Q4 2013 Operating Results

March 18, 2014

Taiwan, Technology & Beyond Conference

Bank of America Merrill Lynch

TSE: 2412
NYSE: CHT

Disclaimer

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The unaudited financial information under T-IFRSs in this presentation is preliminary and subject to adjustments and modifications. Adjustments and modifications to the financial statements may be identified during the course of the audit /review 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.

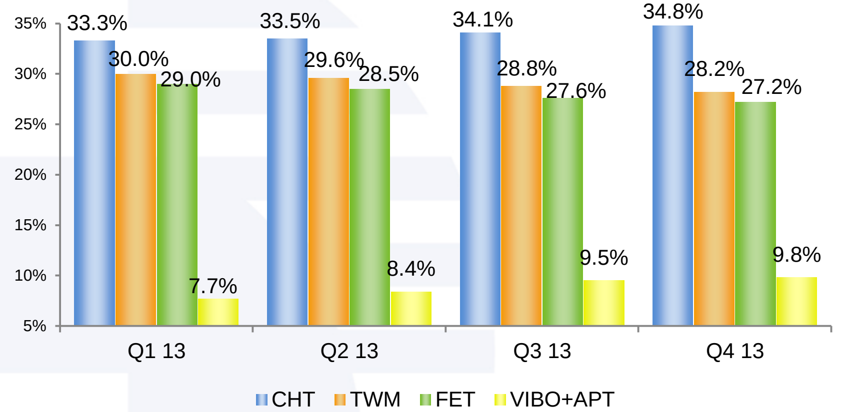
EBITDA is not a measure of financial performance under U.S. GAAP or T-IFRSs. EBITDA should not be considered as an alternate measure of net income or income from operations, as determined on a consolidated basis using amounts derived from statements of operations prepared in accordance with U.S. GAAP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

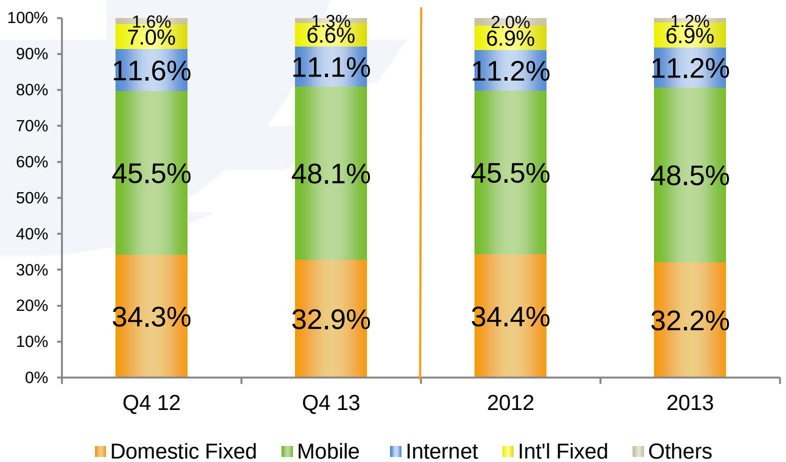
Dominant Market Position [a]

- Domestic Fixed
  - #1 Local
    - 94.6% share by subs (11.55 mn subs)
    - 85.7% share by minutes
  - #1 DLD
    - 77.7% share by minutes
  - #1 Broadband access
    - 77.3% share by subs [b][c] (4.54 mn subs)
- Mobile
  - #1 Mobile subscribers
    - 36.0% market share [d] (10.70 mn subs)
  - #1 Mobile revenue
    - 35.3% market share [d]
- Internet
  - #1 ISP
    - 68.6% share by subs (4.24 mn subs)
- International Fixed
  - #1 ILD
    - 57.0% share by minutes

Highest Mobile Internet Subs Market Share[e]



Revenue Breakdown [f]

