

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

**Consolidated Financial Statements for the
Six Months Ended June 30, 2020 and 2019**

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Millions of New Taiwan Dollars)

ASSETS	June 30, 2020 (Unaudited)		December 31, 2019 (Audited)		June 30, 2019 (Unaudited)		LIABILITIES AND EQUITY	June 30, 2020 (Unaudited)		December 31, 2019 (Audited)		June 30, 2019 (Unaudited)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents	\$ 19,150	4	\$ 34,050	7	\$ 36,551	7	Short-term loans	\$ 60	-	\$ 90	-	\$ 95	-
Financial assets at fair value through profit or loss	8	-	1	-	3	-	Short-term bills payable	15,990	3	-	-	-	-
Hedging financial assets	2	-	-	-	2	-	Financial liabilities at fair value through profit or loss	-	-	-	-	1	-
Contract assets	4,519	1	4,441	1	4,667	1	Contract liabilities	18,191	4	16,840	3	14,724	3
Trade notes and accounts receivable, net	26,711	5	26,408	6	27,704	6	Trade notes and accounts payable	12,478	3	15,312	3	15,321	3
Receivables from related parties	25	-	17	-	22	-	Payables to related parties	377	-	654	-	399	-
Inventories	18,140	4	17,344	4	15,257	3	Current tax liabilities	5,380	1	5,812	1	5,232	1
Prepayments	4,877	1	1,883	-	4,938	1	Lease liabilities	3,235	1	3,291	1	3,393	1
Other current monetary assets	6,665	1	7,498	2	18,684	4	Dividends payable	32,783	6	-	-	34,746	7
Other current assets	2,088	-	2,430	-	2,634	1	Other payables	20,643	4	22,953	5	20,990	5
Total current assets	82,185	16	94,072	20	110,462	23	Provisions	200	-	207	-	145	-
							Other current liabilities	956	-	984	-	998	-
NONCURRENT ASSETS							Total current liabilities	110,293	22	66,143	13	96,044	20
Financial assets at fair value through profit or loss	709	-	778	-	508	-	NONCURRENT LIABILITIES						
Financial assets at fair value through other comprehensive income	6,900	2	7,154	1	6,649	1	Contract liabilities	6,766	2	6,841	2	6,370	2
Investments accounted for using equity method	7,042	1	7,139	1	2,829	1	Long-term loans	1,600	-	1,600	-	1,600	-
Contract assets	2,456	-	2,601	1	2,406	-	Deferred income taxes liabilities	1,947	-	1,912	-	1,955	-
Property, plant and equipment	279,608	55	283,694	60	283,594	58	Provisions	101	-	97	-	83	-
Right-of-use assets	11,332	3	11,364	2	11,530	2	Lease liabilities	6,381	1	6,467	2	6,341	1
Investment properties	8,214	2	8,169	2	8,272	2	Customers' deposits	4,634	1	4,748	1	4,647	1
Intangible assets	93,390	19	47,047	10	48,934	10	Net defined benefit liabilities	3,566	1	3,505	1	3,613	1
Deferred income tax assets	3,260	1	3,259	1	3,546	1	Other noncurrent liabilities	1,833	-	1,543	-	1,447	-
Incremental costs of obtaining contracts	956	-	943	-	1,010	-	Total noncurrent liabilities	26,828	5	26,713	6	26,056	5
Net defined benefit assets	2,253	-	2,128	-	966	-	Total liabilities	137,121	27	92,856	19	122,100	25
Prepayments	2,496	-	2,679	1	2,844	1	EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT						
Other noncurrent assets	4,996	1	6,101	1	5,709	1	Common stocks	77,574	15	77,574	16	77,574	16
Total noncurrent assets	423,612	84	383,056	80	378,797	77	Additional paid-in capital	149,786	30	149,762	31	149,761	30
							Retained earnings						
							Legal reserve	77,574	15	77,574	16	77,574	16
							Special reserve	2,676	1	2,676	1	2,676	1
							Unappropriated earnings	50,932	10	65,984	14	49,802	10
							Total retained earnings	131,182	26	146,234	31	130,052	27
							Others	188	-	587	-	226	-
							Total equity attributable to stockholders of the parent	358,730	71	374,157	78	357,613	73
							NONCONTROLLING INTERESTS	9,946	2	10,115	3	9,546	2
							Total equity	368,676	73	384,272	81	367,159	75
TOTAL	\$ 505,797	100	\$ 477,128	100	\$ 489,259	100	TOTAL	\$ 505,797	100	\$ 477,128	100	\$ 489,259	100

