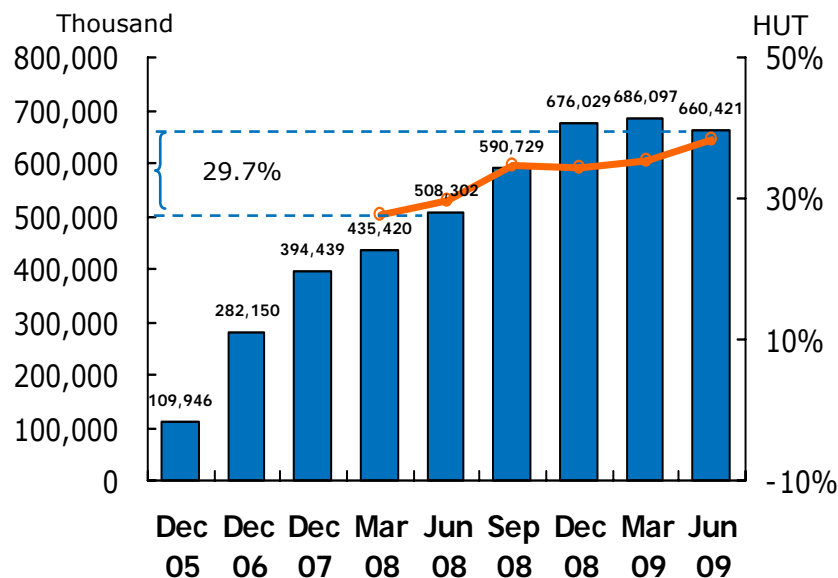
New Mobile Devices Driving Network Usage

- Providing world-class devices to enhance user experiences and build loyalty
 - Ex: iPhone 3G/3Gs, Android phone (HTC magic / Hero), WM (HTC, Garmin-Asus, Samsung), Sony Ericsson music handset, Nokia camera handset, etc.
- Facilitate customers' usage frequency via VAS
 - mPro: for corporate clients & trendy users
 - mCool: for youngster
 - Data Card: for customers requiring ubiquitous Internet services



Meeting Customer Demand for Convergence

MOD/IPTV Subscribers



- As of June 2009, subscribers reached 660k, a 29.7% increase since Jun 2008
- Average daily HUT(Household Using Television) for Q2'09(38.44%) is higher than Q1'09 (35.43%).
- Subs growth of Golden TV package:170,147 (June '09) vs. 69,155 (June '08)
- SVOD subs increased 6,785 in Q2'09 to 30,434

Content and Service Updates

- Channels
 - 78 SD channels and 3 HD channels on line.
 - 8~10 new channels are under negotiation.
- VOD
 - Over 6,000 hrs SD / HD VOD on line and update 1,000 hrs on weekly basis
 - More SVOD packages including movie, drama, animation and documentary.
- Interaction
 - Games, KOD and home banking are gaining more popularity
 - Interactive feature for Advertisement available
 - Interactive real time voting service available on popular TV series.
- Cross Platform Activities
 - Conduct cross-platform service operation, marketing and advertising
 - Live broadcasted on MOD / HiNet / emome platform
 - NBA, SBL and PBL
 - The World Games 2009 Kaohsiung

Property Management

Property Development Updates

CHT Property Asset Total

Items	Amount	Total Dimension	Book Value (NT\$)
Land	2,748 pieces	409 hectares or 4,090,000 m ²	110bn
Building	1,828 buildings	3,500,000 m ²	40bn

CHT Property Asset Currently under Development

Total Dimension	Zone	Location	Estimated Starting Year for Revenue Contribution	Estimated Revenue Contribution %	Estimated Investment from 2007-2013 Inclusive
Six pieces 15,457 m ² (LEDC*)	Residential	Four in Taipei City One in Taipei County One in central Taiwan	2011 ~ 2012	One-time recognition of ~2%	NT\$1.5 ~ NT\$2.0bn in total
Two Commercial Buildings 47,527 m ²	Commercial	Two in Taipei City	2010 ~ & 2013 ~	Annual revenue recognition of ~0.15%	NT\$1.5 ~ NT\$2.0bn in total

