



**中華電信**  
Chunghwa Telecom



## 3Q 2009 Operating Results

October 30, 2009

# Disclaimer

## 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.

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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.

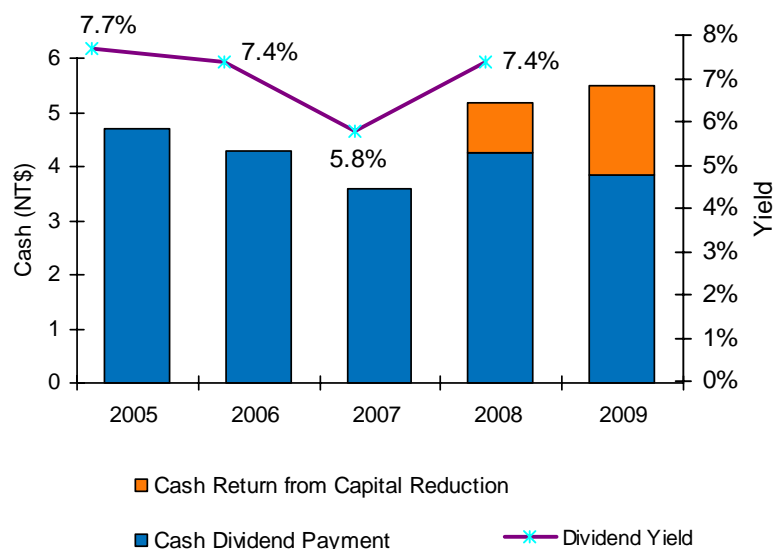
In managing our business we rely on EBITDA as a means of assessing our operating performance. We believe that EBITDA can be useful to facilitate comparisons of operating performance between periods and with other companies because it excludes the effect of (i) depreciation and amortization, which represents 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 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

- Cash return related to capital reduction expected in 1Q10
- Estimated total cash return from the 3<sup>rd</sup> 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

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# Financials Overview

# Financials: Income Statement Highlights

(NT\$bn)	ROC GAAP (Consolidated)					
	Jan-Sep 2008	Jan-Sep 2009	Growth Rate	Q3 2008	Q3 2009	Growth Rate
<b>Revenue</b>	<b>151.86</b>	<b>147.24</b>	<b>(3.0%)</b>	<b>50.94</b>	<b>50.06</b>	<b>(1.7%)</b>
<b>EBITDA</b>	<b>75.54</b>	<b>70.57</b>	<b>(6.6%)</b>	<b>24.03</b>	<b>23.16</b>	<b>(3.6%)</b>
<b>Operating Profit</b>	<b>46.89</b>	<b>43.23</b>	<b>(7.8%)</b>	<b>14.61</b>	<b>14.19</b>	<b>(2.9%)</b>
<b>Net Income</b>	<b>36.52</b>	<b>33.18</b>	<b>(9.2%)</b>	<b>13.29</b>	<b>10.92</b>	<b>(17.9%)</b>
<b>EBITDA margin (%)</b>	<b>49.74</b>	<b>47.93</b>		<b>47.17</b>	<b>46.27</b>	
<b>Net Income Margin (%)</b>	<b>24.05</b>	<b>22.53</b>		<b>26.09</b>	<b>21.81</b>	

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: Business Segment Revenues

(NT\$bn)	ROC GAAP					
	Jan-Sep 2008	Jan-Sep 2009	Growth Rate	Q3 2008	Q3 2009	Growth Rate
<b>Domestic Fixed</b>	<b>54.50</b>	<b>52.95</b>	<b>(2.8%)</b>	<b>18.18</b>	<b>17.71</b>	<b>(2.6%)</b>
Local	26.05	24.62	(5.5%)	8.71	8.27	(5.0%)
DLD	6.43	5.84	(9.3%)	2.15	1.99	(7.4%)
Broadband	14.95	14.88	(0.5%)	4.96	4.97	0.1%
<b>Mobile</b>	<b>67.24</b>	<b>64.61</b>	<b>(3.9%)</b>	<b>22.64</b>	<b>22.08</b>	<b>(2.5%)</b>
Mobile Services	54.63	53.58	(1.9%)	18.31	18.30	(0.1%)
Sales of Mobile handsets and data cards	12.54	10.9	(13.1%)	4.29	3.69	(13.9%)
<b>Internet</b>	<b>17.14</b>	<b>17.21</b>	<b>0.4%</b>	<b>5.82</b>	<b>5.81</b>	<b>(0.1%)</b>
HiNet Services	13.17	12.95	(1.7%)	4.46	4.31	(3.3%)
<b>International Fixed</b>	<b>11.98</b>	<b>11.53</b>	<b>(3.8%)</b>	<b>3.93</b>	<b>4.09</b>	<b>4.0%</b>
ILD	10.56	9.76	(7.6%)	3.46	3.42	(1.4%)
<b>Others</b>	<b>1.01</b>	<b>0.94</b>	<b>(7.1%)</b>	<b>0.37</b>	<b>0.36</b>	<b>(1.1%)</b>
<b>Total</b>	<b>151.86</b>	<b>147.24</b>	<b>(3.0%)</b>	<b>50.94</b>	<b>50.06</b>	<b>(1.7%)</b>

