



中華電信
Chungwa Telecom



1H 2011 Operating Results

August 26, 2011

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.

NOTE CONCERNING FORWARD-LOOKING STATEMENTS

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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.

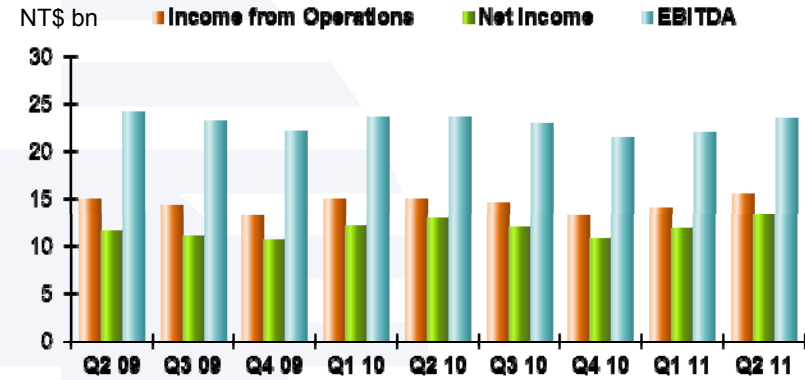
EBITDA is not a measure of financial performance under U.S. GAAP or ROC GAAP. EBITDA should not be considered as an alternate measure of net income or operating income, as determined on a consolidated basis using amounts derived from statements of operations prepared in accordance with U.S. GAAP or ROC 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

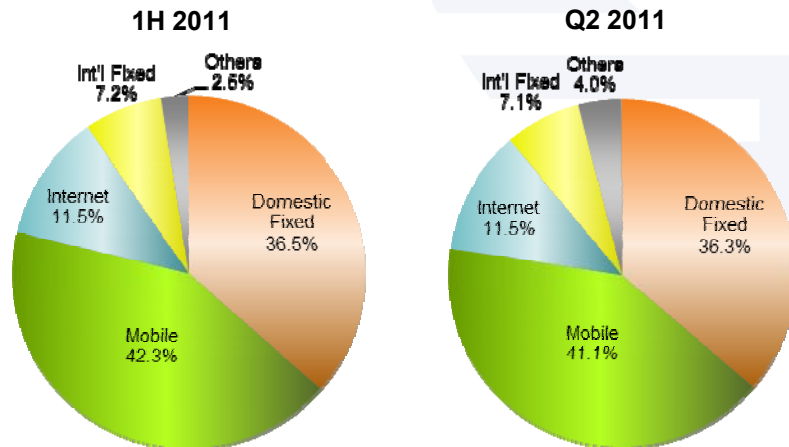
Consolidated Revenue



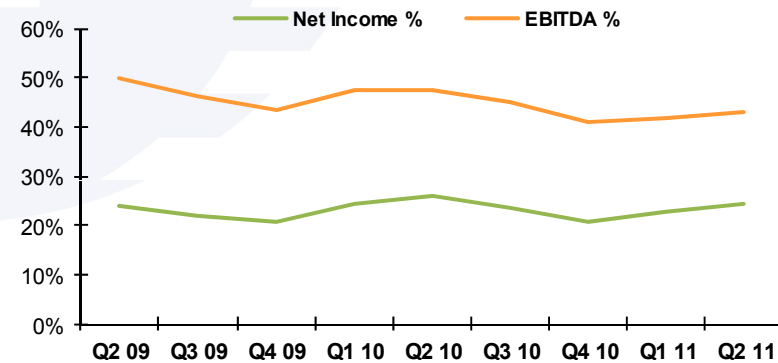
Income and EBITDA



Revenue Breakdown (Consolidated)

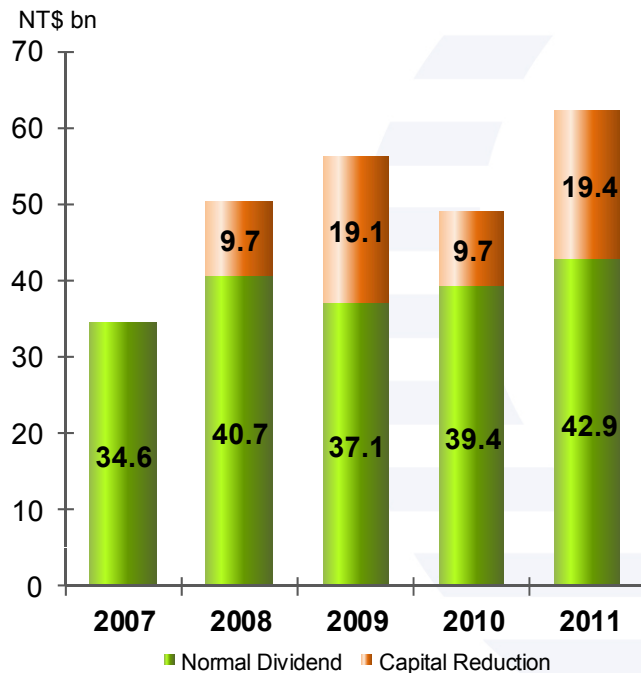


Net Income and EBITDA Margin



Consistent Return to Shareholders

Cash Return



- NT\$5.5243 per share cash dividend for year 2010 has been distributed on August 17, 2011
- Cumulative cash returns of NT\$57.9bn to shareholders in the previous four rounds of capital reduction