(Note) LEDC: Light Era Development Company

Property Development Updates (continued)

Property Strategy

- Overall strategy: primary focus on rental revenue
 - Where: commercial and residential zones in major cities
 - When
 - Short term: Well-developed areas
 - Mid term: Developing areas
 - Long term: Under-developed areas
 - What: commercial, business accommodation, retail, office complex
- Collaborate with developers having proven track record
- Action Plan Focus
 - Lease unused buildings and floor space
 - Develop lands in prime locations

Mid-term Targets over Next 5 Years

- Total area to be under construction of 33,415 m², or 0.81% of total property asset.
 - Consists of 7 pieces of land
 - 5 in Taipei city, 1 in Taichung, 1 in Kaohsiung
- Primary focus on commercial, office and business accommodation
- Revenue contribution estimated to be 0.25% on annual basis post the completion
- Total estimated additional development investment required from 2010 to 2014 inclusive to be NT\$4.5bn to NT\$5.0bn

Outlook

Mid-term Corporate Strategy

- Enhance competitive positioning via segmented targeting and differentiated services to maximize user experiences and loyalties
- Focus on ICT related services to better serve corporate clients
- Strengthen advanced network capability to facilitate business growth and transformation
- Streamline overall process to enhance operational efficiency and capacity in addressing the changing environment
- Explore mainland and overseas emerging markets for new revenue stream
- Leverage strong financial resources and property assets to boost non-operating income
- Consistently and systematically implement Corporate Social Responsibility to uphold the corporate social citizen standard

Q&A

Appendix

Pro Forma Operating Segment Information

New Item	Six months ended June 30, 2009 (Unaudited)					Amount in Million of New Taiwan Dollars	
	Domestic Fixed Communications Business	Mobile Communications Business	Internet Business	International Fixed Communications Business	Others	Adjustment	Total
Revenues from external customers	35,232	42,536	11,402	7,435	574	0	97,179
Intersegment revenues	6,646	928	340	680	0	(8,594)	0
Total revenues	41,878	43,464	11,742	8,115	574	(8,594)	97,179
Segment income before income tax	9,249	16,148	4,594	1,094	(310)	0	30,775
Interest income							335
Equity in earnings (losses) of equity method investees							(22)
Other income							571
Interest expense							(9)
General expense							(1,729)
Other expense							(439)
Income before tax							29,482
Segment assets	234,208	64,133	16,940	18,211	11,299	0	344,791
Investment accounted for using equity method							2,304
Other assets							114,418
Total assets							461,513
Depreciation and amortization	12,182	4,201	1,177	704	100		
Expenditures for segment assets	6,555	2,159	902	473	207		

Operating Segment Information

Old Item	Six months ended June 30, 2009 (Unaudited)						Amount in Million of New Taiwan Dollars		
	Fixed line			Cellular Service	Internet and Data	Cellular Phone	All Others	Adjustment	Total
	Local	DLD	ILD						
Revenues from external customers	16,346	3,848	6,343	35,234	24,737	7,206	3,465	0	97,179
Intersegment revenues	2,006	929	0	3,018	10,561	725	14	(17,253)	0
Total revenues	18,352	4,777	6,343	38,252	35,298	7,931	3,479	(17,253)	97,179
Segment income before income tax	(2,562)	2,564	1,077	18,189	12,940	(2,064)	631	0	30,775
Interest income									335
Equity in earnings (losses) of equity method investees									(22)
Other income									571
Interest expense									(9)
General expense									(1,729)
Other expense									(439)
Income before tax									29,482
Segment assets	128,766	4,754	9,268	54,317	102,953	5,557	39,176	0	344,791
Investment accounted for using equity method									2,304
Other assets									114,418
Total assets									461,513
Depreciation and amortization	6,847	225	148	4,118	6,434	66	526		
Expenditures for segment assets	2,673	0	93	2,191	5,035	5	299		