



中華電信
Chungwa Telecom



Q2 2012 Operating Results

August 30, 2012

Disclaimer

STATEMENT REGARDING UNAUDITED FINANCIAL INFORMATION

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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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.

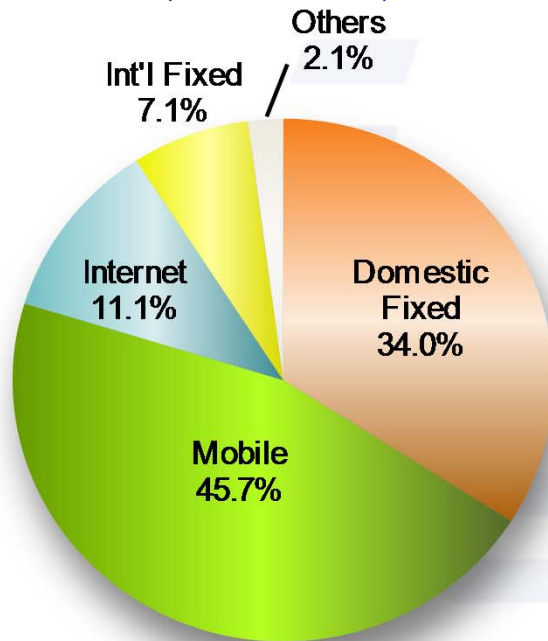
In managing our business we rely on EBITDA as a means of assessing our operating performance. We believe that EBITDA can be useful to facilitate comparisons of operating performance between periods and with other companies because it excludes the effect of (i) depreciation and amortization, which represents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

Chunghwa Telecom Overview

Revenue Breakdown

Q2 2012 Revenue Breakdown
(Consolidated)



Source: Company data, MOTC, and NCC statistics

a) Market share as of June 2012

b) CHT access circuits were not included

c) Excluding PWLAN subscriber numbers

d) Includes 2G, 3G and PHS

Dominant Market Position ^(a)

- Domestic Fixed
 - #1 Local
 - 95.1% share by subs (11.9 mn subs)
 - 87.3% share by minutes
 - #1 DLD
 - 75.4% share by minutes
 - #1 Broadband access
 - 79.7% share by subs ^{(b)(c)} (4.55 mn subs)
- Mobile
 - #1 Mobile subscribers
 - 34.8% market share ^(d) (10.13 mn subs)
 - #1 Mobile revenue
 - 31.8% market share ^(d)
- Internet
 - #1 ISP
 - 69.6% share by subs (4.23 mn subs)
- International Fixed
 - #1 ILD
 - 50.9% share by minutes

