

**Chunghwa Telecom Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2015 and 2014**

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Millions of New Taiwan Dollars)

ASSETS	June 30, 2015 (Unaudited)		December 31, 2014 (Audited)		June 30, 2014 (Unaudited)		LIABILITIES AND EQUITY	June 30, 2015 (Unaudited)		December 31, 2014 (Audited)		June 30, 2014 (Unaudited)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents	\$ 34,285	7	\$ 23,560	5	\$ 28,141	6	Short-term loans	\$ 860	-	\$ 564	-	\$ 1,085	-
Financial assets at fair value through profit or loss	1	-	1	-	-	-	Financial liabilities at fair value through profit or loss	2	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	Hedging derivative liabilities	-	-	-	-	-	-
Held-to-maturity financial assets	2,903	1	3,457	1	4,467	1	Trade notes and accounts payable	15,318	3	18,519	4	12,387	3
Hedging derivative assets	-	-	-	-	-	-	Payables to related parties	432	-	408	-	640	-
Trade notes and accounts receivable, net	27,552	6	26,228	6	23,610	5	Current tax liabilities	6,644	2	6,982	2	6,368	1
Accounts receivable from related parties	22	-	81	-	70	-	Dividends payable	37,673	8	-	-	18,526	4
Inventories	6,713	1	7,097	2	8,194	2	Other payables	20,182	5	24,335	6	38,862	9
Prepayments	5,791	1	2,444	-	5,595	2	Provisions	253	-	179	-	119	-
Other current monetary assets	14,879	3	3,325	1	5,182	1	Advance receipts	9,616	2	9,913	2	9,060	2
Other current assets	2,494	1	3,219	1	5,267	1	Current portion of long-term loans	3	-	-	-	300	-
Total current assets	94,640	20	69,412	16	80,526	18	Other current liabilities	1,489	-	1,619	-	1,607	-
							Total current liabilities	92,472	20	62,519	14	88,954	19
NONCURRENT ASSETS							NONCURRENT LIABILITIES						
Available-for-sale financial assets	5,942	1	6,281	1	5,215	1	Long-term loans	1,797	-	1,900	-	1,748	1
Held-to-maturity financial assets	3,799	1	4,028	1	5,715	1	Deferred income taxes liabilities	108	-	132	-	111	-
Investments accounted for using equity method	2,678	1	2,750	1	2,328	-	Provisions	49	-	93	-	121	-
Property, plant and equipment	295,149	64	302,650	68	298,533	66	Customers' deposits	4,655	1	4,759	1	4,775	1
Investment properties	7,666	2	7,621	2	8,010	2	Net defined benefit liabilities	6,671	2	6,470	2	5,679	1
Intangible assets	41,412	9	42,825	9	43,763	10	Deferred revenue	3,572	1	3,398	1	3,566	1
Deferred income tax assets	1,908	-	1,826	-	1,778	-	Other noncurrent liabilities	1,983	-	1,515	-	1,329	-
Prepayments	3,484	1	3,504	1	3,410	1	Total noncurrent liabilities	18,835	4	18,267	4	17,329	4
Other noncurrent assets	5,252	1	5,601	1	5,212	1	Total liabilities	111,307	24	80,786	18	106,283	23
Total noncurrent assets	367,290	80	377,086	84	373,964	82							
							EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT						
							Common stock	77,574	17	77,574	18	77,574	17
							Additional paid-in capital	146,738	32	146,720	33	146,717	32
							Retained earnings						
							Legal reserve	77,574	17	76,893	17	76,893	17
							Special reserve	2,676	-	2,820	1	2,820	1
							Unappropriated earnings	40,640	9	55,895	12	40,200	9
							Total retained earnings	120,890	26	135,608	30	119,913	27
							Other adjustments	478	-	886	-	(412)	-
							Total equity attributable to stockholders of the parent	345,680	75	360,788	81	343,792	76
							NONCONTROLLING INTERESTS						
								4,943	1	4,924	1	4,415	1
							Total equity	350,623	76	365,712	82	348,207	77
TOTAL	\$ 461,930	100	\$ 446,498	100	\$ 454,490	100	TOTAL	\$ 461,930	100	\$ 446,498	100	\$ 454,490	100