Note:

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



Recent Developments



Digital Rainforest

-An Enabler of Prospering Digital Economy Ecosystem

Broadband Connectivity

- Migrate from K- era → M- era → G- era
- Enhance 3G HSPA+ network and offload data traffic via WiFi
- Evolve to LTE

Innovative Services

- Promote digital services powered by ICT Platform, e.g., IaaS, PaaS, Cloud Marketplace
- Host “Telecom Innovation & Application Contest” to encourage innovation

Win-Win Business

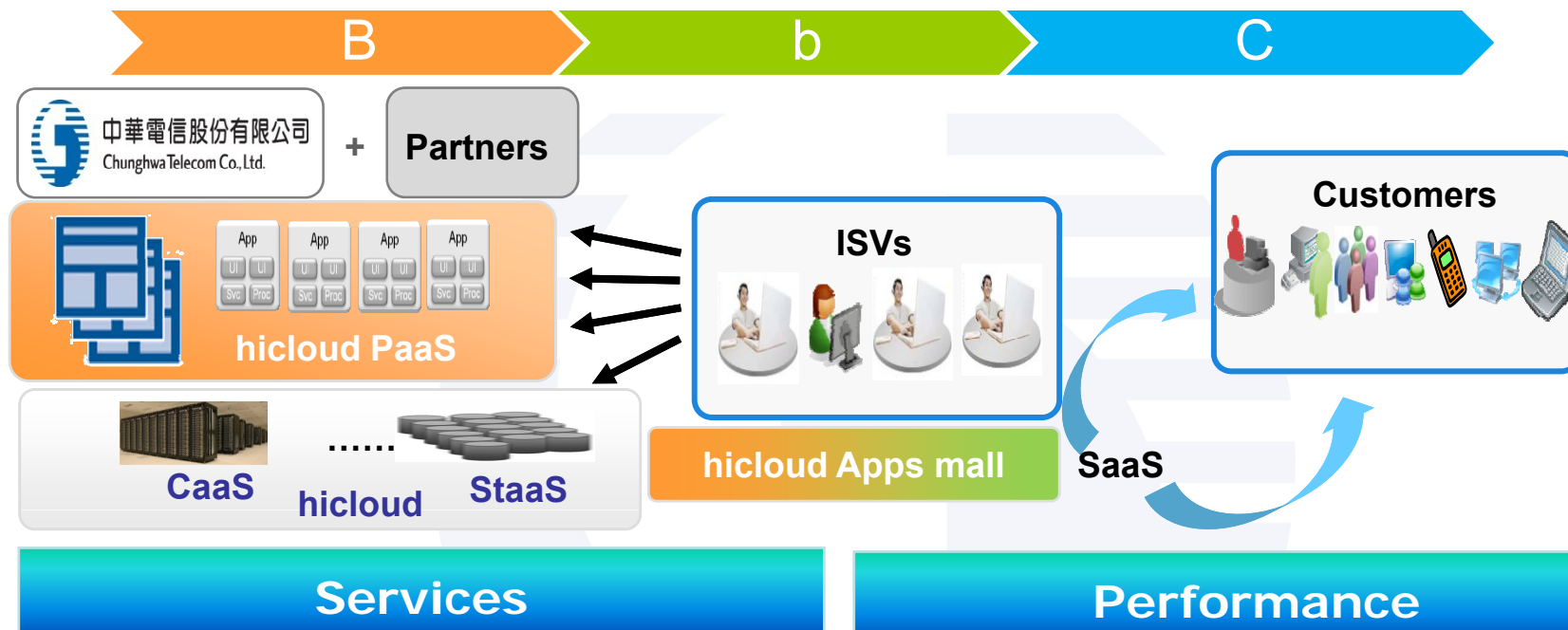
- Collaborate with partners to develop digital services, e.g., MOD, Hami Book/Apps, Travel Cloud, etc.
- Broaden business scope with strategic partners

Sustainability

- “Green by ICT, Green with ICT, Green of ICT”
- Toward Green Purchasing
- Promote Smart Green services, e.g., iEN