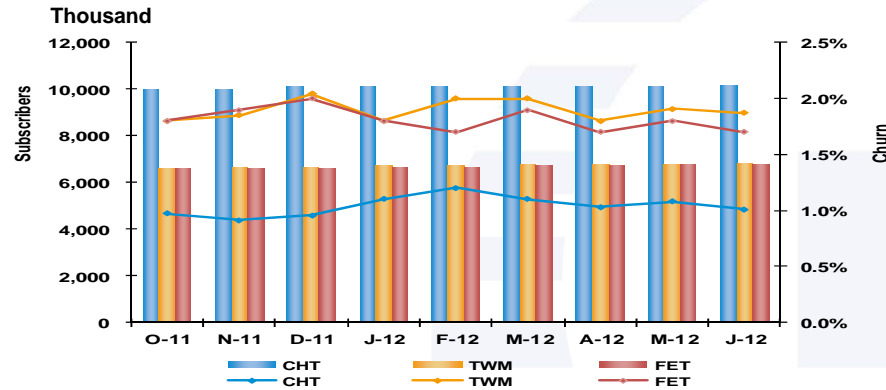


Business Overview



Smartphone – Value Driver for Mobile

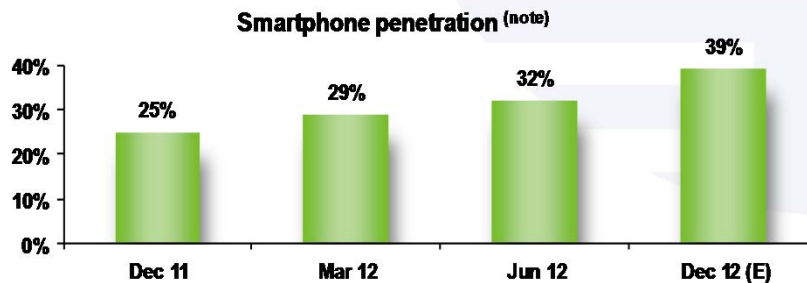
Highest Subs & Lowest Churn



Strategy

- Continuing mobile leadership by maintaining largest customer base and lowest churn rate
- Upgrading retail stores by:
 - Focusing on high traffic locations
 - Extending store hours
 - Improving customer service at all retail stores
- Expanding Wi-Fi access points to over 35,000 and 100 hot zones in metropolitan areas by year-end 2012

Smartphone Adoption

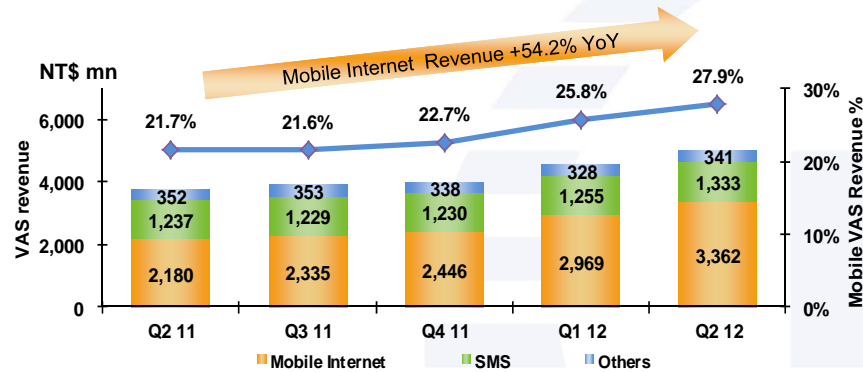


Note: number of smartphone (iOS/ Android/ Symbian S60 above/ WM/ Blackberry/ Bada/ Brew MP) in mobile network/ total postpaid subs

- Q2 2012 smartphone sales breakdown:
 - Top-tier: 45%
 - Mid-tier: 31%
 - Low-tier: 24%
- Smartphone customers account for 67% of the total handsets CHT offered in 1H 2012

Growing Mobile Value-added Services

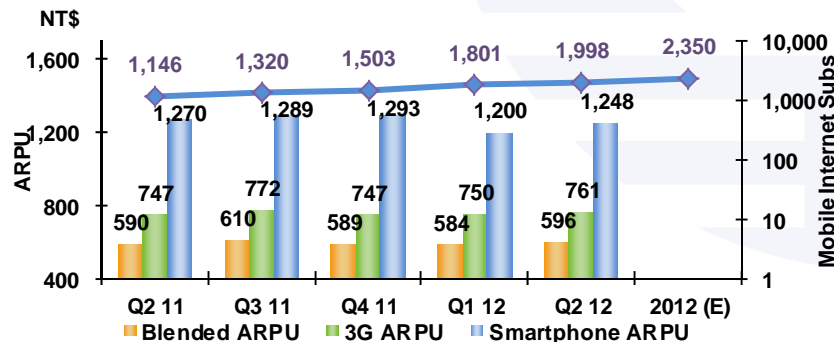
VAS Performance



Strategy

- Increasing mobile VAS revenue by:
 - Offering promotion programs focusing on additional data plan adoption with favorable voice discount
 - Targeting students with mobile data promotional packages
 - Providing customized and integrated Hami VAS services