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Millions of New Taiwan Dollars, Except Earnings Per Share) (Unaudited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2015		2014		2015		2014	
	Amount	%	Amount	%	Amount	%	Amount	%
REVENUES	\$ 56,920	100	\$ 55,784	100	\$ 113,393	100	\$ 110,834	100
OPERATING COSTS	<u>35,711</u>	<u>63</u>	<u>35,037</u>	<u>63</u>	<u>72,407</u>	<u>64</u>	<u>70,037</u>	<u>63</u>
GROSS PROFIT	<u>21,209</u>	<u>37</u>	<u>20,747</u>	<u>37</u>	<u>40,986</u>	<u>36</u>	<u>40,797</u>	<u>37</u>
OPERATING EXPENSES								
Marketing	6,026	11	6,428	11	12,009	11	12,596	11
General and administrative	1,105	2	1,084	2	2,250	2	2,167	2
Research and development	<u>866</u>	<u>1</u>	<u>897</u>	<u>2</u>	<u>1,701</u>	<u>1</u>	<u>1,791</u>	<u>2</u>
Total operating expenses	<u>7,997</u>	<u>14</u>	<u>8,409</u>	<u>15</u>	<u>15,960</u>	<u>14</u>	<u>16,554</u>	<u>15</u>
OTHER INCOME AND EXPENSES	<u>(15)</u>	<u>-</u>	<u>(11)</u>	<u>-</u>	<u>(44)</u>	<u>-</u>	<u>(20)</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>13,197</u>	<u>23</u>	<u>12,327</u>	<u>22</u>	<u>24,982</u>	<u>22</u>	<u>24,223</u>	<u>22</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	95	-	84	-	162	-	143	-
Other revenue	270	1	142	-	523	1	395	-
Other gains and losses	(196)	-	23	-	(71)	-	(10)	-
Interest expenses	(6)	-	(10)	-	(15)	-	(19)	-
Share of the profit of associates and joint ventures accounted for using equity method	<u>223</u>	<u>-</u>	<u>256</u>	<u>1</u>	<u>507</u>	<u>-</u>	<u>417</u>	<u>1</u>
Total non-operating income and expenses	<u>386</u>	<u>1</u>	<u>495</u>	<u>1</u>	<u>1,106</u>	<u>1</u>	<u>926</u>	<u>1</u>
INCOME BEFORE INCOME TAX	13,583	24	12,822	23	26,088	23	25,149	23
INCOME TAX EXPENSE (BENEFIT)	<u>(279)</u>	<u>-</u>	<u>1,039</u>	<u>2</u>	<u>2,744</u>	<u>3</u>	<u>3,942</u>	<u>4</u>
NET INCOME	<u>13,862</u>	<u>24</u>	<u>11,783</u>	<u>21</u>	<u>23,344</u>	<u>20</u>	<u>21,207</u>	<u>19</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified to profit or loss:								
Share of remeasurements of defined benefit pension plans of associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:								
Exchange differences arising from the translation of the foreign operations	(56)	-	(51)	-	(85)	-	(37)	-
Unrealized gain (loss) on available-for-sale financial assets	(761)	(1)	26	-	(333)	-	(234)	-
Cash flow hedges	-	-	-	-	-	-	-	-

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CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Millions of New Taiwan Dollars, Except Earnings Per Share) (Unaudited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2015		2014		2015		2014	
	Amount	%	Amount	%	Amount	%	Amount	%
Share of exchange differences arising from the translation of the foreign operations of associates	\$ (1)	-	\$ (32)	-	\$ -	-	\$ (24)	-
Income tax benefit (expense) relating to items that may be reclassified subsequently	(1)	-	1	-	(4)	-	2	-
	<u>(819)</u>	<u>(1)</u>	<u>(56)</u>	<u>-</u>	<u>(422)</u>	<u>-</u>	<u>(293)</u>	<u>-</u>
Total other comprehensive loss, net	\$ (819)	(1)	\$ (56)	-	\$ (422)	-	\$ (293)	-
TOTAL COMPREHENSIVE INCOME	<u>\$ 13,043</u>	<u>23</u>	<u>\$ 11,727</u>	<u>21</u>	<u>\$ 22,922</u>	<u>20</u>	<u>\$ 20,914</u>	<u>19</u>
NET INCOME ATTRIBUTABLE TO								
TO								
Stockholders of the parent	\$ 13,597	24	\$ 11,576	21	\$ 22,955	20	\$ 20,869	19
Noncontrolling interests	<u>265</u>	<u>-</u>	<u>207</u>	<u>-</u>	<u>389</u>	<u>1</u>	<u>338</u>	<u>-</u>
	<u>\$ 13,862</u>	<u>24</u>	<u>\$ 11,783</u>	<u>21</u>	<u>\$ 23,344</u>	<u>21</u>	<u>\$ 21,207</u>	<u>19</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO								
Stockholders of the parent	\$ 12,787	23	\$ 11,536	21	\$ 22,547	20	\$ 20,601	19
Noncontrolling interests	<u>256</u>	<u>-</u>	<u>191</u>	<u>-</u>	<u>375</u>	<u>-</u>	<u>313</u>	<u>-</u>
	<u>\$ 13,043</u>	<u>23</u>	<u>\$ 11,727</u>	<u>21</u>	<u>\$ 22,922</u>	<u>20</u>	<u>\$ 20,914</u>	<u>19</u>
EARNINGS PER SHARE								
Basic	<u>\$ 1.75</u>		<u>\$ 1.49</u>		<u>\$ 2.96</u>		<u>\$ 2.69</u>	
Diluted	<u>\$ 1.75</u>		<u>\$ 1.49</u>		<u>\$ 2.95</u>		<u>\$ 2.69</u>	