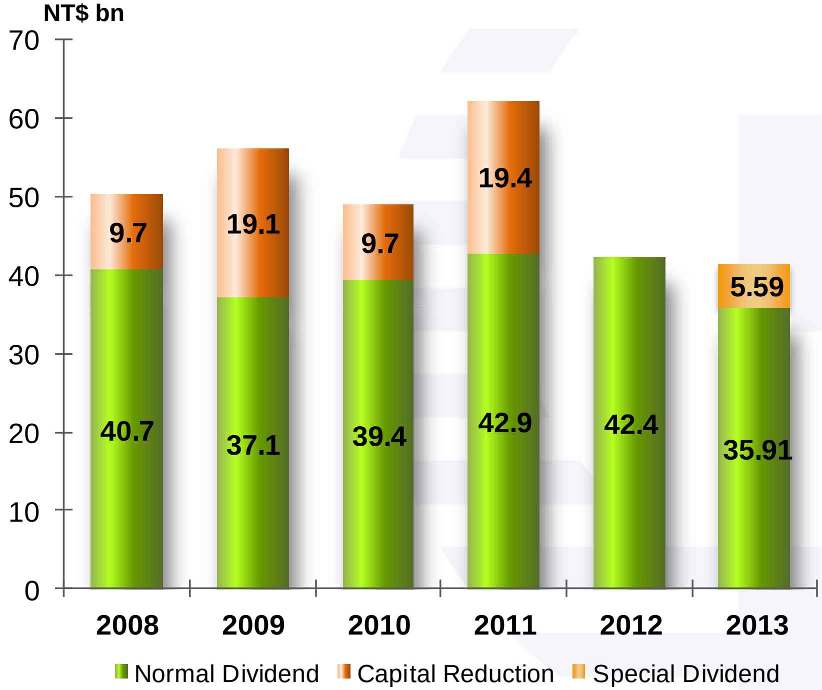


Source: Company data, MOTC, and NCC statistics

a) Market share as of January 2014
b) CHT access circuits were not included
c) Excluding PWLAN subscriber numbers
d) Includes 2G, 3G and PHS
e) Market shares are based on 3G mobile internet plan subscribers
f) Revenues are based on T-IFRSs .

Committed to Improving Shareholder Value

Cash Return



- AGM resolved to distribute special cash dividend of NT$0.7205 per share from capital surplus
- Total payment was NT$5.35 per share or NT$41.5 billion including the earnings distribution of NT$4.6295 per share for fiscal year 2012

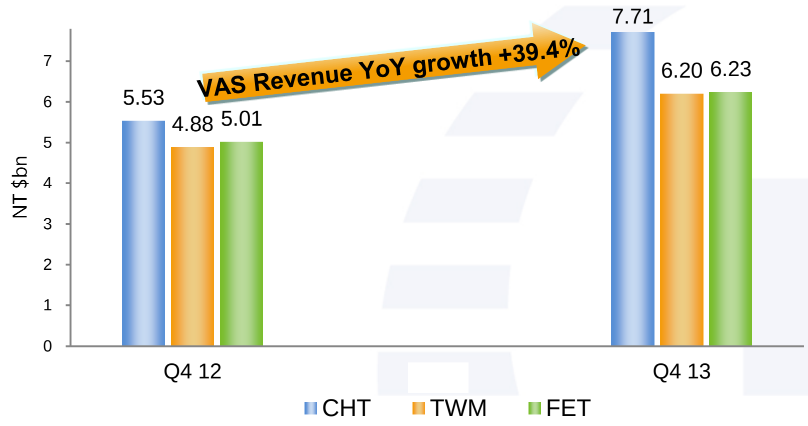
Note:

1. **The special dividend for year 2013 was distributed from capital surplus.**
2. **The cash return was calculated based on cash dividend and cash return from capital reduction, stock dividend was not included.**
3. **1 ADR = 10 common shares**
4. **The cash dividend has been calculated based on total share number 7,757,446,545 since year 2012.**

