

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 2016 and 2015**

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Millions of New Taiwan Dollars)

ASSETS	March 31, 2016 (Unaudited)		December 31, 2015 (Audited)		March 31, 2015 (Unaudited)		LIABILITIES AND EQUITY	March 31, 2016 (Unaudited)		December 31, 2015 (Audited)		March 31, 2015 (Unaudited)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents	\$ 34,545	8	\$ 30,271	7	\$ 30,801	7	Short-term loans	\$ 70	-	\$ 110	-	\$ 560	-
Financial assets at fair value through profit or loss	9	-	-	-	-	-	Financial liabilities at fair value through profit or loss	2	-	-	-	-	-
Hedging derivative assets	2	-	1	-	-	-	Trade notes and accounts payable	13,728	3	16,301	4	14,875	3
Held-to-maturity financial assets	2,729	-	1,881	-	2,754	1	Payables to related parties	392	-	611	-	256	-
Trade notes and accounts receivable, net	27,894	6	26,926	6	27,606	6	Current tax liabilities	11,196	3	9,171	2	10,139	2
Accounts receivable from related parties	35	-	42	-	61	-	Other payables	23,623	5	25,487	6	21,180	5
Inventories	6,911	2	8,780	2	6,877	1	Provisions	143	-	190	-	211	-
Prepayments	6,083	1	2,669	1	5,809	1	Advance receipts	9,157	2	9,567	2	9,544	2
Other current monetary assets	3,373	1	3,301	1	2,893	1	Current portion of long-term loans	4	-	8	-	-	-
Other current assets	2,530	-	2,336	1	2,917	1	Other current liabilities	1,373	-	1,501	-	1,486	1
Total current assets	84,111	18	76,207	18	79,718	18	Total current liabilities	59,688	13	62,946	14	58,251	13
NONCURRENT ASSETS							NONCURRENT LIABILITIES						
Available-for-sale financial assets	5,393	1	5,511	1	6,681	1	Long-term loans	1,646	-	1,742	-	1,850	-
Held-to-maturity financial assets	1,290	-	2,140	-	4,026	1	Deferred income taxes liabilities	662	-	148	-	124	-
Investments accounted for using equity method	2,938	1	2,895	1	3,036	1	Provisions	59	-	58	-	86	-
Property, plant and equipment	291,630	64	296,399	65	298,417	66	Customers' deposits	4,551	1	4,726	1	4,639	1
Investment properties	7,898	2	7,902	2	7,670	2	Net defined benefit liabilities	1,361	-	7,099	2	6,570	2
Intangible assets	49,703	11	50,447	11	42,129	9	Deferred revenue	3,532	1	3,616	1	3,717	1
Deferred income tax assets	1,041	-	2,061	-	1,874	-	Other noncurrent liabilities	3,361	1	3,097	1	1,589	-
Net defined benefit assets	3,038	1	11	-	8	-	Total noncurrent liabilities	15,172	3	20,486	5	18,575	4
Prepayments	3,505	1	3,612	1	3,523	1	Total liabilities	74,860	16	83,432	19	76,826	17
Other noncurrent assets	5,414	1	5,586	1	5,394	1	EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT						
Total noncurrent assets	371,850	82	376,564	82	372,758	82	Common stocks	77,574	17	77,574	17	77,574	17
							Additional paid-in capital	147,180	32	146,733	32	146,747	33
							Retained earnings						
							Legal reserve	77,574	17	77,574	17	76,893	17
							Special reserve	2,676	1	2,676	1	2,820	1
							Unappropriated earnings	69,923	16	59,448	13	65,253	14
							Total retained earnings	150,173	34	139,698	31	144,966	32
							Other adjustments	70	-	269	-	1,288	-
							Total equity attributable to stockholders of the parent	374,997	83	364,274	80	370,575	82
							NONCONTROLLING INTERESTS						
								6,104	1	5,065	1	5,075	1
							Total equity	381,101	84	369,339	81	375,650	83
TOTAL	\$ 455,961	100	\$ 452,771	100	\$ 452,476	100	TOTAL	\$ 455,961	100	\$ 452,771	100	\$ 452,476	100