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

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

	Three Months Ended June 30				Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
REVENUES	\$ 47,808	100	\$ 50,108	100	\$ 95,958	100	\$ 101,439	100
OPERATING COSTS	<u>29,801</u>	<u>63</u>	<u>32,267</u>	<u>64</u>	<u>60,192</u>	<u>63</u>	<u>65,748</u>	<u>65</u>
GROSS PROFIT	<u>18,007</u>	<u>37</u>	<u>17,841</u>	<u>36</u>	<u>35,766</u>	<u>37</u>	<u>35,691</u>	<u>35</u>
OPERATING EXPENSES								
Marketing	5,177	11	5,483	11	10,250	11	10,891	11
General and administrative	1,149	2	1,141	2	2,362	2	2,312	2
Research and development	961	2	954	2	1,897	2	1,875	1
Expected credit loss (reversal of credit loss)	<u>98</u>	<u>-</u>	<u>(46)</u>	<u>-</u>	<u>104</u>	<u>-</u>	<u>(102)</u>	<u>-</u>
Total operating expenses	<u>7,385</u>	<u>15</u>	<u>7,532</u>	<u>15</u>	<u>14,613</u>	<u>15</u>	<u>14,976</u>	<u>14</u>
OTHER INCOME AND EXPENSES	<u>(11)</u>	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>(12)</u>	<u>-</u>	<u>(9)</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>10,611</u>	<u>22</u>	<u>10,304</u>	<u>21</u>	<u>21,141</u>	<u>22</u>	<u>20,706</u>	<u>21</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	33	-	77	-	72	-	130	-
Other income	287	1	279	1	330	-	335	-
Other gains and losses	(68)	-	116	-	(29)	-	97	-
Interest expenses	(48)	-	(26)	-	(90)	-	(52)	-
Share of profits of associates accounted for using equity method	<u>139</u>	<u>-</u>	<u>148</u>	<u>-</u>	<u>174</u>	<u>-</u>	<u>225</u>	<u>-</u>
Total non-operating income and expenses	<u>343</u>	<u>1</u>	<u>594</u>	<u>1</u>	<u>457</u>	<u>-</u>	<u>735</u>	<u>-</u>
INCOME BEFORE INCOME TAX	10,954	23	10,898	22	21,598	22	21,441	21
INCOME TAX EXPENSE	<u>758</u>	<u>2</u>	<u>628</u>	<u>2</u>	<u>3,302</u>	<u>3</u>	<u>3,080</u>	<u>3</u>
NET INCOME	<u>10,196</u>	<u>21</u>	<u>10,270</u>	<u>20</u>	<u>18,296</u>	<u>19</u>	<u>18,361</u>	<u>18</u>
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified to profit or loss:								
Unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income	956	2	(124)	-	(330)	-	(283)	-
Gain or loss on hedging instruments subject to basis adjustment	2	-	5	-	2	-	1	-
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>
	<u>958</u>	<u>2</u>	<u>(119)</u>	<u>-</u>	<u>(328)</u>	<u>-</u>	<u>(282)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:								
Exchange differences arising from the translation of the foreign operations	(68)	-	39	-	(80)	-	63	-
Share of exchange differences arising from the translation of the foreign operations of associates	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(69)</u>	<u>-</u>	<u>39</u>	<u>-</u>	<u>(81)</u>	<u>-</u>	<u>63</u>	<u>-</u>
Total other comprehensive income (loss), net of income tax	<u>889</u>	<u>2</u>	<u>(80)</u>	<u>-</u>	<u>(409)</u>	<u>-</u>	<u>(219)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 11,085</u>	<u>23</u>	<u>\$ 10,190</u>	<u>20</u>	<u>\$ 17,887</u>	<u>19</u>	<u>\$ 18,142</u>	<u>18</u>

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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)