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

# Financials: Costs & Expenses

(NT\$bn)	ROC GAAP (Consolidated)					
	Jan-Sep 2008	Jan-Sep 2009	Growth Rate	Q3 2008	Q3 2009	Growth Rate
<b>Operating Costs</b>	<b>84.30</b>	<b>82.94</b>	<b>(1.6%)</b>	<b>29.08</b>	<b>28.67</b>	<b>(1.4%)</b>
<b>Operating Expenses</b>	<b>20.67</b>	<b>21.06</b>	<b>1.9%</b>	<b>7.25</b>	<b>7.20</b>	<b>(0.7%)</b>
<b>Marketing</b>	<b>15.75</b>	<b>15.94</b>	<b>1.2%</b>	<b>5.56</b>	<b>5.53</b>	<b>(0.5%)</b>
<b>General and Administrative</b>	<b>2.69</b>	<b>2.80</b>	<b>4.2%</b>	<b>1.02</b>	<b>0.87</b>	<b>(15.3%)</b>
<b>R&amp;D Expense</b>	<b>2.23</b>	<b>2.32</b>	<b>3.8%</b>	<b>0.67</b>	<b>0.80</b>	<b>19.5%</b>
<b>Total</b>	<b>104.97</b>	<b>104.00</b>	<b>(0.9%)</b>	<b>36.33</b>	<b>35.87</b>	<b>(1.3%)</b>

Note :

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

# Financials: Cash Flow Highlights

(NT\$bn)	ROC GAAP (Consolidated)					
	Jan-Sep 2008	Jan-Sep 2009	Growth Rate	Q3 2008	Q3 2009	Growth Rate
Net Cash Flow from Operating Activities	55.91	49.47	(11.5%)	12.58	15.22	20.9%
CAPEX	18.33	16.56	(9.7%)	7.02	6.26	(10.8%)
Free Cash Flow	37.58	32.91	(12.4%)	5.56	8.96	61.2%
Cash and Cash Equivalent at the end of period	103.13	55.76	(45.9%)	103.13	55.76	(45.9%)

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



## Q4 2009 Forecast

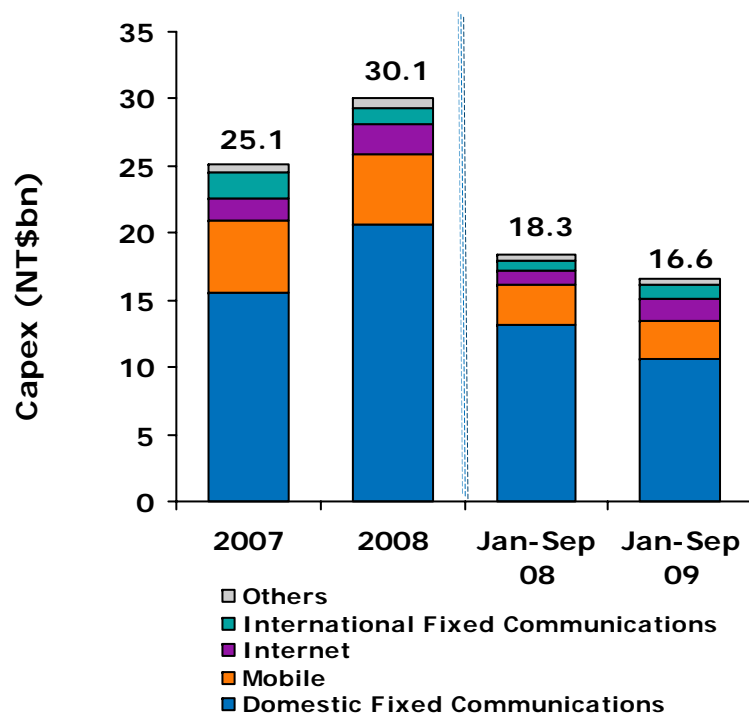
(NT\$bn)	ROC GAAP (Parent Company Only)					
	2008	2009E	Growth Rate	Q4 2008	Q4 2009E	Growth Rate
<b>Revenue</b>	<b>186.78</b>	<b>182.73</b>	<b>(2.2%)</b>	<b>46.72</b>	<b>46.13</b>	<b>(1.3%)</b>
<b>EBITDA</b>	<b>95.13</b>	<b>90.09</b>	<b>(5.3%)</b>	<b>20.89</b>	<b>20.84</b>	<b>(0.3%)</b>
<b>Operating Profit</b>	<b>57.16</b>	<b>54.04</b>	<b>(5.5%)</b>	<b>11.42</b>	<b>11.89</b>	<b>4.1%</b>
<b>Net Income</b>	<b>45.01</b>	<b>42.49</b>	<b>(5.6%)</b>	<b>8.49</b>	<b>9.31</b>	<b>9.6%</b>
<b>EBITDA margin (%)</b>	<b>50.93</b>	<b>49.30</b>		<b>44.71</b>	<b>45.16</b>	
<b>Net Income Margin (%)</b>	<b>24.09</b>	<b>23.25</b>		<b>18.17</b>	<b>20.17</b>	