Cloud Computing

-Innovative Service under Digital Rainforest

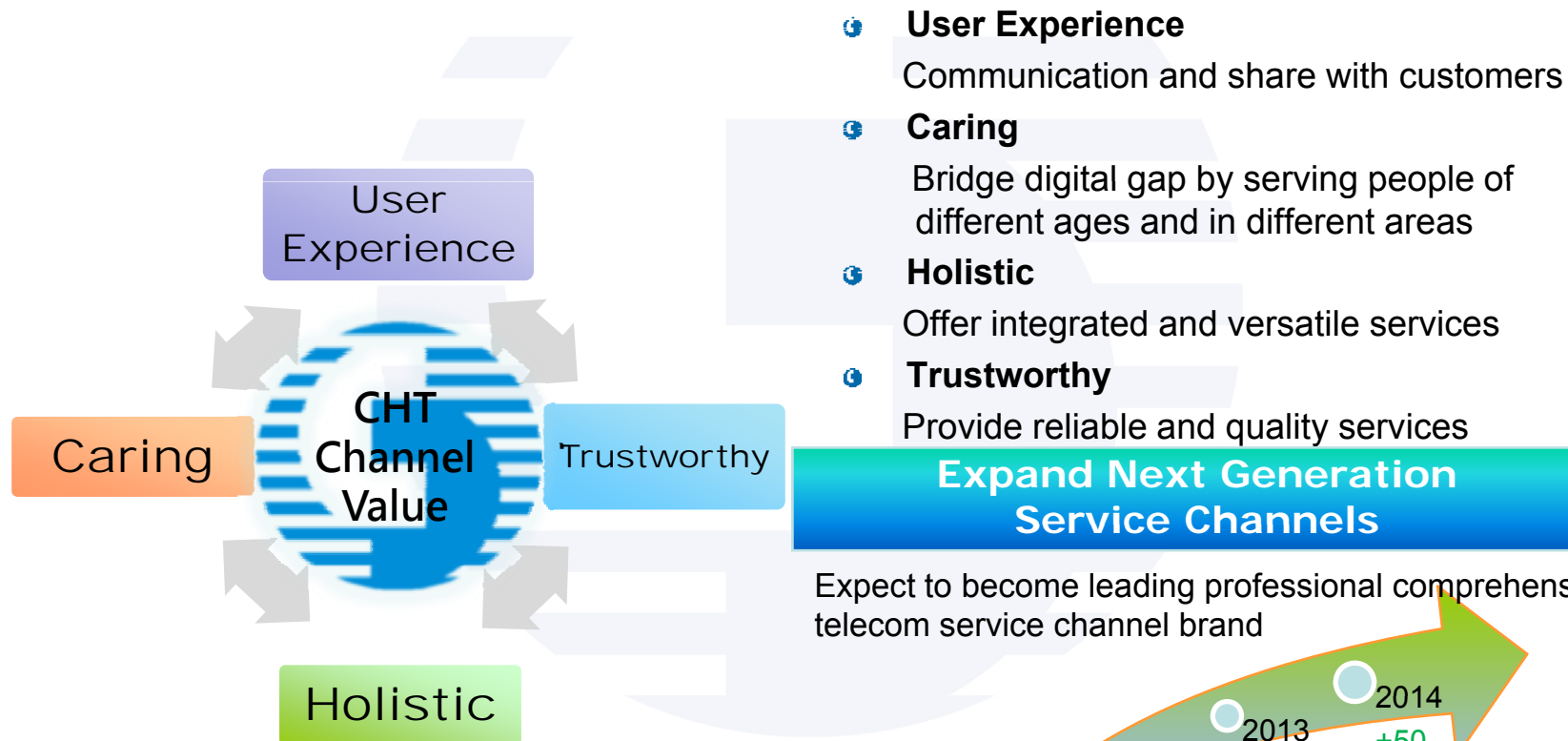


- Service launched
 - SaaS CRM in Jan 2010
 - hicloud CaaS/StaaS in Apr 2010
 - Cloud Antivirus/Anti-hacker services in Nov 2010
- Service to be launched
 - Cloudbox services in Nov 2011
 - hicloud PaaS in Dec 2011
 - Over 100 SaaS in hicloud Apps mall by end-2011

- Collaborating with government network communication entity and independent software vendors to promote innovative cloud services and applications in 2011
- The number of cloud customers is expected to exceed 1,000 SMEs by end-2011

Comprehensive Service Channels

Renovate Customer-oriented Intelligent Service Channels



Expand Next Generation Service Channels

Expect to become leading professional comprehensive telecom service channel brand





Financials Overview



Financials: Income Statement Highlights

(NT\$bn)	ROC GAAP (Consolidated)					
	1H 2010	1H 2011	Growth Rate	Q2 2010	Q2 2011	Growth Rate
Net Revenues	99.28	106.90	7.7%	49.66	54.42	9.6%
Operating Costs and Expenses	69.49	77.54	11.6%	34.75	39.01	12.3%
Income from Operations	29.79	29.36	(1.4%)	14.91	15.41	3.4%
Net Income	24.99	25.13	0.6%	12.93	13.30	2.8%
Net Income Margin (%)	25.17	23.51		26.04	24.43	
EBITDA	47.07	45.42	(3.5%)	23.51	23.42	(0.4%)
EBITDA margin (%)	47.41	42.49		47.33	43.02	

