



中華電信
Chunghwa Telecom

4Q 2015 Operating Results

Credit Suisse

19th Annual Asian Investment Conference

April 6- 7, 2016

Disclaimer

STATEMENT REGARDING UNAUDITED FINANCIAL INFORMATION

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.

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.

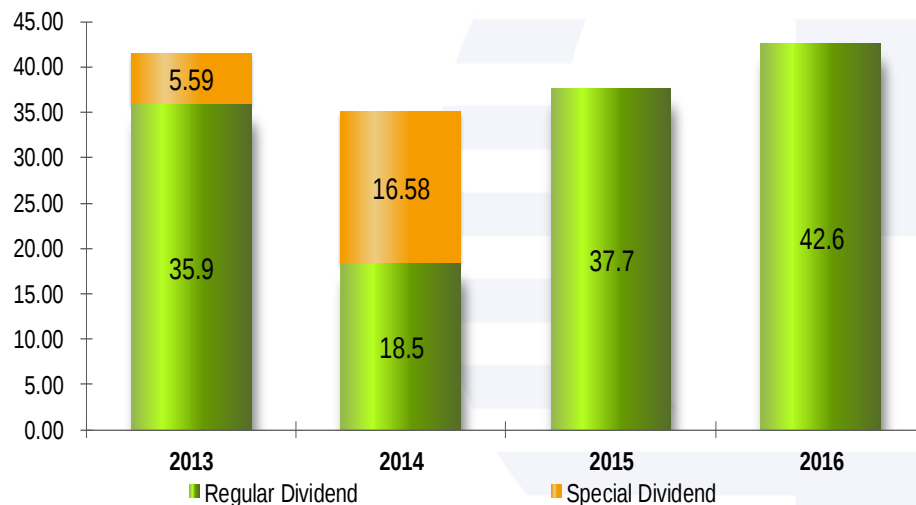
In managing our business we rely on EBITDA as a means of assessing our operating performance. We believe that EBITDA can be useful to facilitate comparisons of operating performance between periods and with other companies because it excludes the effect of (i) depreciation and amortization, which represents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

Committed to Improving Shareholder Value

Cash Return

NT\$ bn



Board of directors resolved to distribute NT\$42.6 billion to shareholders

- NT\$5.4852 per share
- payout ratio 99.41%

Note:

1. 1 ADR = 10 common shares
2. The regular dividend has been calculated based on total share number 7,757,446,545.



Business Overview



Chunghwa Telecom Overview

Strong Market Position ^(a)

- Domestic Fixed
 - #1 Local
 - 94.0% share by subs (11.18 mn subs)
 - 85.7% share by minutes
 - #1 DLD
 - 82.3% share by minutes
 - #1 Broadband access
 - 75.9% share by subs ^{(b)(c)} (4.50 mn subs)
- Mobile
 - #1 Mobile subscribers
 - 38.1% market share ^(d) (11.20 mn subs)
 - #1 Mobile revenue
 - 37.2% market share ^{(d)(e)}
- Internet
 - #1 ISP
 - 68.3% share by subs (4.20 mn subs)
- International Fixed
 - #1 ILD
 - 57.7% share by minutes

Source: Company data, MOTC, and NCC statistics

a) Market share as of Nov. 2015

b) CHT access circuits were not included

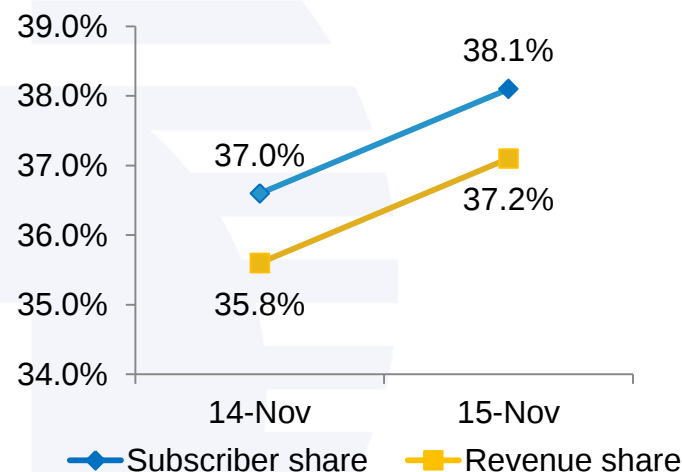
c) Excluding PWWAN subscriber numbers

d) Includes 2G, 3G and 4G

e) Revenues are based on T-IFRSs .