	Three Months Ended June 30				Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
NET INCOME ATTRIBUTABLE TO								
Stockholders of the parent	\$ 9,881	20	\$ 10,044	20	\$ 17,731	18	\$ 17,973	18
Noncontrolling interests	<u>315</u>	<u>1</u>	<u>226</u>	<u>-</u>	<u>565</u>	<u>1</u>	<u>388</u>	<u>-</u>
	<u>\$ 10,196</u>	<u>21</u>	<u>\$ 10,270</u>	<u>20</u>	<u>\$ 18,296</u>	<u>19</u>	<u>\$ 18,361</u>	<u>18</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO								
Stockholders of the parent	\$ 10,778	22	\$ 9,961	20	\$ 17,332	18	\$ 17,739	18
Noncontrolling interests	<u>307</u>	<u>1</u>	<u>229</u>	<u>-</u>	<u>555</u>	<u>1</u>	<u>403</u>	<u>-</u>
	<u>\$ 11,085</u>	<u>23</u>	<u>\$ 10,190</u>	<u>20</u>	<u>\$ 17,887</u>	<u>19</u>	<u>\$ 18,142</u>	<u>18</u>
EARNINGS PER SHARE								
Basic	<u>\$ 1.28</u>		<u>\$ 1.29</u>		<u>\$ 2.29</u>		<u>\$ 2.32</u>	
Diluted	<u>\$ 1.27</u>		<u>\$ 1.29</u>		<u>\$ 2.28</u>		<u>\$ 2.31</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						Others				Total Equity Attributable to Stockholders of the Parent	Noncontrolling Interests	Total Equity
	Common Stocks	Additional Paid-in Capital	Retained Earnings			Total Retained Earnings	Exchange Differences Arising from the Translation of the Foreign Operations	Unrealized Gain or Loss on Financial Assets at FVOCI	Gain on Hedging Instruments	Total Others			
			Legal Reserve	Special Reserve	Unappropriated Earnings								
BALANCE, JANUARY 1, 2019	\$ 77,574	\$ 149,762	\$ 77,574	\$ 2,676	\$ 66,575	\$ 146,825	\$ (79)	\$ 538	\$ 1	\$ 460	\$ 374,621	\$ 9,837	\$ 384,458
Appropriation of 2018 earnings													
Cash dividends distributed by Chunghwa	-	-	-	-	(34,746)	(34,746)	-	-	-	-	(34,746)	-	(34,746)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(710)	(710)
Net income for the six months ended June 30, 2019	-	-	-	-	17,973	17,973	-	-	-	-	17,973	388	18,361
Other comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	-	-	41	(276)	1	(234)	(234)	15	(219)
Total comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	17,973	17,973	41	(276)	1	(234)	17,739	403	18,142
Share-based payment transactions of subsidiaries	-	(1)	-	-	-	-	-	-	-	-	(1)	16	15
BALANCE, JUNE 30, 2019	\$ 77,574	\$ 149,761	\$ 77,574	\$ 2,676	\$ 49,802	\$ 130,052	\$ (38)	\$ 262	\$ 2	\$ 226	\$ 357,613	\$ 9,546	\$ 367,159
BALANCE, JANUARY 1, 2020	\$ 77,574	\$ 149,762	\$ 77,574	\$ 2,676	\$ 65,984	\$ 146,234	\$ (148)	\$ 735	\$ -	\$ 587	\$ 374,157	\$ 10,115	\$ 384,272
Appropriation of 2019 earnings													
Cash dividends distributed by Chunghwa	-	-	-	-	(32,783)	(32,783)	-	-	-	-	(32,783)	-	(32,783)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(775)	(775)
Change in additional paid-in capital for not proportionately participating in the capital increase of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the six months ended June 30, 2020	-	-	-	-	17,731	17,731	-	-	-	-	17,731	565	18,296
Other comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	-	(73)	(328)	2	(399)	(399)	(10)	(409)
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	17,731	17,731	(73)	(328)	2	(399)	17,332	555	17,887
Share-based payment transactions of subsidiaries	-	24	-	-	-	-	-	-	-	-	24	51	75
BALANCE, JUNE 30, 2020	\$ 77,574	\$ 149,786	\$ 77,574	\$ 2,676	\$ 50,932	\$ 131,182	\$ (221)	\$ 407	\$ 2	\$ 188	\$ 358,730	\$ 9,946	\$ 368,676