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

Financials: Business Segment Revenues

(NT\$bn)	ROC GAAP (Consolidated)					
	1H 2010	1H 2011	Growth Rate	Q2 2010	Q2 2011	Growth Rate
Domestic Fixed	34.53	38.98	12.9%	17.33	19.78	14.1%
Local	15.96	20.59	29.0%	8.06	10.77	33.6%
DLD	3.40	2.94	-13.6%	1.70	1.46	-13.9%
Broadband Access	10.06	10.36	3.0%	4.98	5.14	3.0%
Mobile	44.33	45.20	1.9%	22.11	22.35	1.1%
Mobile Voice	31.01	27.78	-10.4%	15.62	13.63	-12.8%
Mobile VAS	5.20	7.29	40.4%	2.65	3.77	42.0%
Handset Sales	8.04	10.07	25.2%	3.77	4.93	30.9%
Internet	11.91	12.33	3.5%	6.04	6.25	3.4%
Internet Services	8.99	9.20	2.4%	4.53	4.61	1.9%
Internet VAS	1.07	1.24	15.4%	0.59	0.67	13.9%
International Fixed	7.69	7.65	-0.4%	3.71	3.86	3.9%
ILD	6.25	6.35	1.6%	3.17	3.22	1.7%
Leased line	0.56	0.46	-17.6%	0.12	0.22	80.6%
Others	0.82	2.74	235.6%	0.47	2.18	369.3%
Total	99.28	106.90	7.7%	49.66	54.42	9.6%

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

Financials: Costs & Expenses

(NT\$bn)	ROC GAAP (Consolidated)					
	1H 2010	1H 2011	Growth Rate	Q2 2010	Q2 2011	Growth Rate
Operating Costs	55.14	62.60	13.5%	27.35	31.35	14.7%
Operating Expenses	14.35	14.94	4.1%	7.40	7.66	3.5%
Marketing	10.75	11.02	2.5%	5.54	5.56	0.3%
General and Administrative	2.04	2.22	9.2%	1.06	1.23	16.3%
R&D Expense	1.56	1.70	8.6%	0.80	0.87	7.8%
Total	69.49	77.54	11.6%	34.75	39.01	12.3%

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

Cash Flow

(NT\$bn)	ROC GAAP (Consolidated)					
	1H 2010	1H 2011	Growth Rate	Q2 2010	Q2 2011	Growth Rate
Net Cash Flow from Operating Activities	32.94	26.00	(21.1%)	17.25	16.28	(5.6%)
CAPEX	9.32	9.92	6.4%	5.15	5.54	7.6%
Free Cash Flow	23.62	16.08	(31.9%)	12.10	10.74	(11.2%)
Cash and Cash Equivalent at the end of period	92.78	81.46	(12.2%)	92.78	81.46	(12.2%)

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)					
	1H 2011	2011 (E)	Achieving Rate	Q2 2011	Q2 2011 (E)	Achieving Rate
Net Revenues	95.53	190.02	50.3%	47.94	47.52	100.9%
Operating Costs and Expenses	67.99	138.61	49.1%	33.97	34.42	98.7%
Income from Operations	27.54	51.41	53.6%	13.97	13.10	106.7%
Net Income	25.13	45.73	55.0%	13.30	12.09	110.0%
Net Income Margin (%)	26.31	24.07		27.73	25.44	
EBITDA	43.41	83.80	51.8%	21.89	21.29	102.8%
EBITDA margin (%)	45.44	44.10		45.66	44.80	

