

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

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2015 and 2014**

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Millions of New Taiwan Dollars)

	September 30, 2015 (Unaudited)		December 31, 2014 (Audited)		September 30, 2014 (Unaudited)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 20,608	5	\$ 23,560	5	\$ 8,099	2
Financial assets at fair value through profit or loss	26	-	1	-	4	-
Held-to-maturity financial assets	1,528	-	3,457	1	4,267	1
Hedging derivative assets	15	-	-	-	-	-
Trade notes and accounts receivable, net	27,822	6	26,228	6	25,689	6
Accounts receivable from related parties	64	-	81	-	63	-
Inventories	6,556	2	7,097	2	8,586	2
Prepayments	5,408	1	2,444	-	5,741	1
Other current monetary assets	3,969	1	3,325	1	5,549	1
Other current assets	<u>2,880</u>	<u>1</u>	<u>3,219</u>	<u>1</u>	<u>3,831</u>	<u>1</u>
Total current assets	<u>68,876</u>	<u>16</u>	<u>69,412</u>	<u>16</u>	<u>61,829</u>	<u>14</u>
<b>NONCURRENT ASSETS</b>						
Available-for-sale financial assets	5,344	1	6,281	1	5,204	1
Held-to-maturity financial assets	3,095	1	4,028	1	4,635	1
Investments accounted for using equity method	2,897	1	2,750	1	2,608	1
Property, plant and equipment	292,963	68	302,650	68	298,194	69
Investment properties	7,800	2	7,621	2	8,006	2
Intangible assets	40,917	9	42,825	9	43,243	10
Deferred income tax assets	1,964	-	1,826	-	1,793	-
Prepayments	3,473	1	3,504	1	3,549	1
Other noncurrent assets	<u>6,233</u>	<u>1</u>	<u>5,601</u>	<u>1</u>	<u>5,130</u>	<u>1</u>
Total noncurrent assets	<u>364,686</u>	<u>84</u>	<u>377,086</u>	<u>84</u>	<u>372,362</u>	<u>86</u>
<b>TOTAL</b>	<u>\$ 433,562</u>	<u>100</u>	<u>\$ 446,498</u>	<u>100</u>	<u>\$ 434,191</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term loans	\$ 113	-	\$ 564	-	\$ 1,015	-
Repurchase agreements collateralized by bonds	-	-	-	-	4,000	1
Hedging derivative liabilities	-	-	-	-	1	-
Trade notes and accounts payable	14,052	3	18,519	4	15,714	4
Payables to related parties	352	-	408	-	371	-
Current tax liabilities	6,254	2	6,982	2	4,893	1
Other payables	20,921	5	24,335	6	21,546	5
Provisions	150	-	179	-	117	-
Advance receipts	9,768	2	9,913	2	9,876	2
Current portion of long-term loans	61	-	-	-	1,650	1
Other current liabilities	<u>1,489</u>	<u>-</u>	<u>1,619</u>	<u>-</u>	<u>1,611</u>	<u>-</u>
Total current liabilities	<u>53,160</u>	<u>12</u>	<u>62,519</u>	<u>14</u>	<u>60,794</u>	<u>14</u>
<b>NONCURRENT LIABILITIES</b>						
Long-term loans	1,831	-	1,900	-	348	-
Deferred income taxes liabilities	109	-	132	-	127	-
Provisions	51	-	93	-	122	-
Customers' deposits	4,634	1	4,759	1	4,756	1
Net defined benefit liabilities	6,770	2	6,470	2	5,789	2
Deferred revenue	3,590	1	3,398	1	3,519	1
Other noncurrent liabilities	<u>2,737</u>	<u>1</u>	<u>1,515</u>	<u>-</u>	<u>1,379</u>	<u>-</u>
Total noncurrent liabilities	<u>19,722</u>	<u>5</u>	<u>18,267</u>	<u>4</u>	<u>16,040</u>	<u>4</u>
Total liabilities	<u>72,882</u>	<u>17</u>	<u>80,786</u>	<u>18</u>	<u>76,834</u>	<u>18</u>
<b>EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT</b>						
Common stock	<u>77,574</u>	<u>18</u>	<u>77,574</u>	<u>18</u>	<u>77,574</u>	<u>18</u>
Additional paid-in capital	<u>146,732</u>	<u>34</u>	<u>146,720</u>	<u>33</u>	<u>146,720</u>	<u>34</u>
Retained earnings						
Legal reserve	77,574	18	76,893	17	76,893	18
Special reserve	2,676	-	2,820	1	2,820	-
Unappropriated earnings	<u>51,175</u>	<u>12</u>	<u>55,895</u>	<u>12</u>	<u>49,034</u>	<u>11</u>
Total retained earnings	<u>131,425</u>	<u>30</u>	<u>135,608</u>	<u>30</u>	<u>128,747</u>	<u>29</u>
Other adjustments	<u>180</u>	<u>-</u>	<u>886</u>	<u>-</u>	<u>(373)</u>	<u>-</u>
Total equity attributable to stockholders of the parent	<u>355,911</u>	<u>82</u>	<u>360,788</u>	<u>81</u>	<u>352,668</u>	<u>81</u>
<b>NONCONTROLLING INTERESTS</b>	<u>4,769</u>	<u>1</u>	<u>4,924</u>	<u>1</u>	<u>4,689</u>	<u>1</u>
Total equity	<u>360,680</u>	<u>83</u>	<u>365,712</u>	<u>82</u>	<u>357,357</u>	<u>82</u>
<b>TOTAL</b>	<u>\$ 433,562</u>	<u>100</u>	<u>\$ 446,498</u>	<u>100</u>	<u>\$ 434,191</u>	<u>100</u>