Business Overview

Number One Mobile Services Provider

Highest Mobile VAS Revenue Growth %

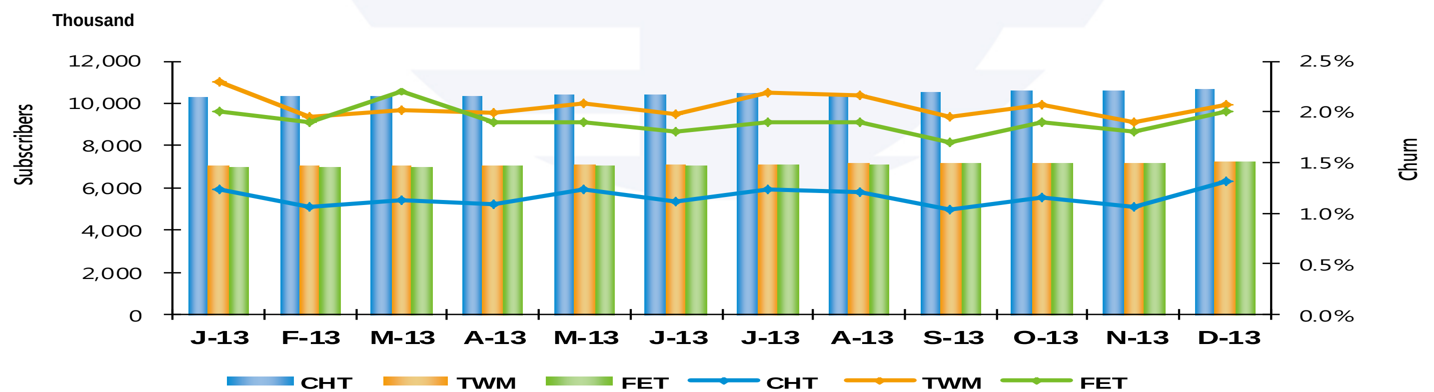


Source: CHT, TWM and FET

Strategy

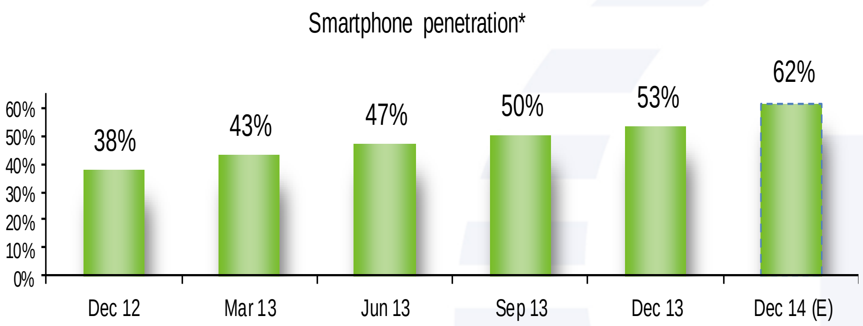
- Solidifying high-tier smartphone subscriber base by offering quality handset models
- Introducing mid-to-low tier smartphones to expand mobile internet subscriber base
- Accelerating the migration of 2G customers to 3G networks
- Deploying 4G network and taking advantage of being the first 4G player

Highest Subs & Lowest Churn



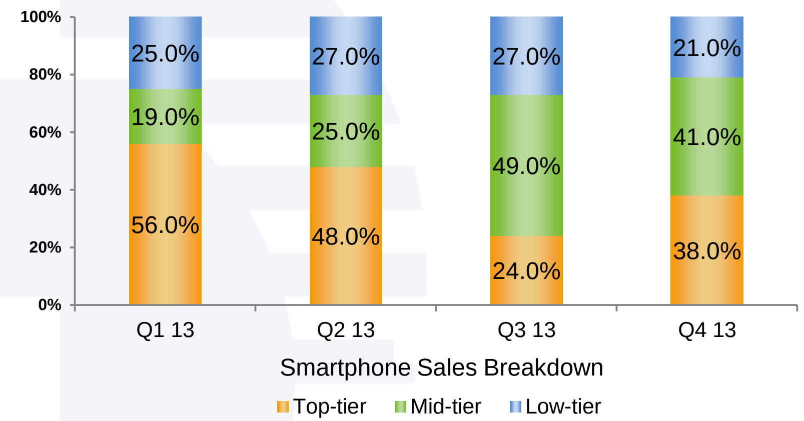
Smartphone – Value Driver for Mobile

Smartphone Adoption

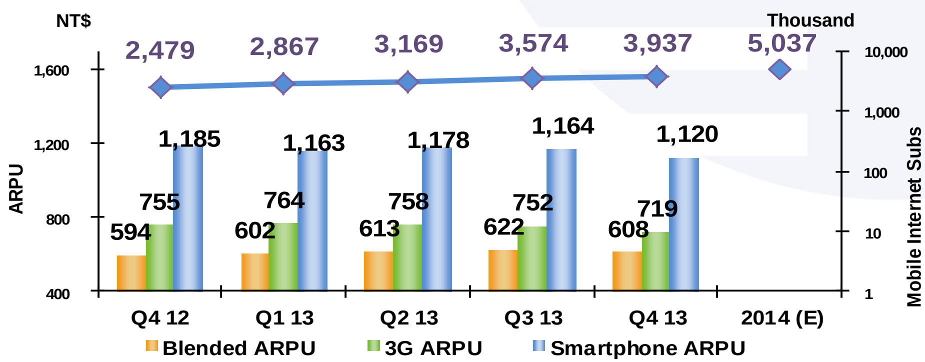


*number of smartphones (iOS/ Android/ Symbian S60 above/ WM/ Blackberry/ Bada/ Brew MP) in mobile network/ total postpaid subs