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

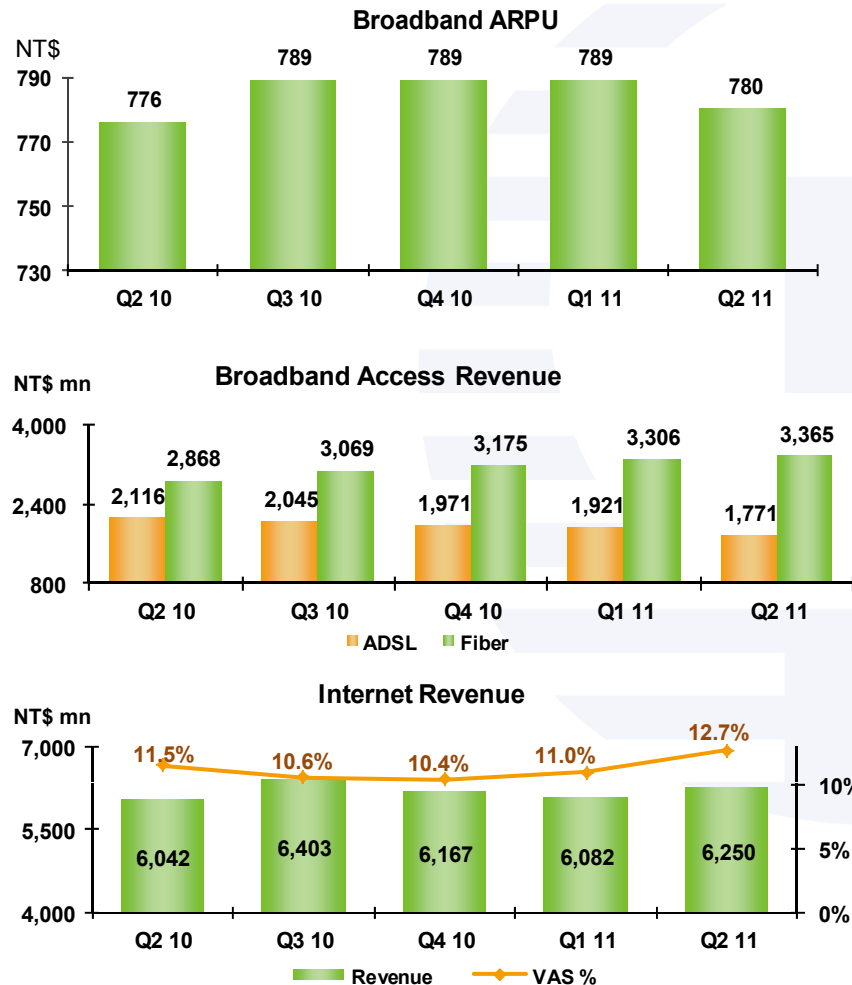


Business Overview



Broadband Services - Growth Drivers in Fixed-line

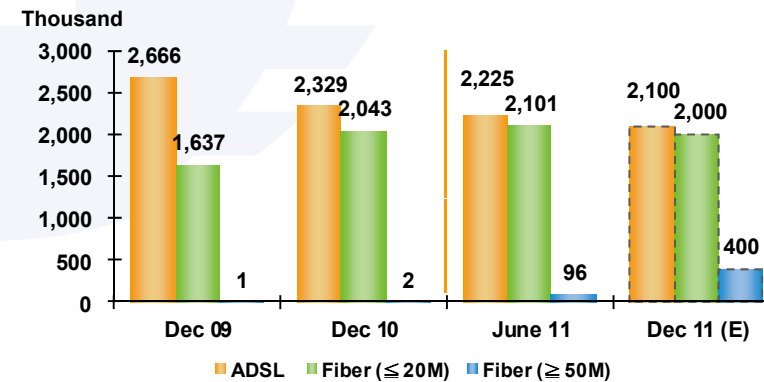
Performance



Strategies

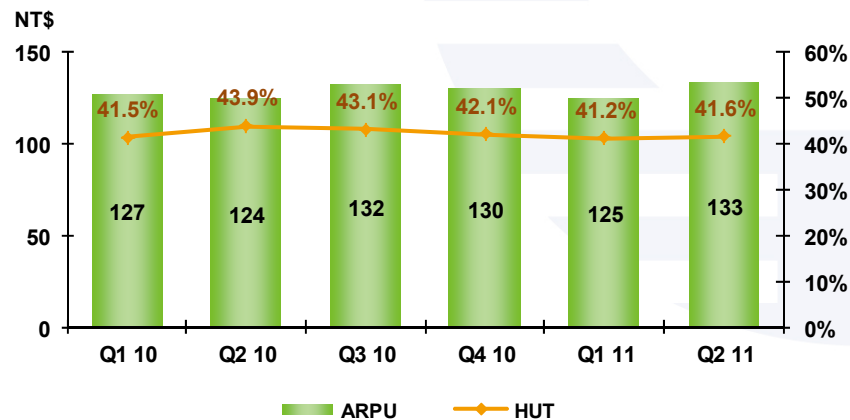
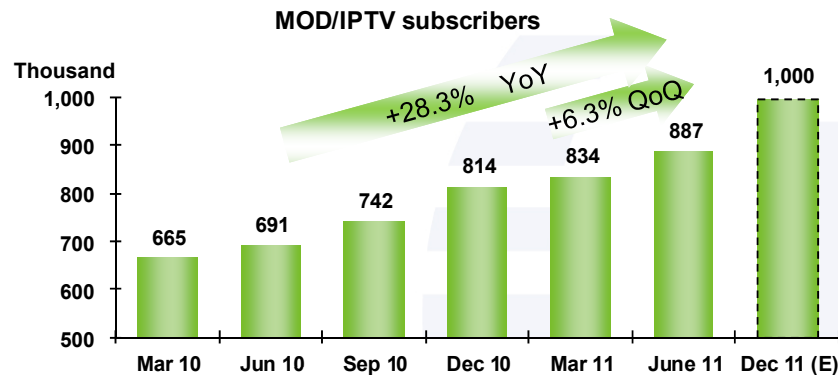
- Continue fiber network construction to increase household coverage
- Promote fiber high-speed broadband services and focus on 50Mbps service in 2011
- Further launch innovative value-added services such as cloudbox