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

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

	Three Months Ended March 31			
	2016 (Unaudited)		2015 (Unaudited)	
	Amount	%	Amount	%
REVENUES	\$ 56,944	100	\$ 56,473	100
OPERATING COSTS	<u>35,106</u>	<u>62</u>	<u>36,696</u>	<u>65</u>
GROSS PROFIT	<u>21,838</u>	<u>38</u>	<u>19,777</u>	<u>35</u>
OPERATING EXPENSES				
Marketing	5,996	11	5,983	11
General and administrative	1,151	2	1,145	2
Research and development	<u>902</u>	<u>2</u>	<u>835</u>	<u>1</u>
Total operating expenses	<u>8,049</u>	<u>15</u>	<u>7,963</u>	<u>14</u>
OTHER INCOME AND EXPENSES	<u>(6)</u>	<u>-</u>	<u>(29)</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>13,783</u>	<u>23</u>	<u>11,785</u>	<u>21</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	49	-	67	-
Other income	365	1	253	-
Other gains and losses	4	-	125	-
Interest expenses	(5)	-	(9)	-
Share of the profit of associates and joint ventures accounted for using equity method	<u>81</u>	<u>-</u>	<u>284</u>	<u>1</u>
Total non-operating income and expenses	<u>494</u>	<u>1</u>	<u>720</u>	<u>1</u>
INCOME BEFORE INCOME TAX	14,277	24	12,505	22
INCOME TAX EXPENSE	<u>3,571</u>	<u>6</u>	<u>3,023</u>	<u>5</u>
NET INCOME	<u>10,706</u>	<u>18</u>	<u>9,482</u>	<u>17</u>
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss:				
Share of remeasurements of defined benefit pension plans of associates and joint ventures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

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

	Three Months Ended March 31			
	2016 (Unaudited)		2015 (Unaudited)	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from the translation of the foreign operations	\$ (83)	-	\$ (29)	-
Unrealized gain (loss) on available-for-sale financial assets	(124)	-	428	-
Cash flow hedges	1	-	-	-
Share of exchange differences arising from the translation of the foreign operations of associates and joint ventures	(1)	-	1	-
Income tax expense relating to items that may be reclassified subsequently	(1)	-	(3)	-
	<u>(208)</u>	<u>-</u>	<u>397</u>	<u>-</u>
Total other comprehensive income (loss), net	<u>(208)</u>	<u>-</u>	<u>397</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 10,498</u>	<u>18</u>	<u>\$ 9,879</u>	<u>17</u>
NET INCOME ATTRIBUTABLE TO				
Stockholders of the parent	\$ 10,475	18	\$ 9,358	17
Noncontrolling interests	<u>231</u>	<u>-</u>	<u>124</u>	<u>-</u>
	<u>\$ 10,706</u>	<u>18</u>	<u>\$ 9,482</u>	<u>17</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO				
TO				
Stockholders of the parent	\$ 10,276	18	\$ 9,760	17
Noncontrolling interests	<u>222</u>	<u>-</u>	<u>119</u>	<u>-</u>
	<u>\$ 10,498</u>	<u>18</u>	<u>\$ 9,879</u>	<u>17</u>
EARNINGS PER SHARE				
Basic	<u>\$1.35</u>		<u>\$1.21</u>	
Diluted	<u>\$1.35</u>		<u>\$1.20</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' Equity	Noncontrolling Interests	Total Equity
	Common Stock	Additional Paid-in Capital	Legal Reserve	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			
				Special Reserve	Unappropriated Earnings	Total Retained Earnings							
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
Partial disposal of interests in subsidiaries	-	27	-	-	-	-	-	-	-	-	27	18	45
Net income for the three months ended March 31, 2015	-	-	-	-	9,358	9,358	-	-	-	-	9,358	124	9,482
Other comprehensive income for the three months ended March 31, 2015	-	-	-	-	-	-	(21)	423	-	402	402	(5)	397
Total comprehensive income for the three months ended March 31, 2015	-	-	-	-	9,358	9,358	(21)	423	-	402	9,760	119	9,879
Compensation cost of employee stock option of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	14	14
BALANCE, MARCH 31, 2015	<u>\$ 77,574</u>	<u>\$ 146,747</u>	<u>\$ 76,893</u>	<u>\$ 2,820</u>	<u>\$ 65,253</u>	<u>\$ 144,966</u>	<u>\$ 125</u>	<u>\$ 1,163</u>	<u>\$ -</u>	<u>\$ 1,288</u>	<u>\$ 370,575</u>	<u>\$ 5,075</u>	<u>\$ 375,650</u>
BALANCE, JANUARY 1, 2016	\$ 77,574	\$ 146,733	\$ 77,574	\$ 2,676	\$ 59,448	\$ 139,698	\$ 177	\$ 91	\$ 1	\$ 269	\$ 364,274	\$ 5,065	\$ 369,339
Partial disposal of interests in subsidiaries	-	58	-	-	-	-	-	-	-	-	58	25	83
Change in additional paid-in capital for not participating in the capital increase of a subsidiary	-	389	-	-	-	-	-	-	-	-	389	786	1,175
Net income for the three months ended March 31, 2016	-	-	-	-	10,475	10,475	-	-	-	-	10,475	231	10,706
Other comprehensive income for the three months ended March 31, 2016	-	-	-	-	-	-	(74)	(126)	1	(199)	(199)	(9)	(208)
Total comprehensive income for the three months ended March 31, 2016	-	-	-	-	10,475	10,475	(74)	(126)	1	(199)	10,276	222	10,498
Share-based payment transactions of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	6	6
BALANCE, MARCH 31, 2016	<u>\$ 77,574</u>	<u>\$ 147,180</u>	<u>\$ 77,574</u>	<u>\$ 2,676</u>	<u>\$ 69,923</u>	<u>\$ 150,173</u>	<u>\$ 103</u>	<u>\$ (35)</u>	<u>\$ 2</u>	<u>\$ 70</u>	<u>\$ 374,997</u>	<u>\$ 6,104</u>	<u>\$ 381,101</u>