Mobile Performance

- Mobile market shares continued to grow



- Accumulating 4.4 million 4G subscribers by the end of Dec. 2015
- Population coverage reached 99% for the whole country by the end of 2015

Number One Mobile Services Provider

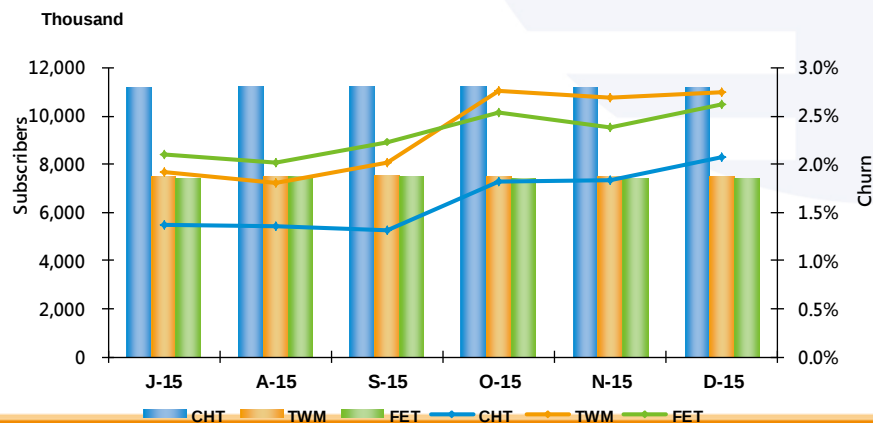
Mobile Broadband Spectrum Advantage-3CA

- Having the largest 130MHz mobile broadband spectrum
- Being able to offer a faster theoretical peak speed via 3CA : 900MHz/1800MHz/2600MHz
- Enabling load balancing between high/low bands for best QoE
- Providing a solid foundation for developing IoT, video and value-added services

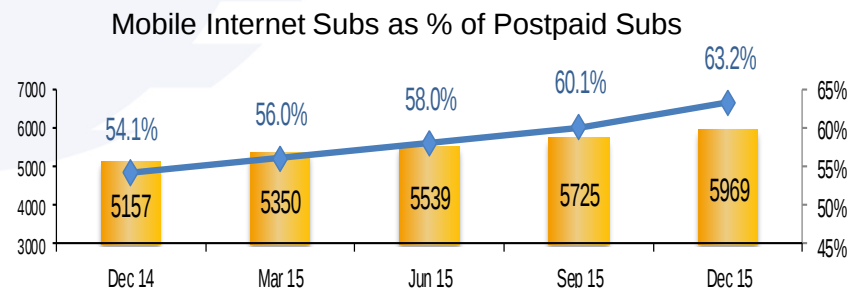
Strategy

- Rolling out 2.6G service in 2Q16 at the earliest to offer best QoE to 4G customers
- Focusing on 4G service promotion and mobile internet subscriber expansion
- Promoting VAS and new applications
- Continuing the migration of 2G customers to 3G/4G network

Highest Subs & Lowest Churn



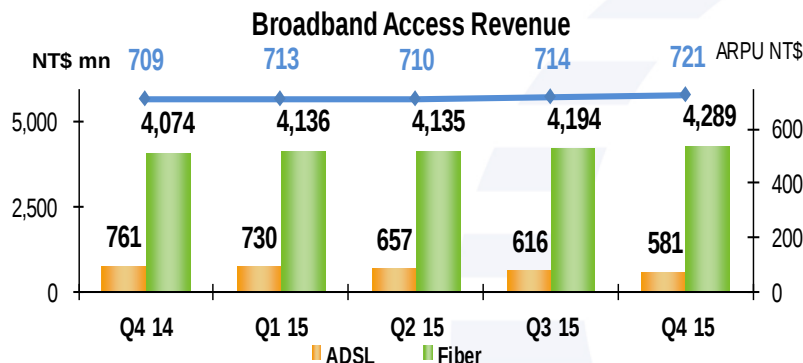
Mobile Internet Adoption



Note : Subscribers with mobile internet plan subscription.