Broadband Subscribers



Growing Momentum in MOD/ IPTV

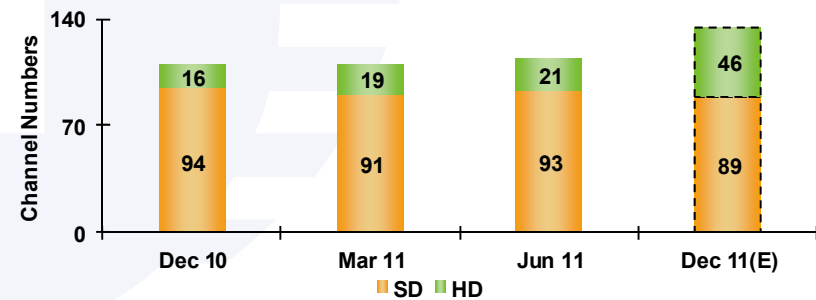
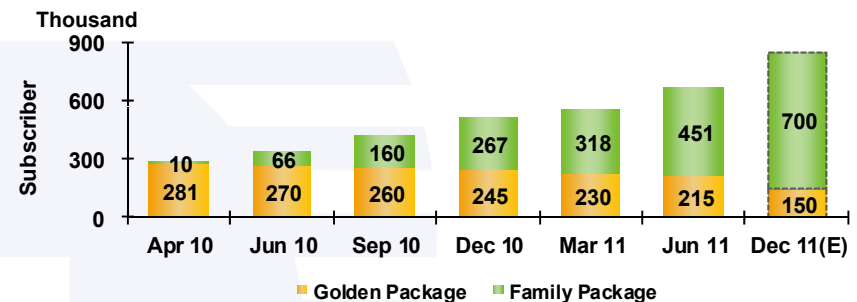
MOD/IPTV Subscribers



Note : HUT: Homes Using TV rate

Performance

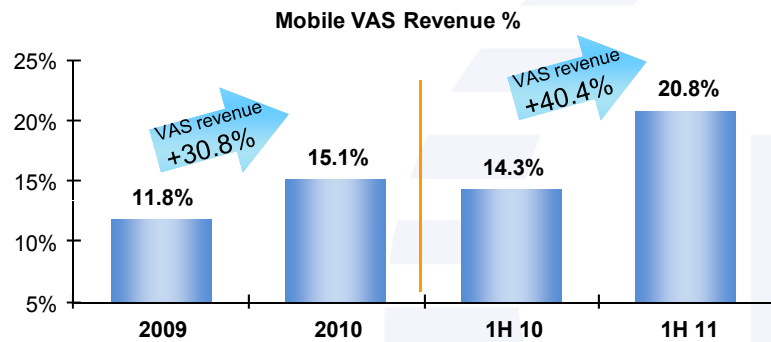
- Launched Family Packages on Apr. 16, 2010
- Continue enriching contents of Family Packages



- Providing the highest number of HD channels in local market (Ex: ESPN, National Geographic, FOX, Star movies, ELTA, eye TV, Universal Channel...)
- Acquire Olympic 2012 new media broadcasting right

Number One Mobile Service Provider

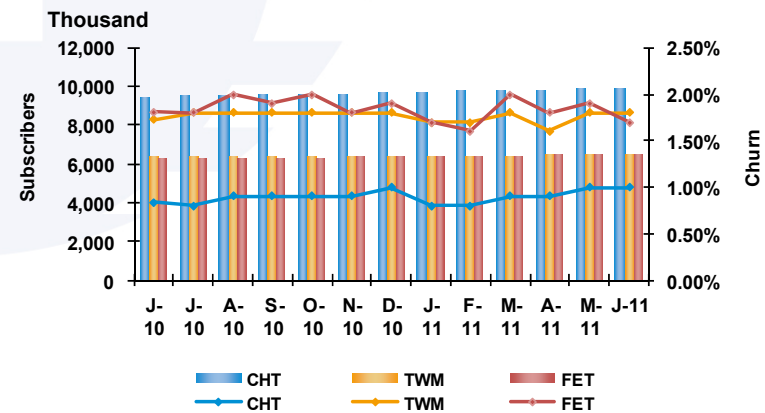
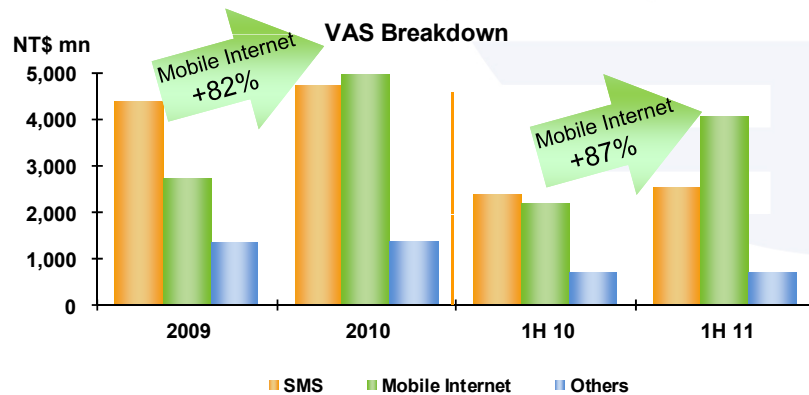
VAS Performance