- Smartphones accounted for 89% of the total handsets CHT offered in Q4 2013

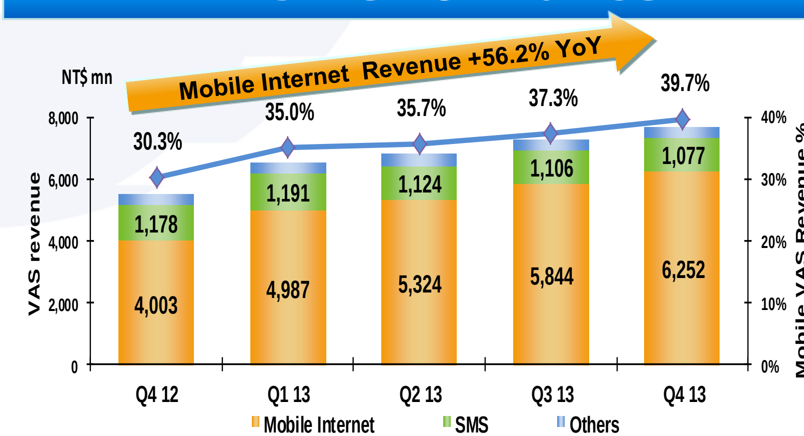


ARPU & Mobile Internet Subs



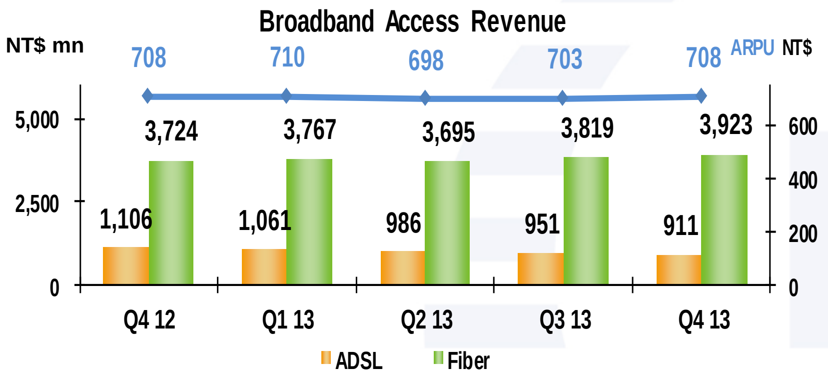
Note: Mobile internet subscriber number excludes subscribers without plan subscription.

VAS Performance

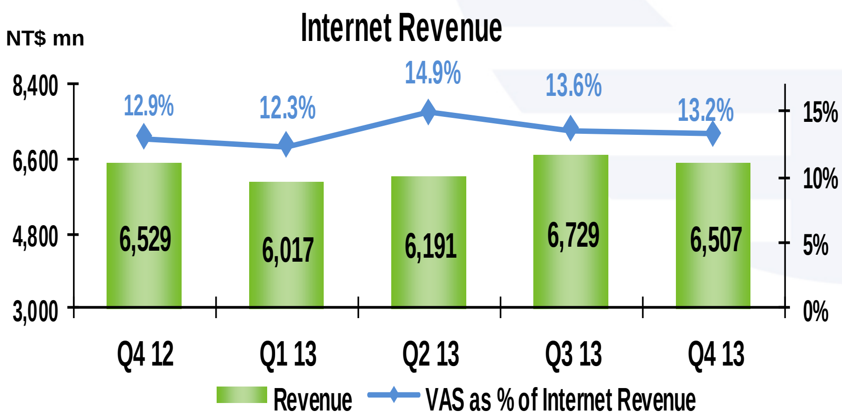


Fixed Broadband and Internet Services

Performance



Note1 : Broadband ARPU is calculated as access plus ISP
Note2 : Revenue is calculated based on T-IFRSs

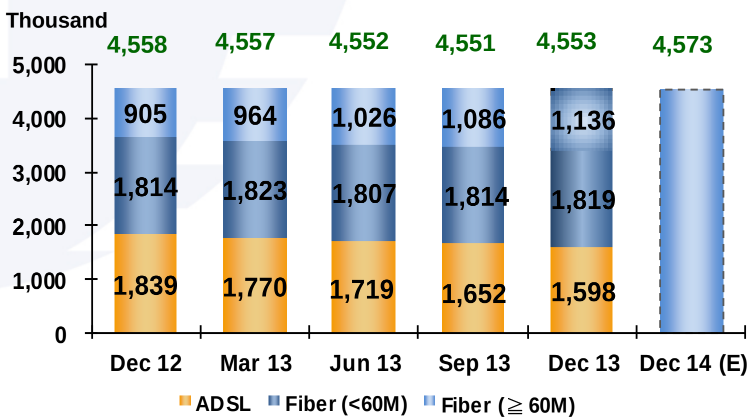


Note : Revenue is calculated based on T-IFRSs

Strategy

- Continuing to migrate customers from low speed to high speed fiber services
- Leveraging network capability to offer higher-speed upload service
- Applying data mining capability for precision marketing and network construction

Fixed Broadband Subs



MOD/ IPTV Service

Performance

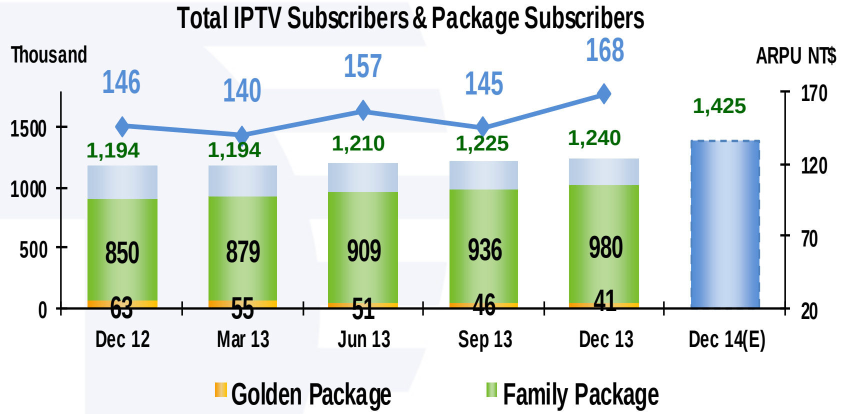
- IPTV revenue increased by 15.0% YoY in 2013
- IPTV advertisement revenue grew by 37.0% YoY in 2013
- Household TV Usage rate increased to 58.1%