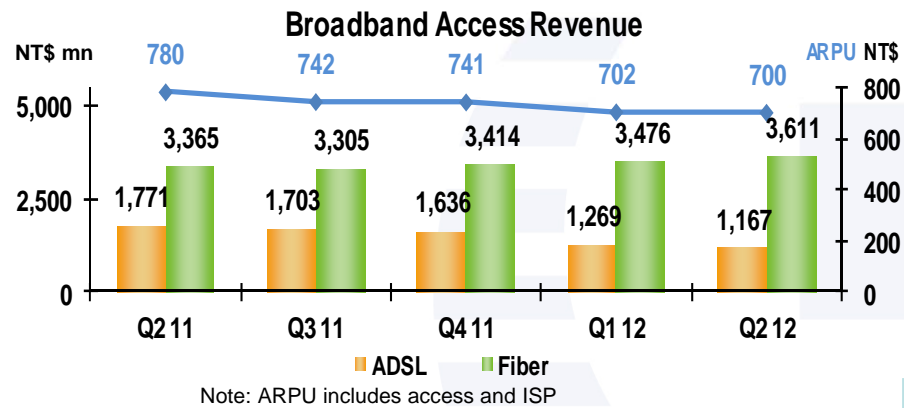
ARPU & Mobile Internet Subs



Note: Mobile subs are excluding mobile internet users without internet packages subscription

Fixed Broadband and Internet Services

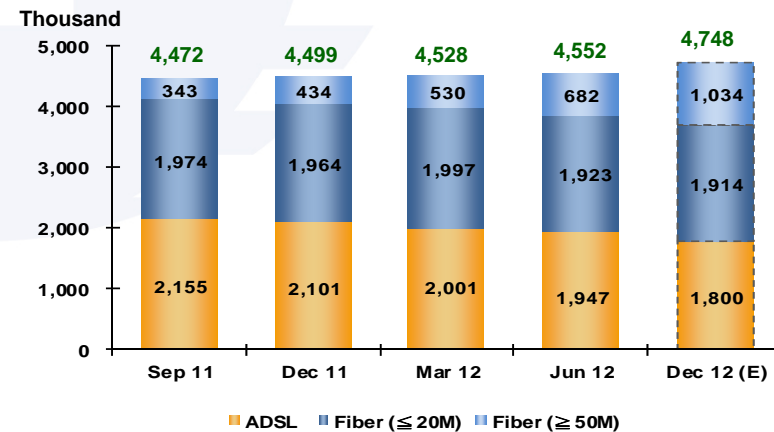
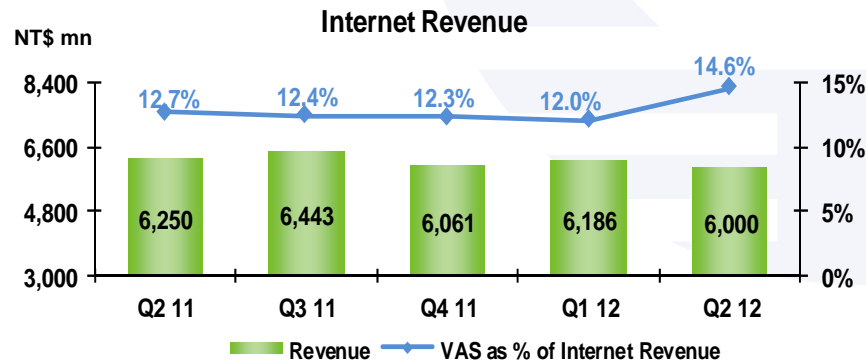
Performance



Strategy

- Continuing migrating customers to higher speed services
- Expanding fiber broadband customer base
- Increasing fiber network coverage, promoting high-speed internet
- Developing cross platform services and increase competitiveness in digital convergence
- Promoting machine-to-machine devices connection to stimulate the broadband demand