Note: 1. These projections are based on a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies.

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

# Effective and Efficient Capital Expenditures

## Capital Expenditure (NT\$bn)



- 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

Note:  
Figures on the right chart are on consolidated basis.

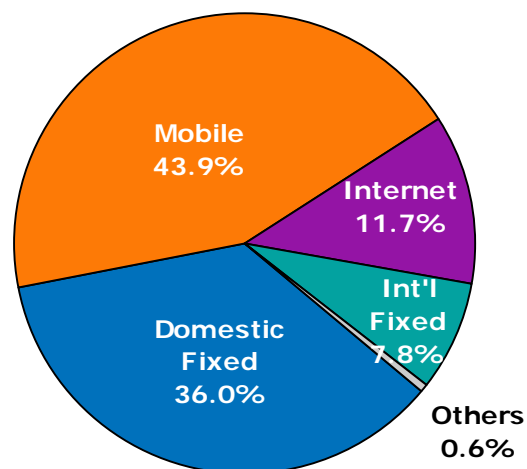
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# Business Overview

# Chunghwa Telecom Overview

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

### Revenue Breakdown



**Jan-Sep '09 Total Revenue: NT\$147.2bn**

Source: Company data, MOTC, and NCC statistics

a) Includes 2G, 3G and PHS

b) CHT access circuits were not included

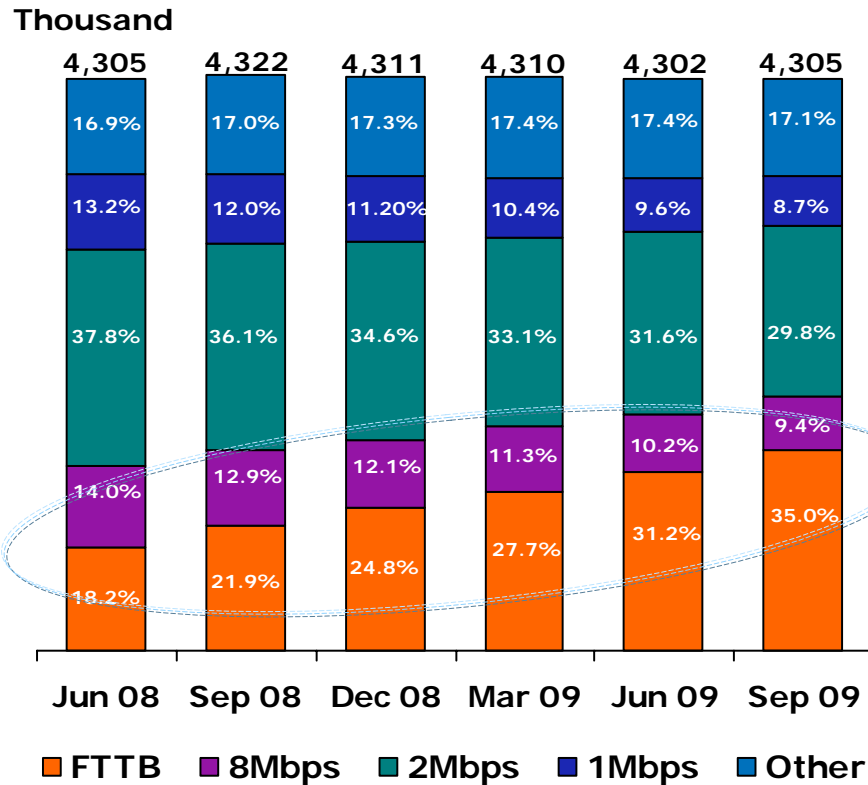
(Note) Market share numbers are as of Aug 2009