## 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 September 30				For the Nine Months Ended September 30			
	2015		2014		2015		2014	
	Amount	%	Amount	%	Amount	%	Amount	%
REVENUES	\$ 56,178	100	\$ 56,141	100	\$ 169,571	100	\$ 166,975	100
OPERATING COSTS	<u>33,895</u>	<u>60</u>	<u>36,458</u>	<u>65</u>	<u>106,302</u>	<u>63</u>	<u>106,495</u>	<u>64</u>
GROSS PROFIT	<u>22,283</u>	<u>40</u>	<u>19,683</u>	<u>35</u>	<u>63,269</u>	<u>37</u>	<u>60,480</u>	<u>36</u>
OPERATING EXPENSES								
Marketing	6,184	11	6,681	12	18,193	11	19,277	11
General and administrative	1,105	2	994	2	3,355	2	3,161	2
Research and development	<u>915</u>	<u>2</u>	<u>824</u>	<u>1</u>	<u>2,616</u>	<u>1</u>	<u>2,615</u>	<u>2</u>
Total operating expenses	<u>8,204</u>	<u>15</u>	<u>8,499</u>	<u>15</u>	<u>24,164</u>	<u>14</u>	<u>25,053</u>	<u>15</u>
OTHER INCOME AND EXPENSES	<u>(42)</u>	<u>-</u>	<u>(13)</u>	<u>-</u>	<u>(86)</u>	<u>-</u>	<u>(33)</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>14,037</u>	<u>25</u>	<u>11,171</u>	<u>20</u>	<u>39,019</u>	<u>23</u>	<u>35,394</u>	<u>21</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	82	-	73	-	244	-	216	-
Other revenue	52	-	80	-	575	-	475	-
Other gains and losses	(132)	-	92	-	(203)	-	82	-
Interest expenses	(9)	-	(15)	-	(24)	-	(34)	-
Share of the profit of associates and joint ventures accounted for using equity method	<u>186</u>	<u>-</u>	<u>267</u>	<u>1</u>	<u>693</u>	<u>1</u>	<u>684</u>	<u>1</u>
Total non-operating income and expenses	<u>179</u>	<u>-</u>	<u>497</u>	<u>1</u>	<u>1,285</u>	<u>1</u>	<u>1,423</u>	<u>1</u>
INCOME BEFORE INCOME TAX	14,216	25	11,668	21	40,304	24	36,817	22
INCOME TAX EXPENSE	<u>3,476</u>	<u>6</u>	<u>2,772</u>	<u>5</u>	<u>6,220</u>	<u>4</u>	<u>6,714</u>	<u>4</u>
NET INCOME	<u>10,740</u>	<u>19</u>	<u>8,896</u>	<u>16</u>	<u>34,084</u>	<u>20</u>	<u>30,103</u>	<u>18</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	213	1	51	-	128	-	14	-
Unrealized loss on available-for-sale financial assets	(506)	(1)	(24)	-	(839)	-	(258)	-
Cash flow hedges	16	-	(1)	-	16	-	(1)	-