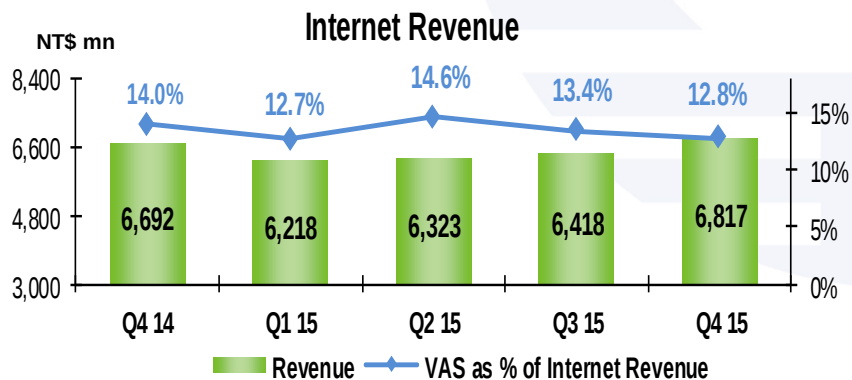
Fixed Broadband and Internet Services

Performance



Note1 : Broadband ARPU is calculated as access plus ISP

Note2 : Revenue is calculated based on T-IFRSs

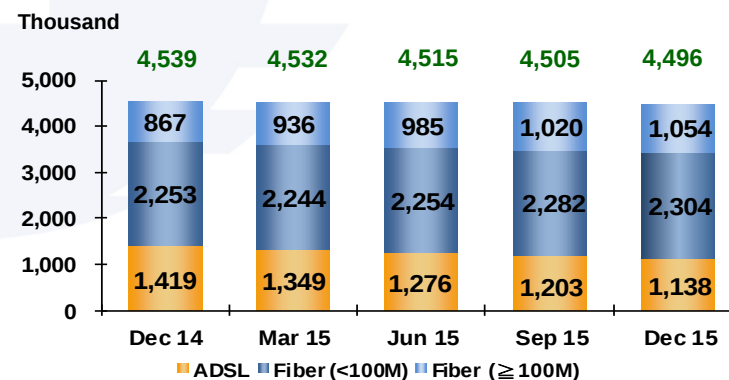


Note : Revenue is calculated based on T-IFRSs

Strategy

- Leveraging network capability to offer high-speed upload service
- Leveraging Big Data capability for precision marketing and precision network construction
- Leveraging mobile, broadband and Wi-Fi capabilities to offer seamless internet services
- Expediting CDN construction and OTT promotion to enhance digital convergence product competitiveness

Fixed Broadband Subs



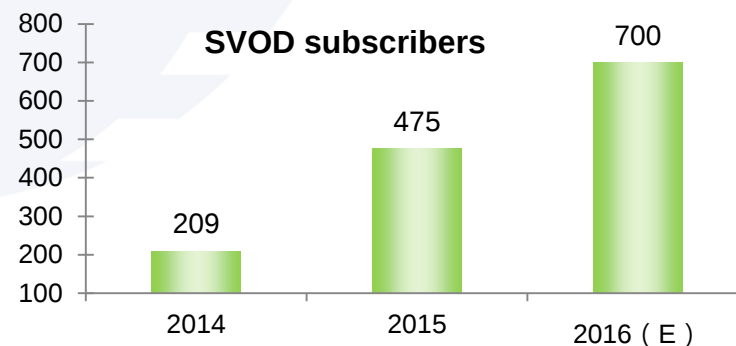
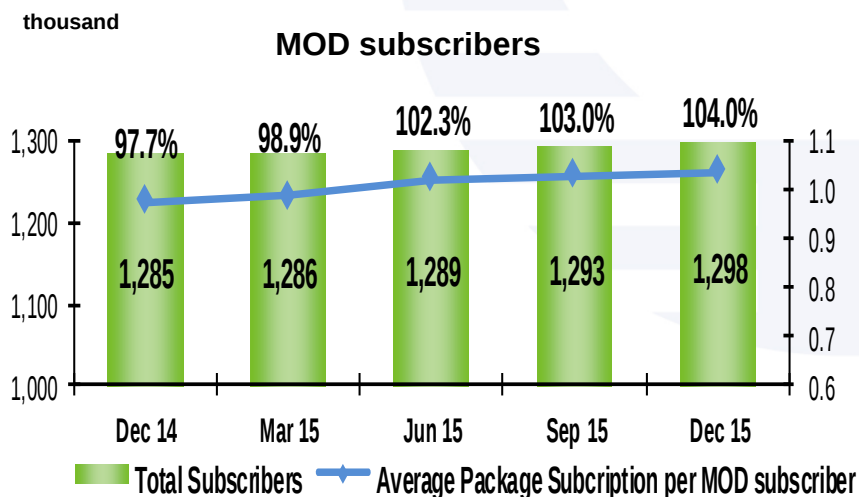
MOD/ IPTV Service