Strategy

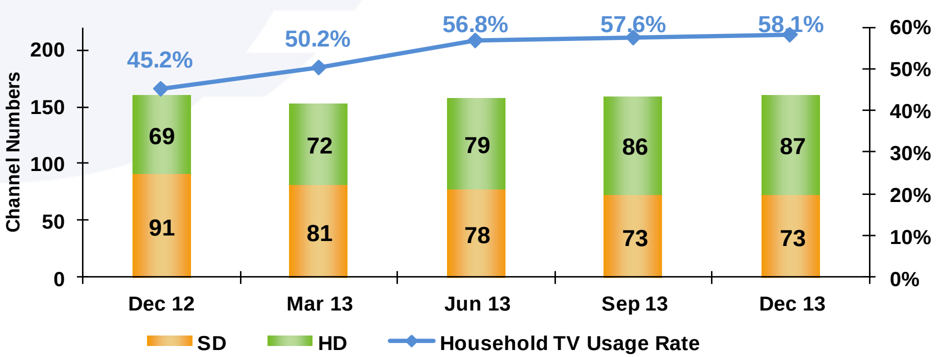
- Differentiating MOD service by offering popular HD channels and VOD services
- Promoting MOD advertisement business
- Continuing to enrich local content
- Enhancing new platform to facilitate digital convergence service offerings

Subscriber & Usage

- Subscriber market share (CATV+IPTV) YoY grew from 19.3% to 19.8 % in Q4 2013
- 82.3% of IPTV subscribers signed up additional Packages



Note: ARPU figures are calculated based on T-IFRSs



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

ICT and Cloud Computing Initiatives

Performance

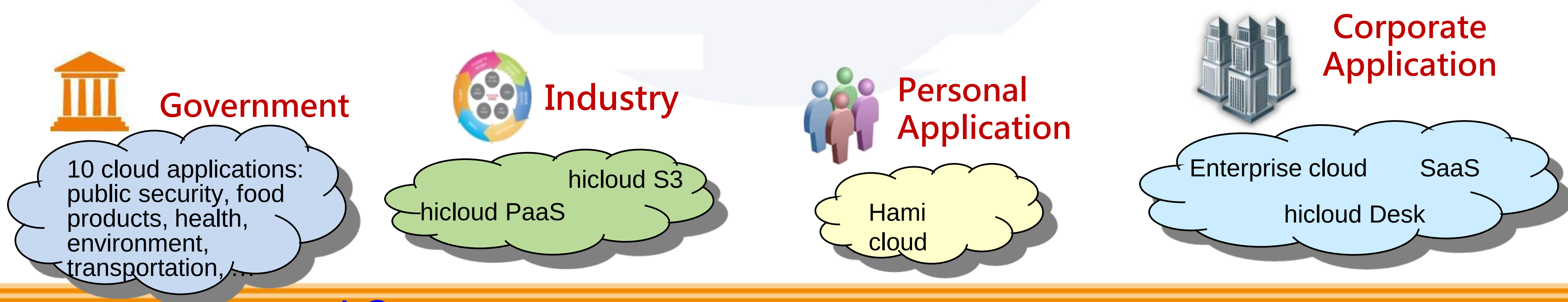
- Cloud service revenue tripled YoY in 2013
- Personal Cloud (Hami+) subscribers accumulated to 1.47 million
- Acquired several significant ICT projects in Q4 2013 with contract amount totaling NT$1.0 bn
  - Monitoring/recording system project for Taipei city police department
  - Core system project for an insurance company
  - Thin client and storage service for a construction company

Expecting to secure a public sector ICT project, a compound architect ICT project, and a large-scale information application system project.

Strategy

- Leveraging core telecom infrastructure and services to expand ICT business
- Leading the cloud computing industry by taking advantage of broadband and IDC service foundation
- Establishing strategic partnership with international companies, eg. Microsoft, Trend Micro, IBM, etc.
- Cooperating with ISV* to run hicloud apps mall

* Independent Software Vendor



Regulatory Update

Regulatory Update

Digital Convergence

- Executive Yuan requested NCC to draft the Digital Convergence Regulation in order to integrate the current Broadcasting and Telecom related regulations.
- Before submitting the draft proposal, NCC collected opinions from stakeholders and academics regarding the issues of providing equal competitive access to local loop, restriction of the media holding by government, military or political party, antitrust enforcement of media, and etc..