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 3.75G+Wi-Fi networks
- Provide alternative network by accumulating Wi-Fi APs totaled 17,000 by July 2011, expect to accumulate 20,000 by 2011

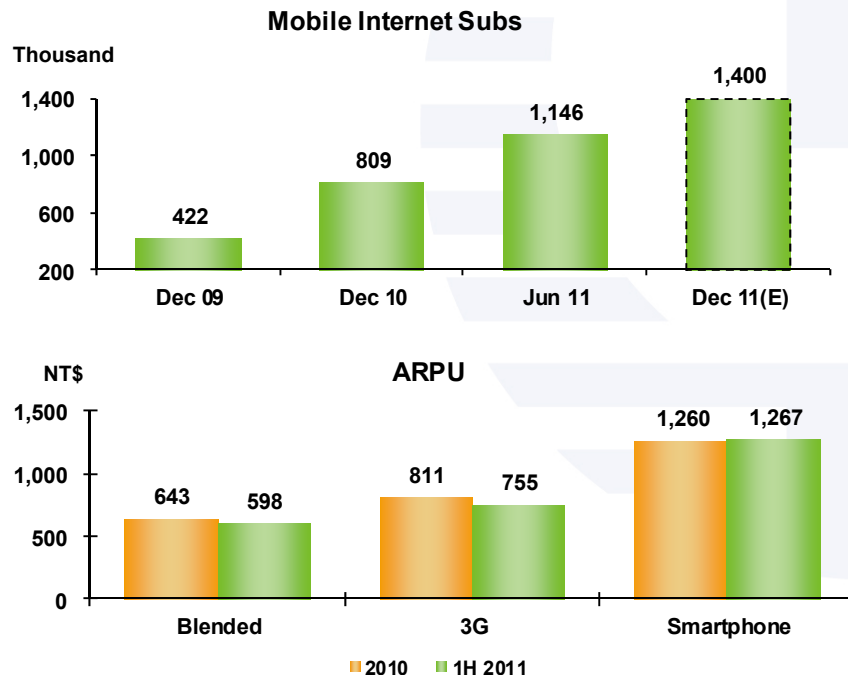
Highest Subs & Lowest Churn



Smartphone – Value Driver for Mobile

Performance

- Smartphone customers account for 40% of the total handsets CHT offered in 1H 2011
 - The percentage for year 2010 was 25%
 - The percentage is expected to reach 35% to 45% by 2011

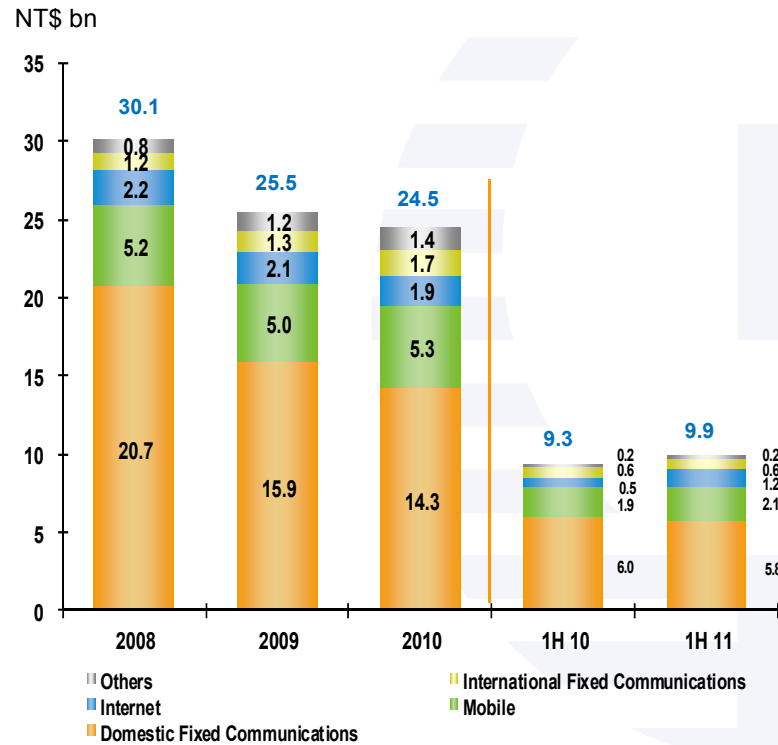


Successful Smartphone Strategies

- Promote smartphones with variety of applications to increase premium customer penetration
- Introduce flagship smartphone models with professional service team to promote local contents- Hami app
 - New smartphone models available in 2Q 2011: HTC Sensation, Samsung Galaxy SII, LG P990, SonyEricsson Arc, etc.
- Provide quality mobile network by continue increase public Wi-Fi hot spots and offload 3G mobile internet loading