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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 September 30				For the Nine Months Ended September 30			
	2015		2014		2015		2014	
	Amount	%	Amount	%	Amount	%	Amount	%
Share of exchange differences arising from the translation of the foreign operations of associates	\$ 7	-	\$ 28	-	\$ 7	-	\$ 4	-
Income tax benefit (expense) relating to items that may be reclassified subsequently	<u>1</u>	-	<u>2</u>	-	<u>(3)</u>	-	<u>4</u>	-
	<u>(269)</u>	-	<u>56</u>	-	<u>(691)</u>	-	<u>(237)</u>	-
Total other comprehensive income (loss), net	<u>(269)</u>	-	<u>56</u>	-	<u>(691)</u>	-	<u>(237)</u>	-
TOTAL COMPREHENSIVE INCOME	<u>\$ 10,471</u>	<u>19</u>	<u>\$ 8,952</u>	<u>16</u>	<u>\$ 33,393</u>	<u>20</u>	<u>\$ 29,866</u>	<u>18</u>
NET INCOME ATTRIBUTABLE TO								
TO								
Stockholders of the parent	\$ 10,597	19	\$ 8,834	16	\$ 33,552	20	\$ 29,703	18
Noncontrolling interests	<u>143</u>	-	<u>62</u>	-	<u>532</u>	-	<u>400</u>	-
	<u>\$ 10,740</u>	<u>19</u>	<u>\$ 8,896</u>	<u>16</u>	<u>\$ 34,084</u>	<u>20</u>	<u>\$ 30,103</u>	<u>18</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO								
Stockholders of the parent	\$ 10,299	19	\$ 8,873	16	\$ 32,846	20	\$ 29,474	18
Noncontrolling interests	<u>172</u>	-	<u>79</u>	-	<u>547</u>	-	<u>392</u>	-
	<u>\$ 10,471</u>	<u>19</u>	<u>\$ 8,952</u>	<u>16</u>	<u>\$ 33,393</u>	<u>20</u>	<u>\$ 29,866</u>	<u>18</u>
EARNINGS PER SHARE								
Basic	<u>\$1.37</u>		<u>\$1.14</u>		<u>\$4.33</u>		<u>\$3.83</u>	
Diluted	<u>\$1.37</u>		<u>\$1.14</u>		<u>\$4.31</u>		<u>\$3.83</u>	

(Concluded)

**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN 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)
Change in additional paid-in capital from share subscription not based on original ownership of a subsidiary	-	3	-	-	-	-	-	-	-	-	3	-	3
Cash distributed from additional paid-in capital	-	(16,577)	-	-	-	-	-	-	-	-	(16,577)	-	(16,577)
Net income for the nine months ended September 30, 2014	-	-	-	-	29,703	29,703	-	-	-	-	29,703	400	30,103
Other comprehensive income (loss) for the nine months ended September 30, 2014	-	-	-	-	-	-	17	(245)	(1)	(229)	(229)	(8)	(237)
Total comprehensive income (loss) for the nine months ended September 30, 2014	-	-	-	-	29,703	29,703	17	(245)	(1)	(229)	29,474	392	29,866
Employee stock bonus issued by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	5	5
Compensation cost of employee stock option of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	80	80
Increase in noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-	163	163
BALANCE, SEPTEMBER 30, 2014	<u>\$ 77,574</u>	<u>\$ 146,720</u>	<u>\$ 76,893</u>	<u>\$ 2,820</u>	<u>\$ 49,034</u>	<u>\$ 128,747</u>	<u>\$ 23</u>	<u>\$ (395)</u>	<u>\$ (1)</u>	<u>\$ (373)</u>	<u>\$ 352,668</u>	<u>\$ 4,689</u>	<u>\$ 357,357</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	-	-	-	-	-	-	-	-	-	-	-	(350)	(350)
Partial disposal of interests in subsidiaries	-	27	-	-	-	-	-	-	-	-	27	18	45
Change in additional paid-in capital from share subscription not based on original ownership of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	1	1
Net income for the nine months ended September 30, 2015	-	-	-	-	33,552	33,552	-	-	-	-	33,552	532	34,084
Other comprehensive income (loss) for the nine months ended September 30, 2015	-	-	-	-	-	-	122	(843)	15	(706)	(706)	15	(691)
Total comprehensive income (loss) for the nine months ended September 30, 2015	-	-	-	-	33,552	33,552	122	(843)	15	(706)	32,846	547	33,393
Compensation cost of employee stock option of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	44	44
Purchase of treasury stocks by a subsidiary	-	(15)	-	-	(62)	(62)	-	-	-	-	(77)	(416)	(493)
Increase in noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	1	1
BALANCE, SEPTEMBER 30, 2015	<u>\$ 77,574</u>	<u>\$ 146,732</u>	<u>\$ 77,574</u>	<u>\$ 2,676</u>	<u>\$ 51,175</u>	<u>\$ 131,425</u>	<u>\$ 268</u>	<u>\$ (103)</u>	<u>\$ 15</u>	<u>\$ 180</u>	<u>\$ 355,911</u>	<u>\$ 4,769</u>	<u>\$ 360,680</u>