4G License Auction

- The bidding process ran from September 3 to October 30, 2013. Six of qualified bidders secured 4G spectrum bands.
- All of the six winners received approval from NCC to apply for 4G network rollout.

Tariff Regulation

- Mandatory tariff reduction starting from April 1, 2013 over 4 years. (Please refer to reference page 22)
- NCC regulate mobile wholesale tariff to reduce retail price indirectly.
  - NCC announced mobile interconnection rate reduction from Jan. 5, 2013
  - The rate is to reduce from NT$2.15/min to NT$1.15/min in 4 years with CAGR -14.5%
  - The company reduced mobile retail price including prepaid and postpaid

Financials Overview

Financials: Income Statement Highlights

(NT$bn)	Consolidated					
	Q4 2012 (T-IFRSs)	Q4 2013 (T-IFRSs)	Growth Rate	2012 (T-IFRSs)	2013 (T-IFRSs)	Growth Rate
Revenues	56.25	58.82	4.6%	221.42	228.00	3.0%
Operating Costs and Expenses	45.09	47.82	6.1%	171.48	180.49	5.3%
Other Income and Expenses	(0.30)	0.10	-	(1.57)	0.08	-
Income from Operations	10.86	11.10	2.2%	48.37	47.59	(1.6%)
Net Income[1]	9.05	9.36	3.4%	40.78	39.84	(2.3%)
Net Income Margin (%)	16.09	15.91	-	18.42	17.47	-
EBITDA	19.19	19.27	0.4%	80.88	79.78	(1.4%)
EBITDA Margin (%)	34.12	32.75	-	36.53	34.99	-

Note:
1. Net income attributable to owners of the parent.
2. The calculation of figures is based on NT$mn.
3. The figures are un-audited.

Financials: Business Segment Revenues

(NT$bn)	Consolidated					
	Q4 2012 (T-IFRSs)	Q4 2013 (T-IFRSs)	Growth Rate	2012 (T-IFRSs)	2013 (T-IFRSs)	Growth Rate
Domestic Fixed	19.29	19.34	0.3%	76.13	73.55	-3.4%
Local	9.83	9.23	-6.1%	40.86	37.82	-7.5%
DLD	0.90	0.85	-4.8%	3.77	3.46	-8.0%
Broadband Access	4.83	4.83	0.1%	19.14	19.11	-0.1%
Mobile	25.60	28.29	10.5%	100.80	110.59	9.7%
Mobile Voice	12.74	11.67	-8.4%	52.03	48.32	-7.1%
Mobile VAS	5.53	7.71	39.4%	20.51	28.38	38.4%
Handset Sales	7.14	8.70	21.9%	27.65	33.10	19.7%
Internet	6.53	6.51	-0.3%	24.77	25.44	2.7%
Internet Services	4.30	4.31	0.1%	16.94	17.19	1.5%
Internet VAS	0.64	0.66	3.3%	2.57	2.69	4.4%
International Fixed	3.95	3.90	-1.2%	15.32	15.71	2.5%
ILD	2.88	2.71	-6.1%	11.54	11.25	-2.6%
Leased line	0.31	0.38	21.7%	1.21	1.43	18.4%
Others	0.88	0.78	-11.8%	4.41	2.71	-38.6%
Total	56.25	58.82	4.6%	221.42	228	3.0%

Note:
1. The calculation of figures is based on NT$ mn.
2. The figures are un-audited.

Financials: Costs & Expenses

(NT$bn)	Consolidated					
	Q4 2012 (T-IFRSs)	Q4 2013 (T-IFRSs)	Growth Rate	2012 (T-IFRSs)	2013 (T-IFRSs)	Growth Rate
Operating Costs	36.81	38.56	4.8%	141.51	147.08	3.9%
Operating Expenses	8.28	9.26	11.9%	29.97	33.41	11.5%
Marketing	6.27	7.20	14.8%	22.25	25.53	14.7%
General and Administrative	1.05	1.08	3.2%	4.02	4.18	4.1%
R&D Expense	0.96	0.98	2.1%	3.70	3.70	0.1%
Total	45.09	47.82	6.1%	171.48	180.49	5.3%

Note:
1. The calculation of figures is based on NT$ mn.
2. The figures are un-audited.