### Integrated Services Provider with Dominant Market Positions

- Mobile
  - #1 Mobile subscribers
    - 34.5% market share<sup>(a)</sup> (9.18mm subs)
  - #1 Mobile revenue
    - 33.0% market share<sup>(a)</sup>
- Internet and Data
  - #1 ISP subscribers
    - 70.2% market share (4.1 mm subs)
  - #1 Broadband access
    - 82.7% market share<sup>(b)</sup> (4.3 mm subs)
- Fixed-line
  - #1 Local subscribers
    - 97.3% share (12.5 mm subs)
    - 87.3% share by minutes
  - #1 DLD minutes
    - 83.6% share by minutes
  - #1 ILD minutes
    - 60.2% share by minutes

# Taiwan's Leading Broadband & Internet Service Provider

## Broadband Subscribers



Note:

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

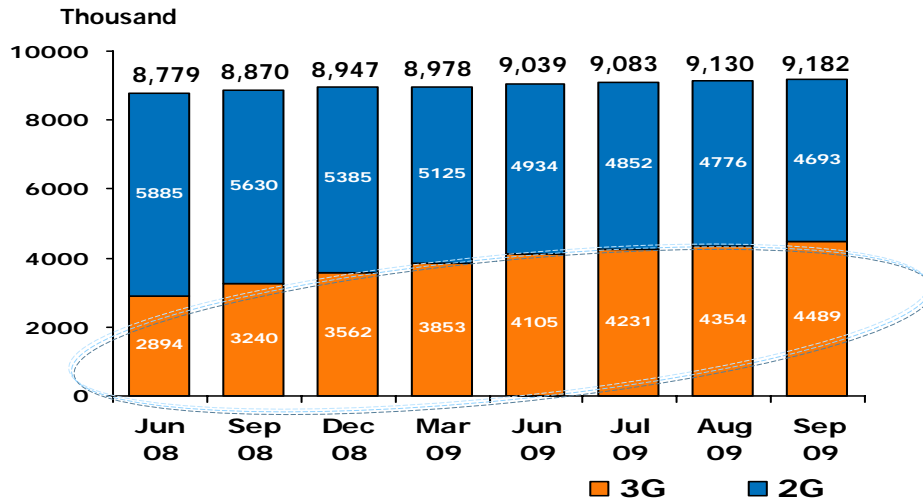
## Strategies

- Provide even higher speed FTTx service
- 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
- Co-promote broadband and wireless internet
- Continue promoting Internet VAS
  - Fast growing VAS
    - Internet pornography gatekeeper: 115% YoY
    - HiNet Music: 37% YoY
    - HiNet Games: 24% YoY

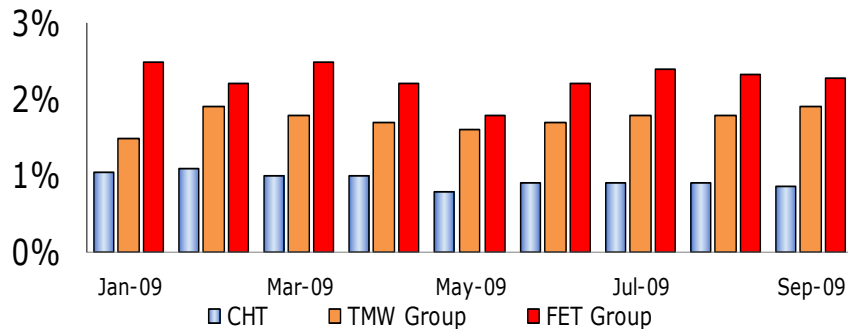
\* Note: HiNet Games started from Feb. 08