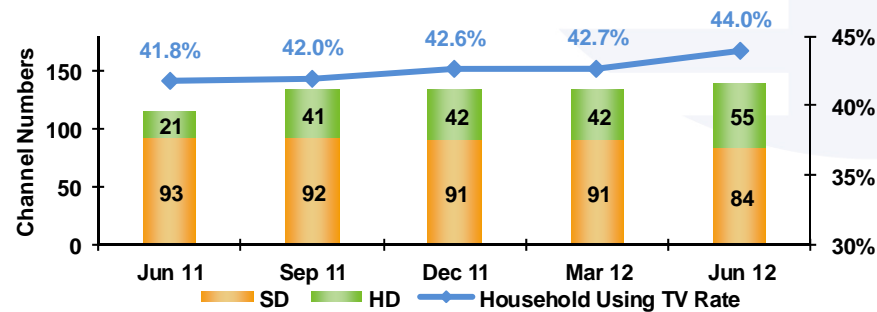
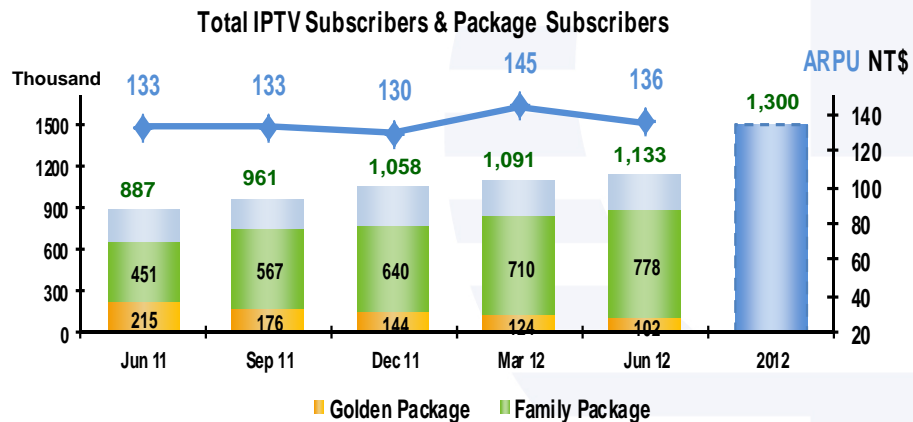
Fixed Broadband Subs



Growing Momentum in MOD/ IPTV

Subscriber & Usage

- Subscriber market share (CATV+IPTV) YoY grows from 13.6% to 18.4% in Q2 2012
- 77.7% of IPTV subscribers sign up additional Packages
 - Package subscription rate YoY increase from 75.1% to 77.7%



Note: Household Using TV Rate = average daily active subs per quarter / total IPTV subscribers

Strategy

- Enriching content offerings for customers
- Introducing new platform to facilitate digital convergence service offerings
- Increasing HD channel selection
- Offering multi-screen cloud services

Performance

- Strong user demand for 2012 London Olympic
 - Subscriber net-adds increased over 50% from 1H2012 average net-adds
 - Offering 14 HD channels with multi-screen capabilities and services
- IPTV revenue grew over 33% YoY in Q2 2012