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions of New Taiwan Dollars)

(Unaudited)

	Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 21,598	\$ 21,441
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	15,449	15,432
Amortization	2,124	2,129
Amortization of incremental costs of obtaining contracts	390	691
Expected credit loss (reversal of credit loss)	104	(102)
Interest expenses	90	52
Interest income	(72)	(130)
Dividend income	(236)	(241)
Compensation cost of share-based payment transactions	3	1
Share of profits of associates accounted for using equity method	(174)	(225)
Loss on disposal of property, plant and equipment	12	9
Loss on disposal of intangible assets	-	-
Loss on disposal of financial instruments	2	-
Loss (gain) on disposal of investments accounted for using equity method	6	(151)
Provision for inventory and obsolescence	196	241
Valuation loss on financial assets and liabilities at fair value through profit or loss, net	68	6
Others	(54)	8
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Contract assets	67	140
Trade notes and accounts receivable	(344)	2,464
Receivables from related parties	(8)	2
Inventories	(991)	(377)
Prepayments	(2,793)	(3,104)
Other current monetary assets	117	(1,033)
Other current assets	342	(58)
Incremental cost of obtaining contracts	(403)	(366)
Increase (decrease) in:		
Contract liabilities	1,276	4,114
Trade notes and accounts payable	(2,833)	(5,144)
Payables to related parties	(277)	(519)
Other payables	(3,302)	(2,127)
Provisions	(3)	22
Other current liabilities	(18)	(154)
Net defined benefit plans	(64)	277
Cash generated from operations	30,272	33,298

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CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions of New Taiwan Dollars)

(Unaudited)

	Six Months Ended June 30	
	2020	2019
Interest paid	\$ (100)	\$ (51)
Income tax paid	<u>(3,701)</u>	<u>(4,073)</u>
Net cash provided by operating activities	<u>26,471</u>	<u>29,174</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(77)	-
Purchase of financial assets at fair value through profit or loss	(39)	-
Proceeds from disposal of financial assets at fair value through profit or loss	30	-
Acquisition of time deposits and negotiable certificates of deposit with maturities of more than three months	(2,693)	(12,308)
Proceeds from disposal of time deposits and negotiable certificates of deposit with maturities of more than three months	3,801	4,654
Proceeds from disposal of agreements collateralized by bonds with maturities of more than three months	15	-
Proceeds from disposal of investments accounted for using equity method	-	32
Acquisition of property, plant and equipment	(9,244)	(10,315)
Proceeds from disposal of property, plant and equipment	25	24
Acquisition of intangible assets	(47,467)	(119)
Acquisition of investment properties	(54)	-
Decrease (increase) in other noncurrent assets	42	(504)
Interest received	78	125
Dividends received	<u>38</u>	<u>18</u>
Net cash used in investing activities	<u>(55,545)</u>	<u>(18,393)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	70	305
Repayment of short-term loans	(100)	(310)
Proceeds from short-term bills payable	29,000	-
Repayment of short-term bills payable	(13,000)	-
Decrease in customers' deposits	(124)	(85)
Payments for the principal of lease liabilities	(2,006)	(1,962)
Increase in other noncurrent liabilities	289	137
Dividends distributed to noncontrolling interests	(7)	-
Change in other noncontrolling interests	<u>72</u>	<u>14</u>
Net cash provided by (used in) financing activities	<u>14,194</u>	<u>(1,901)</u>

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions of New Taiwan Dollars)

(Unaudited)

	<u>Six Months Ended June 30</u>	
	<u>2020</u>	<u>2019</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ (20)	\$ 26
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(14,900)	8,906
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>34,050</u>	<u>27,645</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 19,150</u>	<u>\$ 36,551</u>

(Concluded)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2020 and 2019

(Unaudited)

STATEMENT OF COMPLIANCE

The Company has prepared its consolidated balance sheets as of June 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months ended June 30, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended June 30, 2020 and 2019 in accordance with IAS 34 “Interim Financial Reporting” as issued by the International Accounting Standard Board (IASB). The consolidated financial statements are incomplete as they omit the related footnote disclosures as required under International Financial Reporting Standards as issued by IASB.