Cash Flow & EBITDA Margin

(NT$bn)	Consolidated					
	Q4 2012 (T-IFRSs)	Q4 2013 (T-IFRSs)	Growth Rate	2012 (T-IFRSs)	2013 (T-IFRSs)	Growth Rate
Net Cash Flow from Operating Activities	24.57	30.04	22.3%	66.06	75.04	13.6%
CAPEX	10.72	13.11	22.2%	33.28	36.42	9.4%
Free Cash Flow	13.85	16.93	22.3%	32.78	38.62	17.8%
Cash and Cash Equivalents at the end of period	30.94	14.63	(52.7%)	30.94	14.63	(52.7%)
EBITDA Margin(%)	34.12	32.75	-	36.53	34.99	-

Note:
1. The calculation of figures is based on NT$ mn.
2. Free cash flow is subtracting Capex from net cash flows from operating activities.
3. The figures are un-audited.

Forecast & Operating Results

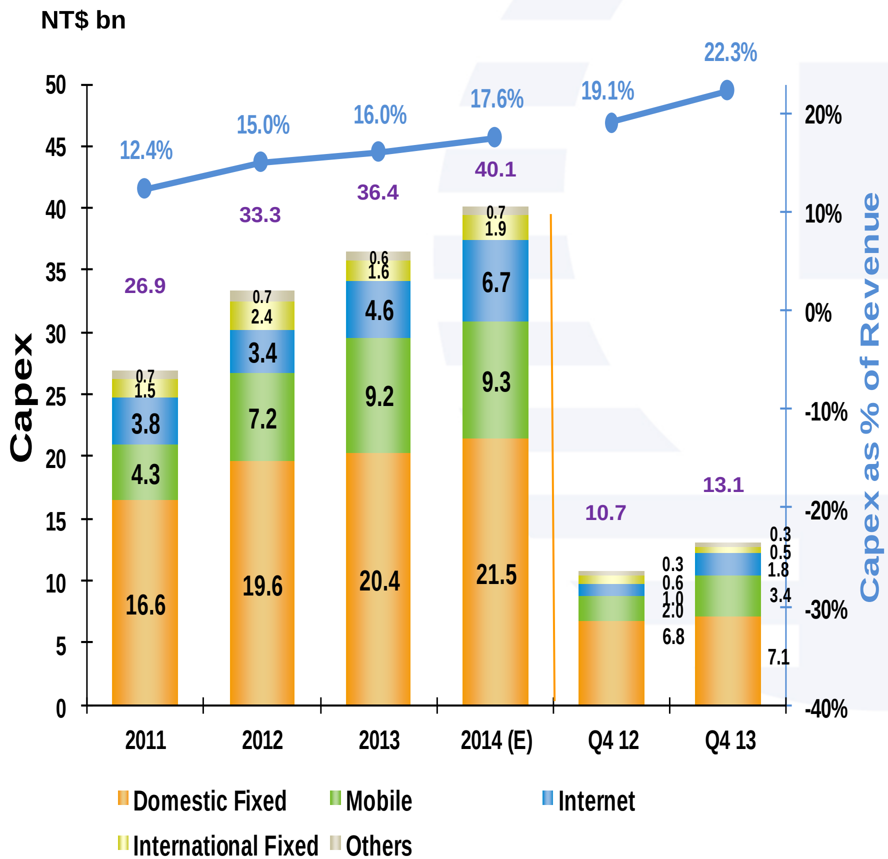
(NT$bn)	Consolidated		
	2013 (T-IFRSs)	2014 (T-IFRSs E)	Growth Rate
Revenues	**228.00**	**228.23**	**0.1%**
Operating Costs and Expenses	**180.49**	**184.70**	**2.4%**
Other Income and Expenses	**0.08**	**-**	**-**
Income from Operations	**47.59**	**43.53**	**(8.5%)**
Net Income	**39.84**	**35.84**	**(10.1%)**
EPS	**5.14**	**4.62**	**(10.1%)**
EBITDA	**79.78**	**77.10**	**(3.4%)**
EBITDA Margin (%)	**34.99**	**33.78**	**-**

Note :

1. The information therein is predictive and will not necessarily be fully realized in the future, and that reference to the company's significant accounting policy and summary of basic assumptions shall be made for further details.
2. The figures are un-audited.

Effective and Efficient Capital Expenditure

Capital Expenditure



Note: Figures are on consolidated basis.

- Increase capital expenditure
  - Fixed and Mobile broadband
  - Cloud deployment including cloud data center build out
- Budgeted capex for 2014: NT$40.1bn
- Continue to focus on core businesses for future investments
  - 4G / 3G
  - FTTx
  - Wi-Fi
  - Service Platforms
  - Cloud computing