(Concluded)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(In Millions of New Taiwan Dollars)

(Unaudited)

	Equity Attributable to Stockholders of the Parent						Other Adjustments				Total Equity Attributable to Stockholders of the Parent	Noncontrolling Interests	Total Equity
	Common Stock	Additional Paid-in Capital	Retained Earnings			Total Retained Earnings	Exchange Differences Arising from the Translation of the Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Total Other Adjustments			
			Legal Reserve	Special Reserve	Unappropriated Earnings								
BALANCE, JANUARY 1, 2014	\$ 77,574	\$ 163,294	\$ 74,819	\$ 2,676	\$ 40,075	\$ 117,570	\$ 6	\$ (150)	\$ -	\$ (144)	\$ 358,294	\$ 4,846	\$ 363,140
Appropriation of 2013 earnings													
Legal reserve	-	-	2,074	-	(2,074)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	144	(144)	-	-	-	-	-	-	-	-
Cash dividends distributed by Chunghwa	-	-	-	-	(18,526)	(18,526)	-	-	-	-	(18,526)	-	(18,526)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(797)	(797)
Cash distributed from additional paid-in capital	-	(16,577)	-	-	-	-	-	-	-	-	(16,577)	-	(16,577)
Net income for the six months ended June 30, 2014	-	-	-	-	20,869	20,869	-	-	-	-	20,869	338	21,207
Other comprehensive loss for the six months ended June 30, 2014	-	-	-	-	-	-	(44)	(224)	-	(268)	(268)	(25)	(293)
Total comprehensive income (loss) for the six months ended June 30, 2014	-	-	-	-	20,869	20,869	(44)	(224)	-	(268)	20,601	313	20,914
Compensation cost of employee stock option of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	53	53
BALANCE, JUNE 30, 2014	<u>\$ 77,574</u>	<u>\$ 146,717</u>	<u>\$ 76,893</u>	<u>\$ 2,820</u>	<u>\$ 40,200</u>	<u>\$ 119,913</u>	<u>\$ (38)</u>	<u>\$ (374)</u>	<u>\$ -</u>	<u>\$ (412)</u>	<u>\$ 343,792</u>	<u>\$ 4,415</u>	<u>\$ 348,207</u>
BALANCE, JANUARY 1, 2015	\$ 77,574	\$ 146,720	\$ 76,893	\$ 2,820	\$ 55,895	\$ 135,608	\$ 146	\$ 740	\$ -	\$ 886	\$ 360,788	\$ 4,924	\$ 365,712
Appropriation of 2014 earnings													
Legal reserve	-	-	681	-	(681)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(144)	144	-	-	-	-	-	-	-	-
Cash dividends distributed by Chunghwa	-	-	-	-	(37,673)	(37,673)	-	-	-	-	(37,673)	-	(37,673)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(354)	(354)
Reversal of special reserve recognized from land disposal	-	-	-	-	-	-	-	-	-	-	-	-	-
Partial disposal of interests in subsidiaries	-	27	-	-	-	-	-	-	-	-	27	18	45
Net income for the six months ended June 30, 2015	-	-	-	-	22,955	22,955	-	-	-	-	22,955	389	23,344
Other comprehensive loss for the six months ended June 30, 2015	-	-	-	-	-	-	(69)	(339)	-	(408)	(408)	(14)	(422)
Total comprehensive income (loss) for the six months ended June 30, 2015	-	-	-	-	22,955	22,955	(69)	(339)	-	(408)	22,547	375	22,922
Compensation cost of employee stock option of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	29	29
Purchase of treasury stocks by a subsidiary	-	(9)	-	-	-	-	-	-	-	-	(9)	(49)	(58)
BALANCE, JUNE 30, 2015	<u>\$ 77,574</u>	<u>\$ 146,738</u>	<u>\$ 77,574</u>	<u>\$ 2,676</u>	<u>\$ 40,640</u>	<u>\$ 120,890</u>	<u>\$ 77</u>	<u>\$ 401</u>	<u>\$ -</u>	<u>\$ 478</u>	<u>\$ 345,680</u>	<u>\$ 4,943</u>	<u>\$ 350,623</u>