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions of New Taiwan Dollars)

(Unaudited)

	For the Nine Months Ended September 30	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 40,304	\$ 36,817
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	22,908	23,990
Amortization	2,308	1,499
Provision for doubtful accounts	356	211
Interest expenses	24	34
Interest income	(244)	(216)
Dividend income	(218)	(78)
Compensation cost of employee share options	44	80
Share of the profit of associates accounted for using equity method	(693)	(684)
Impairment loss on available-for-sale financial assets	107	9
Impairment loss on associates and jointly controlled entities accounted for using equity method	8	-
Provision for inventory and obsolescence	137	256
Loss (gain) on disposal of financial instruments	-	(46)
Loss on disposal of property, plant and equipment	86	33
Loss (gain) on disposal of investments accounted for using equity method	(5)	6
Valuation gain on financial instruments at fair value through profit or loss, net	(26)	(4)
Loss on foreign exchange ,net	86	199
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets held for trading	1	-
Trade notes and accounts receivable	(1,927)	(2,991)
Receivables from related parties	17	6
Inventories	433	(993)
Other current monetary assets	(787)	(645)
Prepayments	(2,888)	(3,458)
Other current assets	346	129
Increase (decrease) in:		
Trade notes and accounts payable	(4,591)	71
Payables to related parties	(56)	(185)
Other payables	(1,411)	(3,846)
Provisions	(71)	(13)
Advance receipts	(144)	412
Other current liabilities	(125)	10
Deferred revenue	192	(182)
Net defined benefit liabilities	300	306
Cash generated from operations	54,471	50,727

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# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions of New Taiwan Dollars)

(Unaudited)

	For the Nine Months Ended September 30	
	2015	2014
Interest paid	\$ (24)	\$ (34)
Income tax paid	<u>(7,114)</u>	<u>(8,248)</u>
Net cash provided by operating activities	<u>47,333</u>	<u>42,445</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of available-for-sale financial assets	(29)	(60)
Proceeds from disposal of available-for-sale financial assets	1	85
Capital reduction of available-for-sale financial assets	19	44
Acquisition of time deposits and negotiable certificate of deposits with maturities of more than three months	(11,477)	(411)
Proceeds from disposal of time deposits and negotiable certificate of deposits with maturities of more than three months	11,645	437
Acquisition of held-to-maturity financial assets	(1,002)	-
Proceeds from disposal of held-to-maturity financial assets	3,850	2,845
Acquisition of investments accounted for using equity method	(6)	(133)
Acquisition of property, plant and equipment	(15,474)	(20,972)
Proceeds from disposal of investments accounted for using equity method	16	-
Net cash outflow on acquisition of subsidiaries	(114)	-
Proceeds from disposal of property, plant and equipment	1	3
Acquisition of intangible assets	(226)	(343)
Increase in other noncurrent assets	(589)	(262)
Interest received	265	37
Cash dividends received	<u>759</u>	<u>513</u>
Net cash used in investing activities	<u>(12,361)</u>	<u>(18,217)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term loans	2,750	895
Repayment of short-term loans	(3,255)	(134)
Proceeds from long-term loans	-	348
Repayment of long-term loans	(104)	(50)
Customers' deposits refunded	(128)	(77)
Increase in repurchase agreement collateralized by bonds	-	4,000
Increase in other noncurrent liabilities	1,221	45
Proceeds from disposal of interest in subsidiaries without losing control	45	-
Cash dividends and cash distributed from additional paid-in capital	(37,673)	(35,103)
Cash dividends paid to noncontrolling interests	(350)	(797)
Other change in noncontrolling interests	<u>(488)</u>	<u>164</u>
Net cash used in financing activities	<u>(37,982)</u>	<u>(30,709)</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 Nine Months Ended September 30	
	2015	2014
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ <u>58</u>	\$ <u>(5)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,952)	(6,486)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>23,560</u>	<u>14,585</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 20,608</u>	<u>\$ 8,099</u>

(Concluded)



# **CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**

## **NOTE TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014 (Unaudited)**

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### **STATEMENT OF COMPLIANCE**

The Company has prepared its consolidated balance sheets as of September 30, 2015 and 2014, the related consolidated statements of comprehensive income for the three months ended September 30, 2015 and 2014 and for the nine months ended September 30, 2015 and 2014, as well as the consolidated statements of changes in equity and cash flows for the nine months ended September 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.