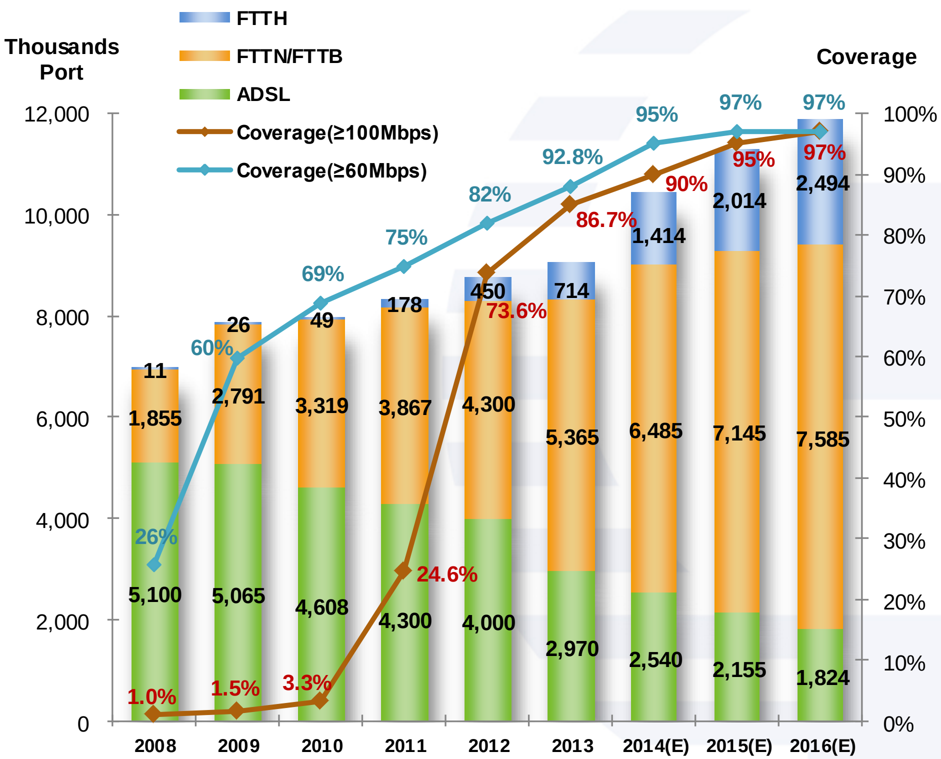
Q&A

Reference

Regulatory Update (2013/4/1~2017/3/31)

Target	Business		Applicable Services	X factor	Years in effect	Formula : △CPI - X
SMP (Significant Market Power)	Fixed-line	1	■ xDSL monthly fee ■ FTTx monthly fee (exclude FTTH and FTTB)	5.1749%	4	1. The four year tariff reduction plan is applicable from April 1. 2013 to March 31 2017 and applied based on the previous year tariff. 2. △CPI for year 2012 = 1.93% 2013 = 0.79%
		2	Domestic leased line wholesale service			
		3	IP Peering			
All 2G/3G Operators	Mobile		mobile interconnection fee	Mobile interconnection rate reduced from NT$2.15/min to NT$1.15/min over four years 2013：NT$1.84/min 2014：NT$1.57min 2015：NT$1.34/min 2016：NT$1.15/min		

Continuing Broadband Network Construction



Note:

(1) The Coverage rate is based on the household number (8.28mn) as of December 2013

(2) Wireline : Fixed + Internet

(3) 100M fiber construction adopted traditional technologies in 2011, and DSL bonding technologies and GPON solutions in 2012.

Fiber Deployment Plan

- FTTx coverage (≥100M) reach 97% by 2016
- Increase FTTH construction in order to meet the demand of high speed broadband
- Fiber construction plan including CAPEX will be reviewed in accordance with market demand

Mobile Broadband Spectrum Auction Completed

Bidding Result

Band	Slot	Band-width	Floor Price (NT$ bn)	Actual Payment (NT$ bn)	Current Carrier	Winner
700 MHz	A1	10M	4.6	6.415	None	APT
	A2	10M	4.6	6.81		FET
	A3	10M	4.6	6.81		Ambit
	A4	15M	6.9	10.485		TWM
900 MHz	B1	10M	1.6	3.655	APBW (due in Dec 2018)	Taiwan Star
	B2	10M	2.1	3.32	CHT (due in Jun 2017)	CHT
	B3	10M	2.1	2.37	CHT、TWM、FET (due in Jun 2017)	Ambit
1800 MHz	C1	15M	2.2	18.525	FET (due in Jun 2017)	TWM
	C2	10M	1.4	10.07	CHT (due in Jun 2017)	CHT
	C3	10M	1.4	12.79	FET (due in Jun 2017)	FET
	C4	10M	1.4	11.715	TWM (due in Jun 2017)	FET
	C5	15M	3.0	25.685	None	CHT

Note: Total bidding price for the winners is NT$118.65 bn

CHT Secures Broadest Bandwidth including most sought after slot at 1800MHz

- acquiring the largest amount of bandwidth with 2x35 MHz
- acquiring the most sought after spectrum in the auction
  - ecosystem ready and not in use
  - compatible with 4G spectrum globally
- winning two spectrum slots currently held for our 2G operation
  - capable to maintain our 2G service and offer 4G services at the same time