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Millions of New Taiwan Dollars)

	Three Months Ended March 31	
	2016	2015
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 14,277	\$ 12,505
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	7,345	7,784
Amortization	782	770
Provision for doubtful accounts	117	180
Interest expenses	5	9
Interest income	(49)	(67)
Compensation cost of share-based payment transactions	6	14
Share of the profit of associates and joint ventures accounted for using equity method	(81)	(284)
Loss on disposal of investments accounted for by using equity method	-	(5)
Impairment loss on available-for-sale financial assets	-	26
Provision for inventory and obsolescence	104	53
Loss on disposal of financial instruments	-	-
Loss on disposal of property, plant and equipment	6	29
Loss on disposal of intangible assets	-	-
Valuation loss (gain) on financial assets and liabilities at fair value through profit or loss, net	(7)	-
Loss (gain) on foreign exchange, net	4	(114)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets held for trading	-	1
Trade notes and accounts receivable	(1,087)	(1,545)
Accounts receivable from related parties	7	20
Inventories	1,765	166
Prepayments	(3,307)	(3,383)
Other current monetary assets	(185)	292
Other current assets	(195)	303
Increase (decrease) in:		
Trade notes and accounts payable	(2,565)	(3,623)
Payables to related parties	(219)	(152)
Other payables	(1,086)	(1,206)
Provisions	(46)	25
Advance receipts	(222)	(369)
Other current liabilities	(1)	(128)
Deferred revenue	(83)	319
Net defined benefit plans	(8,775)	100
Cash generated from operations	<u>6,510</u>	<u>11,720</u>

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CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Millions of New Taiwan Dollars)

	Three Months Ended March 31	
	2016 (Unaudited)	2015 (Unaudited)
Interest paid	\$ (5)	\$ (9)
Income tax refunded (paid)	<u>(15)</u>	<u>73</u>
Net cash provided by operating activities	<u>6,490</u>	<u>11,784</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of time deposits and negotiable certificate of deposits with maturities of more than three months	(1,600)	(1)
Proceeds from disposal of time deposits and negotiable certificate of deposits with maturities of more than three months	1,713	136
Proceeds from disposal of held-to-maturity financial assets	-	700
Acquisition of available-for-sale financial assets	(6)	-
Proceeds from disposal of available-for-sale financial assets	-	1
Proceeds from disposal of investments accounted for using equity method	-	11
Acquisition of property, plant and equipment	(3,385)	(5,532)
Proceeds from disposal of property, plant and equipment	4	-
Acquisition of intangible assets	(39)	(75)
Decrease in other noncurrent assets	169	239
Interest received	<u>49</u>	<u>69</u>
Net cash used in investing activities	<u>(3,095)</u>	<u>(4,452)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	-	1,050
Repayment of short-term loans	(40)	(1,054)
Repayment of long-term loans	(100)	(50)
Decrease in customers' deposits	(303)	(123)
Increase in other noncurrent liabilities	75	74
Partial disposal of interests in subsidiaries without losing control	84	45
Change in other noncontrolling interests	<u>1,176</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>892</u>	<u>(58)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(13)</u>	<u>(33)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,274	7,241
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>30,271</u>	<u>23,560</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 34,545</u>	<u>\$ 30,801</u>

(Concluded)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MARCH 31, 2016 and 2015 (Unaudited)

STATEMENT OF COMPLIANCE

The Company has prepared its consolidated balance sheets as of March 31, 2016 and 2015, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2016 and 2015 in accordance with the International Financial Reporting Standards, International Accounting Standard and International Financial Reporting Interpretations Committee, as issued by the International Accounting Standard Board (collectively, "IFRSs"). The consolidated financial statements are incomplete as they omit the related footnote disclosures as required under IFRSs.