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Chunghwa Telecom Co. Ltd. Q3 2008 Earnings Conference Call Transcript

Question-and-Answer Session

[Operator Instructions]. Your first question comes from the line of Anand Ramachandran with Citigroup. Please proceed.

Anand Ramachandran - Citigroup

Yes, hi, good evening. My name is Anand Ramachandran calling from Citigroup. Thank you so much for the call. I had two questions, firstly if I look at the EBITDA margins quarter-on-quarter, you've seen a 300 basis points dip. I was wondering if you could tell us what are the costs that went up in the third quarter to reflect that margin decline and what could you forecast for the trend for these costs going ahead? So that's question number one. Question two would be on the ERP that you've indicated, now these costs of NT\$117 million, should we expect that to be reflected in the fourth quarter this year? And do you will see any extra cost coming through from that into next year as well on another ERP program? Thank you.

Shyue-Ching Lu - Chairman and Chief Executive Officer

Okay, your first question on the EBITDA margin for the Q3. Yes, as indicated in slide number four, the EBITDA margin declined in a somewhat in Q3 2008 as compared with Q3 2007. This mainly due to as explained earlier -- this is due to the increase in marketing costs and also due to somewhat deep decline in revenue as indicated in this slide. And looking... going forward we will exercise internally cost control, so that the cost will not be extraordinarily high for Q4, and we are also encouraging our colleague to promote our services. So that we will be able to have stable revenue.

And your second question is on ERP, the cost incurred that we reported that there will be about NT\$170 million for this year and there will be no additional charges next year but as I said, the saving will result from this ERP will be something like NT\$168 million personnel expense for next year. Are we going to have another ERP next year? Well we will see if the situation permits us to conduct another ERP. Maybe we will do it earlier next year, rather than this date in this year.

Anand Ramachandran - Citigroup

Thank you. And quickly follow up on the ForEx derivative contract that you've terminated. You mentioned we should expect a one-time, non-operating gain of NT\$580 million which is last year and then another NT\$30 million is coming through from the cash inflow so the P&L impact will be NT\$610 million for the month of October?

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