Effective and Efficient Capital

Capital Expenditure



CapEx as % of Revenue	2008	2009	2010	1H 10	1H 11
	14.9%	12.8%	12.2%	9.4%	9.3%

- Moderately speed up mid-term capital expenditure
 - Focus on Fixed and Mobile broadband
- Continue to focus on core businesses for future investments
 - 3G / HSPA / HSPA+ / LTE
 - FTTx
 - Wi-Fi / Femtocell
 - Service Platforms
 - Cloud computing

Note: Figures are on consolidated basis.

Q&A



Reference



Regulatory Update

Tariff Regulation

- Wireline and wireless tariff reduction starting from April 1, 2010 over 3 years (Pls refer to reference page 24)

F2M calls Pricing Right

- Pricing rights was reverted back to fixed operator in the beginning of 2011 (Pls refer to reference page 25~26)

Digital Convergence Regulation

- Executive Yuan had passed Digital Convergence Policy Initiative in July 2010
 - Telecom Act and Broadcasting-related Regulations will be amended and reviewed by Legislative Yuan in June 2012
 - Digital Convergence Framework is expected to be approved in June 2014

2G license Extension

- Local GSM 900/1800 license will expire in 2012 and 2013
- License renewal guideline was released by MOTC on Nov 25 2010
 - 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

- In Jan 2011, Legislative Yuan resolved that NCC and CHT to propose a single tariff for island-wide phone service in six months

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	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.
		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. ΔCPI for year 2009 = -0.87 3. ΔCPI for year 2010 = 0.96 4. ΔCPI for year 2011 to be decided
		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

-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

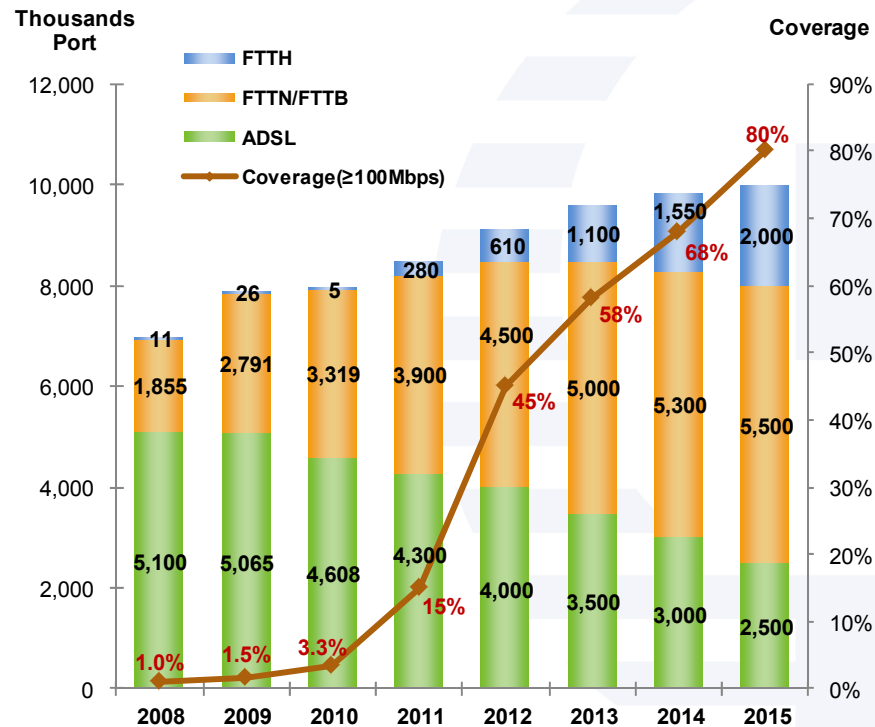
Note:

- (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

Note: The interconnection and transition payment will be declining over years

Continuing Broadband Network Construction

Fiber Deployment Plan



Note:

(1) The Coverage rate(≥100Mbps) is based on the household number (7.99mn) as of Jun. 2011

(2) Wireline : Fixed + Internet

- FTTx access expected to exceed ADSL access by year 2011
- FTTx coverage (≥ 100Mbps) expected to reach 80% by year 2015
- Broadband access + ISP revenue slightly growing in upcoming years
- Wireline^(note) VAS revenues expected to have higher growth