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions of New Taiwan Dollars)

(Unaudited)

	For the Six Months Ended	
	June 30	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 26,088	\$ 25,149
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	15,415	16,106
Amortization	1,539	785
Provision for doubtful accounts	190	148
Interest expenses	15	19
Interest income	(162)	(143)
Dividend income	(218)	(77)
Compensation cost of employee share options	29	53
Share of the profit of associates and joint ventures accounted for using equity method	(507)	(417)
Impairment loss on available-for-sale financial assets	26	9
Provision for inventory and obsolescence	91	248
Gain on disposal of financial instruments	-	(44)
Loss on disposal of property, plant and equipment	44	20
Loss on disposal of intangible assets	-	-
Loss (gain) on disposal of investments accounted for using equity method	(5)	4
Valuation loss on financial instruments at fair value through profit or loss, net	1	-
Loss (gain) on foreign exchange	(6)	107
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets held for trading	1	-
Trade notes and accounts receivable	(1,494)	(855)
Receivables from related parties	59	-
Inventories	292	(593)
Other current monetary assets	(254)	(274)
Prepayments	(3,327)	(3,172)
Other current assets	726	(1,306)
Increase (decrease) in:		
Trade notes and accounts payable	(3,191)	(3,256)
Payables to related parties	24	83
Other payables	(2,234)	(4,188)
Provisions	31	(13)
Advance receipts	(296)	(403)
Other current liabilities	(127)	6
Deferred revenue	174	(135)
Net defined benefit liabilities	201	195
Cash generated from operations	<u>33,125</u>	<u>28,056</u>

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CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions of New Taiwan Dollars)

(Unaudited)

	For the Six Months Ended June 30	
	2015	2014
Interest paid	\$ (16)	\$ (19)
Income tax paid	<u>(3,195)</u>	<u>(4,005)</u>
Net cash provided by operating activities	<u>29,914</u>	<u>24,032</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(22)	(47)
Proceeds from disposal of available-for-sale financial assets	1	84
Capital reduction of available-for-sale financial assets	-	44
Acquisition of time deposits and negotiable certificate of deposits with maturities of more than three months	(11,448)	(411)
Proceeds from disposal of time deposits and negotiable certificate of deposits with maturities of more than three months	554	435
Acquisition of held-to-maturity financial assets	(1,002)	-
Proceeds from disposal of held-to-maturity financial assets	1,775	1,570
Acquisition of investments accounted for using equity method	(6)	(133)
Proceeds from disposal of investments accounted for using equity method	11	-
Acquisition of property, plant and equipment	(10,321)	(13,090)
Proceeds from disposal of property, plant and equipment	1	4
Acquisition of intangible assets	(127)	(149)
Decrease (increase) in other noncurrent assets	362	(341)
Interest received	139	22
Cash dividends received	<u>406</u>	<u>452</u>
Net cash used in investing activities	<u>(19,677)</u>	<u>(11,560)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	2,750	831
Repayment of short-term loans	(2,454)	-
Proceeds from long-term loans	-	348
Repayment of long-term loans	(100)	-
Customers' deposits refunded	(107)	(59)
Increase (decrease) in other noncurrent liabilities	466	(5)
Proceeds from disposal of interest in subsidiaries without losing control	45	-
Other change in noncontrolling interests	<u>(35)</u>	<u>-</u>
Net cash provided by financing activities	<u>565</u>	<u>1,115</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(77)</u>	<u>(31)</u>

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CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions of New Taiwan Dollars)

(Unaudited)

	For the Six Months Ended	
	June 30	
	2015	2014
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 10,725	\$ 13,556
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>23,560</u>	<u>14,585</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 34,285</u>	<u>\$ 28,141</u>

(Concluded)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014 (Unaudited)

STATEMENT OF COMPLIANCE

The Company has prepared its consolidated balance sheets as of June 30, 2015 and 2014, the related consolidated statements of comprehensive income for the three months ended June 30, 2015 and 2014 and for the six months ended June 30, 2015 and 2014, as well as the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2015 and 2014 in accordance with IAS 34 “Interim Financial Reporting” as issued by the International Accounting Standard Board. The consolidated financial statements are incomplete as they omit the related footnote disclosures as required under IFRSs.