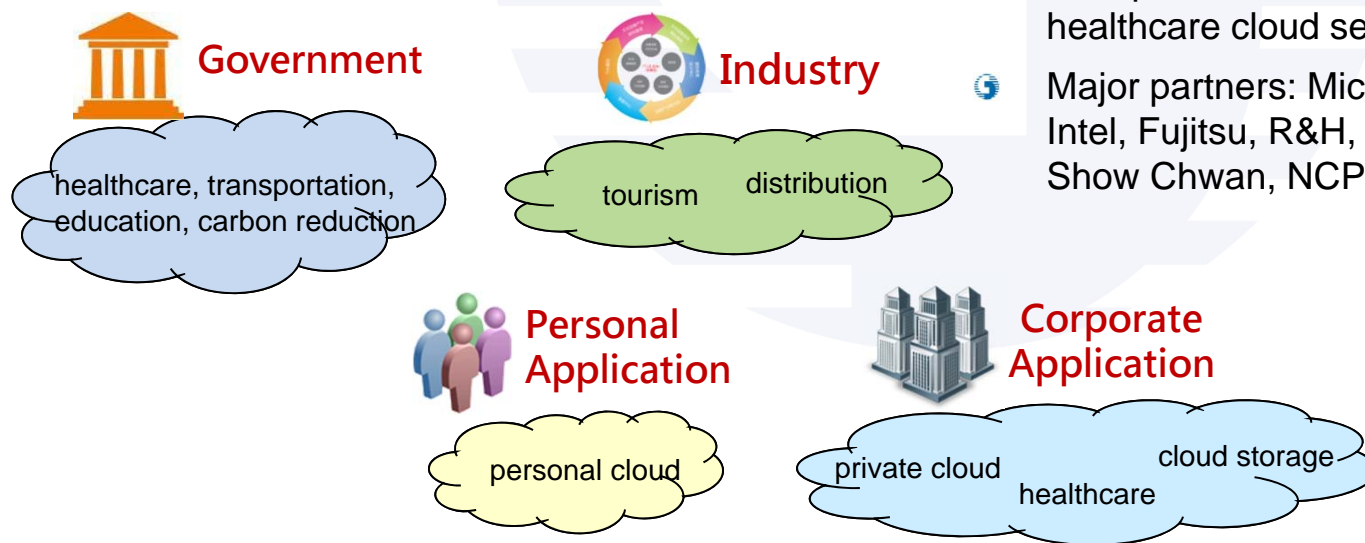
ICT and Cloud Computing Initiatives

ICT Business Strategy

- Expand business scope and focus to include:
 - ITS, iEN, information security, IMO, call center, IDC, Cloud Computing, ICT for developers
 - IOT
- Cross-selling capability with existing customers
- ICT YoY revenue grew 25.1% YoY in 1H 2012

Cloud Computing Strategy

- Strengthen cloud computing infrastructure
- Develop innovative cloud applications for retail customers
- Open up the hicloud app mall to independent software vendors
- Provide hicloud CaaS, SaaS CRM, hicloud marketplace, and Hami cloud
- 2012 focus: offer personal, storage, enterprise, tourism, distribution, and healthcare cloud services
- Major partners: Microsoft, Trend Micro, IBM, Intel, Fujitsu, R&H, Quanta, Inventec, Wistron, Show Chwan, NCP, CISA, ITRI, III





Regulatory Update



Regulatory Update

Telecom Act Amendment

- NCC submitted the proposal for amendment to Telecom Act to Executive Yuan on July 30, 2012
- Major issues regarding competent authority capability to impose to dominant players including:
 - Order to adopt business functional separation when necessary
 - Set service tariff by referencing to the amount of fees charged by global or domestic operators for similar service
 - Order to open up duct information and provide co-share services
 - Order to do accounting separation upon each service provided

2G license Extension & 4G License Award

- GSM 900/1800 license will expire in 2012 and 2013 respectively
- Subject to NCC's approval, the term of original 2G license would be extended to June 2017. Chunghwa has submitted the application for extension of the license and the application currently is under NCC's review
- Executive Yuan instructed NCC to release the 4G (technology- neutral) licenses before end of 2013, and related mechanism is still under discussion

3G Dominant Operator

- Chunghwa Telecom, TWM and FET were announced as 3G mobile dominant operators by NCC on July 17, 2012
- The major tariff set by dominant operators are subject to competent authority's prior approval
- The above three operators dominate both 3G and 2G markets



Financials Overview



Financials: Income Statement Highlights

| (NT\$bn) | ROC GAAP (Consolidated) | | | | | |
|------------------------------|-------------------------|---------|-------------|---------|---------|-------------|
| | 1H 2011 | 1H 2012 | Growth Rate | Q2 2011 | Q2 2012 | Growth Rate |
| Net Revenues | 106.90 | 109.61 | 2.5% | 54.42 | 54.19 | (0.4%) |
| Operating Costs and Expenses | 77.54 | 83.83 | 8.1% | 39.01 | 39.75 | 1.9% |
| Income from Operations | 29.36 | 25.78 | (12.2%) | 15.41 | 14.44 | (6.3%) |
| Net Income | 25.13 | 20.76 | (17.4%) | 13.30 | 11.27 | (15.2%) |
| Net Income Margin (%) | 23.51 | 18.94 | | 24.43 | 20.80 | |
| EBITDA | 45.42 | 41.98 | (7.6%) | 23.42 | 22.58 | (3.6%) |
| EBITDA margin (%) | 42.49 | 38.30 | | 43.02 | 41.67 | |