Performance

- Subscriber market share (CATV+IPTV) YoY remained at around 20.4% in Q3 2015
- Household TV Usage rate increased to 68.5% from 65.7% YoY for Q4 2015

Strategy

- Continuing to enrich contents, including movies, drama, TV series for SVOD
- Enhancing both MOD and OTT user interface
- Leveraging the existing broadband and 4G mobile subscriber base to grow MOD and OTT subscribers
- Leveraging the existing media content position in VOD to acquire OTT contents with all rights across three platforms
- Becoming the leading multi-screen service provider via robust network infrastructures



SVOD : Subscription Video on Demand

Enterprise ICT Initiatives

Performance

- Information security and cloud service revenue increased 23% YoY in 2015
- Personal Cloud (Hami+) subscribers was 3 million till Dec. 2015
- IoT service revenue totaled NT\$3.3 bn in 2015, a 76.5% increase YoY
- Acquired several significant ICT projects in 2015 with contract amount totaling NT\$12.6bn

Strategy

- Leveraging our advantage on network infrastructure, IDC, CDN, etc. to expand ICT business
- Offering ICT total solutions by integrating our capability on cloud, information security, IoT and customization
- Developing in-house big data capability for future commercialization
- Cooperating with partners to develop an ecosystem to provide IoT services across various industries



Financials Overview

Financials: Income Statement Highlights

(NT\$bn)	Consolidated					
	Q4 2015	Q4 2014	Growth %	2015	2014	Growth %
Revenues	62.22	59.63	4.3	231.79	226.61	2.3
Operating Costs and Expenses	50.84	50.89	(0.1)	181.30	182.44	(0.6)
Income from Operations	11.37	9.41	20.8	50.39	44.80	12.5
Net Income²	9.47	8.07	17.3	42.82	38.62	10.9
Net Income Margin³ (%)	15.72	13.90	-	18.84	17.28	-
EPS	1.22	1.04	17.3	5.52	4.98	10.9
EBITDA	19.60	18.04	8.7	83.84	78.92	6.2
EBITDA Margin (%)	31.50	30.24	-	36.17	34.83	-

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for 2015 are unaudited.
2. Net income attributable to owners of the parent.
3. Net income margin is based on consolidated net income (including net income attributable to NCI)
4. The calculation of growth rates is based on NT\$mn.

Financials: Business Segment Revenues

(NT\$bn)	Q4 2015	Q4 2014	Growth %	2015	2014	Growth %
Domestic Fixed	19.33	19.60	(1.4%)	72.54	72.06	0.7%
Local	8.23	8.72	(5.6%)	33.57	35.60	(5.7%)
DLD	0.76	0.81	(6.4%)	3.12	3.31	(5.7%)
Broadband Access	4.87	4.84	0.7%	19.34	19.12	1.2%
MOD	0.57	0.70	(18.5%)	2.49	2.57	(3.0%)
Mobile	31.08	28.90	7.5%	114.88	110.67	3.8%
Mobile Voice	10.15	10.41	(2.5%)	41.28	42.70	(3.3%)
Mobile VAS	10.13	9.34	8.4%	39.58	34.77	13.8%
Sales of Mobile Handsets, Tablets and Data Cards	10.58	8.98	17.7%	33.17	32.45	2.2%
Internet	6.82	6.69	1.9%	25.78	26.00	(0.8%)
Internet Services	4.41	4.33	1.7%	17.46	17.24	1.2%
Internet VAS	0.65	0.70	(7.8%)	2.70	2.96	(8.9%)
International Fixed	3.92	3.75	4.6%	15.46	15.31	1.0%
ILD	2.28	2.33	(1.9%)	9.65	10.43	(7.5%)
Leased line	0.43	0.42	2.6%	1.67	1.52	9.6%
Others	1.08	0.69	56.1%	3.15	2.57	22.3%
Total	62.22	59.63	4.3%	231.79	226.61	2.3%

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for 2015 are unaudited.
2. The calculation of growth rates is based on NT\$ mn.

Financials: Costs & Expenses

(NT\$bn)	Consolidated					
	Q4 2015	Q4 2014	Growth %	2015	2014	Growth %
Operating Costs	41.83	41.89	(0.1)	148.13	148.38	(0.2)
Operating Expenses	9.01	9.00	-	33.17	34.06	(2.6)
Marketing	6.86	6.86	-	25.06	26.14	(4.1)
General and Administrative	1.15	1.25	(8.7)	4.50	4.41	1.9
R&D Expense	1.00	0.89	12.7	3.61	3.51	3.2
Total	50.84	50.89	(0.1)	181.30	182.44	(0.6)

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for 2015 are unaudited.
2. The calculation of growth rates is based on NT\$ mn.