# Number One Mobile Provider

## Mobile Subscribers



## Mobile Churn Rates



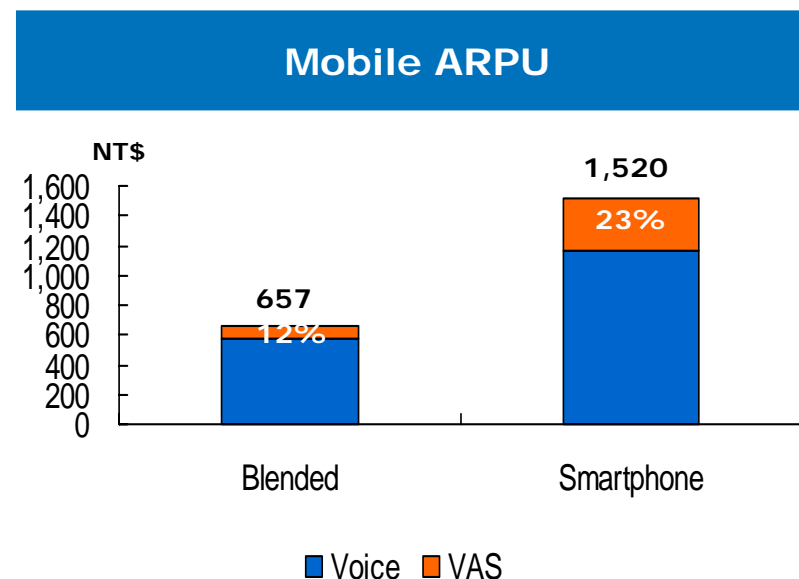
Source: Company websites

## 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
- Sustain lowest churn rate in mobile market

# Smartphone 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.
  - mPro subs expected to grow more than 6 times yoy by 2009
- Facilitate customers' usage frequency via VAS
  - VAS % of smart phone is much higher than the average
  - ARPU of Smartphone contract user doubled than the average
  - eBook launched by Oct via Smartphone

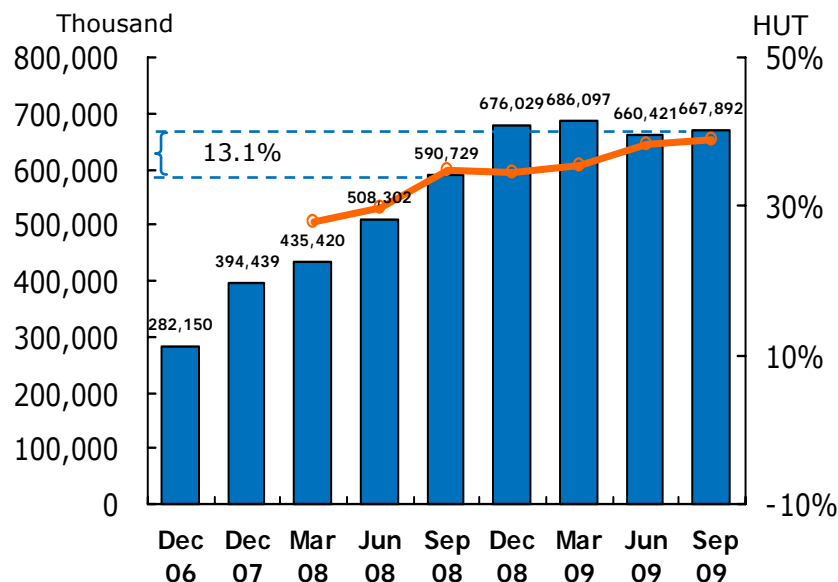


Note:

1. Smartphone: iPhone, Android and Windows Mobile phones
2. ARPU data period: Jan-Sep of 2009

# Meeting Customer Demand for Convergence

## MOD/IPTV Subscribers



- As of Sep 2009, subscribers reached 667k, a 13.1% increase since Sep 2008
- Average daily HUT(Household Using Television) for Q3'09(39.10%) is higher than Q2'09 (38.44%)
- Subs growth of Golden TV package:236,374 (Sep '09) vs. 85,514 (Sep '08)
- SVOD subs increased 22,283 in Q2'09 to 52,717

## Content and Service Updates

- Channels
  - 78 SD channels and 3 HD channels on line.
  - 10~15 new channels are under negotiation.
- VOD
  - Over 9,000 hrs SD / HD VOD on line and update 700 hrs on weekly basis
  - Signed a VOD deal with Hong Kong-based company TVB to provide 1,200 hrs of drama a year
- Interaction
  - Special Zone for Interactive Ads launched
  - Interactive game for the Deaflympics 2009 Taipei
- Cross Platform Activities
  - Conduct cross-platform service operation, marketing and advertising
  - Live broadcasted on MOD / HiNet / emome platform
    - PBL
    - The World Games 2009 Kaohsiung
    - The Deaflympics 2009 Taipei



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# Outlook

## Mid-term Corporate Strategy

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- 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 income
- Consistently and systematically implement Corporate Social Responsibility to uphold the corporate social citizen standard

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## Q&A