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

Financials: Business Segment Revenues

| (NT\$bn) | ROC GAAP (Consolidated) | | | | | |
|----------------------------|-------------------------|---------------|----------------|--------------|--------------|----------------|
| | 1H 2011 | 1H 2012 | Growth Rate | Q2 2011 | Q2 2012 | Growth Rate |
| Domestic Fixed | 38.98 | 37.44 | (4.0%) | 19.78 | 18.44 | (6.8%) |
| Local | 20.59 | 20.24 | (1.7%) | 10.77 | 10.23 | (5.0%) |
| DLD | 2.94 | 1.93 | (34.3%) | 1.46 | 0.93 | (36.4%) |
| Broadband Access | 10.36 | 9.52 | (8.1%) | 5.14 | 4.78 | (7.0%) |
| Mobile | 45.20 | 50.32 | 11.3% | 22.35 | 24.74 | 10.7% |
| Mobile Voice | 27.78 | 26.16 | (5.8%) | 13.63 | 13.04 | (4.3%) |
| Mobile VAS | 7.29 | 9.59 | 31.5% | 3.77 | 5.04 | 33.6% |
| Handset Sales | 10.07 | 14.55 | 44.5% | 4.93 | 6.65 | 34.9% |
| Internet | 12.33 | 12.19 | (1.2%) | 6.25 | 6.00 | (4.0%) |
| Internet Services | 9.20 | 8.45 | (8.2%) | 4.61 | 4.22 | (8.5%) |
| Internet VAS | 1.24 | 1.30 | 4.8% | 0.67 | 0.72 | 7.5% |
| International Fixed | 7.65 | 7.51 | (1.8%) | 3.86 | 3.87 | 0.2% |
| ILD | 6.35 | 6.02 | (5.2%) | 3.22 | 3.10 | (3.7%) |
| Leased line | 0.46 | 0.57 | 22.3% | 0.22 | 0.30 | 35.3% |
| Others | 2.74 | 2.15 | (21.5%) | 2.18 | 1.15 | (47.6%) |
| Total | 106.90 | 109.61 | 2.5% | 54.42 | 54.19 | (0.4%) |

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

Financials: Costs & Expenses

| (NT\$bn) | ROC GAAP (Consolidated) | | | | | |
|-----------------------------------|-------------------------|--------------|----------------|--------------|--------------|----------------|
| | 1H 2011 | 1H 2012 | Growth Rate | Q2 2011 | Q2 2012 | Growth Rate |
| Operating Costs | 62.60 | 70.09 | 12.0% | 31.35 | 33.47 | 6.8% |
| Operating Expenses | 14.94 | 13.74 | (8.1%) | 7.66 | 6.28 | (18.1%) |
| Marketing | 11.02 | 9.93 | (10.0%) | 5.56 | 4.33 | (22.2%) |
| General and Administrative | 2.22 | 2.02 | (8.9%) | 1.23 | 1.02 | (17.2%) |
| R&D Expense | 1.70 | 1.79 | 5.2% | 0.87 | 0.93 | 6.5% |
| Total | 77.54 | 83.83 | 8.1% | 39.01 | 39.75 | 1.9% |

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

Cash Flow

| (NT\$bn) | ROC GAAP (Consolidated) | | | | | |
|---|-------------------------|---------|-------------|---------|---------|-------------|
| | 1H 2011 | 1H 2012 | Growth Rate | Q2 2011 | Q2 2012 | Growth Rate |
| Net Cash Flow from Operating Activities | 26.00 | 27.31 | 5.0% | 16.28 | 14.19 | (12.8%) |
| CAPEX | 9.92 | 14.23 | 43.4% | 5.54 | 7.54 | 36.0% |
| Free Cash Flow | 16.08 | 13.08 | (18.6%) | 10.74 | 6.65 | (38.0%) |
| Cash and Cash Equivalent at the end of period | 81.46 | 75.14 | (7.8%) | 81.46 | 75.14 | (7.8%) |

Note:

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

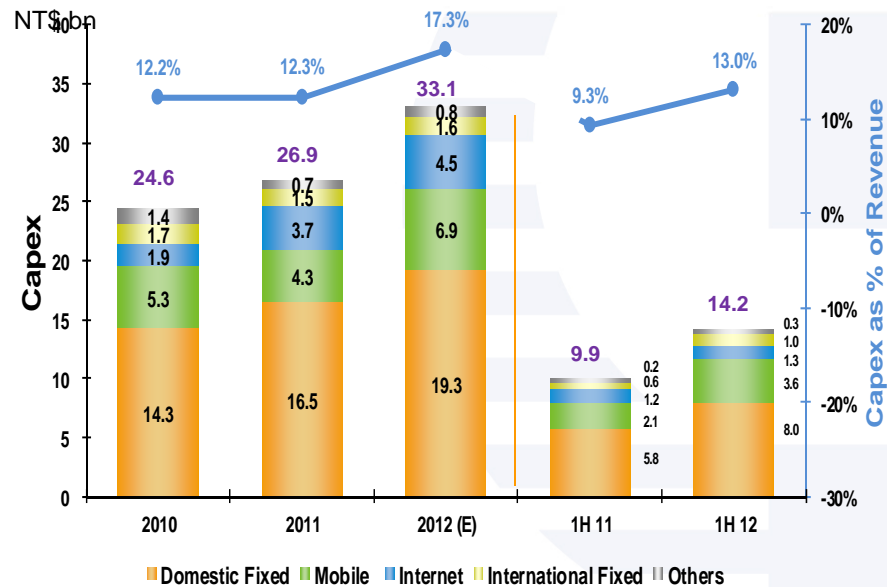
Forecast & Operating Results

| (NT\$bn) | ROC GAAP (Parent Company Only) | | | | | |
|------------------------------|--------------------------------|----------|----------------|---------|-------------|----------------|
| | H1 2012 | 2012 (E) | Achieving Rate | Q2 2012 | Q2 2012 (E) | Achieving Rate |
| Net Revenues | 94.36 | 188.88 | 50.0% | 46.62 | 46.91 | 99.4% |
| Operating Costs and Expenses | 70.19 | 143.75 | 48.8% | 32.92 | 35.75 | 92.1% |
| Income from Operations | 24.17 | 45.13 | 53.6% | 13.70 | 11.16 | 122.8% |
| Net Income | 20.76 | 39.18 | 53.0% | 11.27 | 9.68 | 116.4% |
| EPS | 2.68 | 5.05 | | 1.46 | 1.25 | |
| EBITDA | 40.17 | 77.09 | 52.1% | 21.73 | 19.10 | 113.8% |
| EBITDA margin (%) | 42.57 | 40.81 | | 46.62 | 40.71 | |

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

Effective and Efficient Capital Expenditure

Capital Expenditure



Note: Figures are on consolidated basis, except 2012 expected amount.

- Moderately increase mid-term capital expenditure
 - Focus on Fixed and Mobile broadband
- Budgeted capex for 2012: NT\$33.1 bn
- Continue to focus on core businesses for future investments
 - 2G / 3G / HSPA / HSPA+
 - FTTx
 - Wi-Fi
 - Service Platforms
 - Cloud computing

Q&A



Reference



Regulatory Development

Tariff Regulation

- Wireline and wireless tariff reduction starting from April 1, 2010 over 3 years (Please refer to reference page 22)

Single-tariff for Fixed-line Calls

- In January 2011, Legislative Yuan resolved that NCC and CHT to propose a single tariff for island-wide fixed-line phone service, and the single tariff was effective since Jan. 1, 2012