Cash Flow & EBITDA Margin

(NT\$bn)	Consolidated					
	Q4 2015	Q4 2014	Growth %	2015	2014	Growth %
Net Cash Flow from Operating Activities	28.47	28.94	(1.6)	75.80	71.38	6.2
CapEx	9.61	11.59	(17.1)	25.08	32.56	(23.0)
Free Cash Flow	18.86	17.35	8.7	50.72	38.82	30.7
Cash and Cash Equivalents at the end of period	30.29	23.56	28.6	30.29	23.56	28.6
EBITDA Margin(%)	31.50	30.24	-	36.17	34.83	-

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for 2015 are unaudited.
2. The calculation of growth rates is based on NT\$ mn.
3. Free cash flow is calculated by subtracting CapEx from Net Cash Flows from Operating Activities.

2015 Operating Results vs. 2015 Forecast

(NT\$bn)	Consolidated					
	Q4 2015 (A)	Q4 2015 (E)	Achieving %	2015 (A)	2015 (E)	Achieving %
Revenues	62.22	62.26	99.9	231.79	231.09	100.3
Operating Costs and Expenses	50.84	51.94	97.9	181.30	185.92	97.5
Income from Operations	11.37	10.28	110.6	50.39	45.05	111.9
Net Income	9.47	8.88	106.6	42.82	37.50	114.2
EPS	1.22	1.14	106.6	5.52	4.83	114.2
EBITDA	19.60	18.96	103.4	83.84	80.02	104.8
EBITDA Margin (%)	31.50	30.46	-	36.17	34.63	-

Note : Financials are prepared in accordance with T-IFRSs. Figures for 2015 are unaudited.

2016 Forecast

(NT\$bn)	Consolidated		
	2016(E)	2015	Growth %
Revenues	233.49	231.79	0.7
Operating Costs and Expenses	185.53	181.30	2.3
Income from Operations	47.75	50.39	(5.2)
Net Income	39.98	42.82	(6.6)
EPS	5.15	5.52	(6.6)
EBITDA	82.24	83.84	(1.9)
EBITDA Margin (%)	35.22	36.17	-

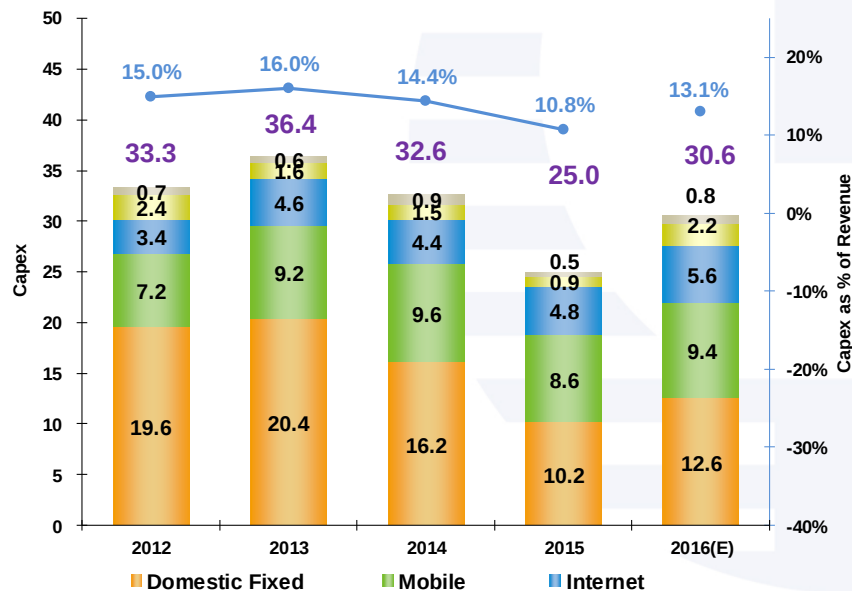
Note :

1. Financials are prepared in accordance with T-IFRSs.
2. 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.

Effective and Efficient Capital Expenditure

Capital Expenditure

NT\$ bn



- Budgeted capex for 2016: NT\$30.6 bn
- Continue to focus on core businesses for future investments
 - 4G
 - FTTx
 - Service Platforms
 - IDC/ Cloud

Q&A