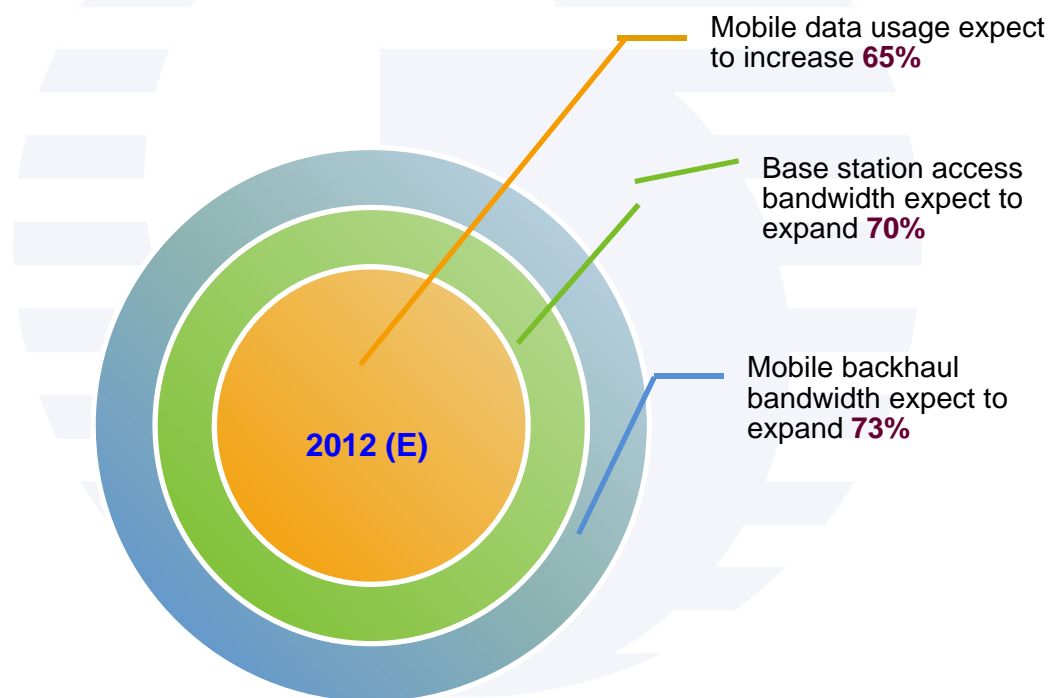
Tariff Regulations

| 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 = 1.42 5. ΔCPI for year 2012 = 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. | | |

High-quality Mobile Network Build-out

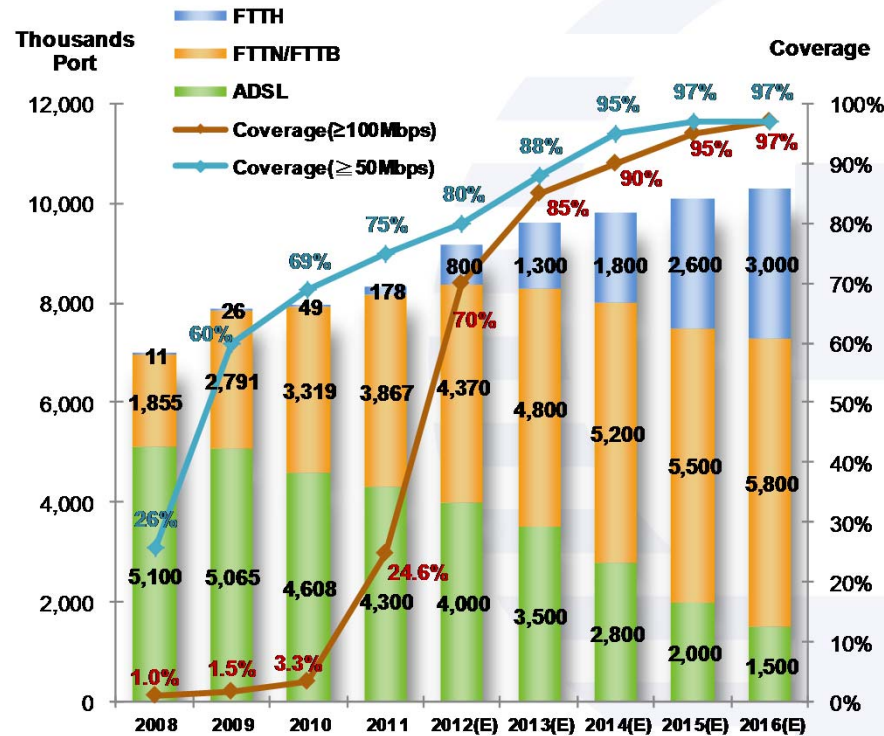
④ Heterogeneous network to enhance efficiency

- 21M HSPA+ base stations to increase to 5,000 by 2012
- WiFi
- Femtocell



Higher quality to meet customers' demand

Continuing Broadband Network Construction



Fiber Deployment Plan

- ④ FTTx coverage (≥100M) reach 97% by 2016
- ④ Increase FTTH construction in order to meet the demand of high speed broadband
- ④ 1Gbps trial services has reached over 1,000 households
 - Chunghwa is one of the leading operators that provides 1Gbps residential broadband service
- ④ Fiber construction plan including capex will be reviewed in accordance with market demand

Note:

- (1) The Coverage rate is based on the household number (8.11mn) as of June 2012
- (2) Wireline : Fixed + Internet