

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 2015 and 2014**

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Millions of New Taiwan Dollars)

ASSETS	March 31, 2015 (Unaudited)		December 31, 2014 (Audited)		March 31, 2014 (Unaudited)		LIABILITIES AND EQUITY	March 31, 2015 (Unaudited)		December 31, 2014 (Audited)		March 31, 2014 (Unaudited)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents	\$ 30,801	7	\$ 23,560	5	\$ 18,986	5	Short-term loans	\$ 560	-	\$ 564	-	\$ 304	-
Financial assets at fair value through profit or loss	-	-	1	-	-	-	Financial liabilities at fair value through profit or loss	-	-	-	-	1	-
Available-for-sale financial assets	-	-	-	-	-	-	Hedging derivative liabilities	-	-	-	-	-	-
Held-to-maturity financial assets	2,754	1	3,457	1	4,313	1	Trade notes and accounts payable	14,875	3	18,519	4	12,355	3
Trade notes and accounts receivable, net	27,606	6	26,228	6	22,988	5	Payables to related parties	256	-	408	-	503	-
Accounts receivable from related parties	61	-	81	-	62	-	Current tax liabilities	10,139	2	6,982	2	9,241	2
Inventories	6,877	1	7,097	2	8,944	2	Other payables	21,180	5	24,335	6	22,331	5
Prepayments	5,809	1	2,444	-	5,351	1	Provisions	211	-	179	-	143	-
Other current monetary assets	2,893	1	3,325	1	4,621	1	Advance receipts	9,544	2	9,913	2	9,394	2
Other current assets	2,917	1	3,219	1	4,012	1	Current portion of long-term loans	-	-	-	-	300	-
Total current assets	79,718	18	69,412	16	69,277	16	Other current liabilities	1,486	1	1,619	-	1,603	-
							Total current liabilities	58,251	13	62,519	14	56,175	12
NONCURRENT ASSETS							NONCURRENT LIABILITIES						
Available-for-sale financial assets	6,681	1	6,281	1	5,232	1	Long-term loans	1,850	-	1,900	-	1,400	1
Held-to-maturity financial assets	4,026	1	4,028	1	6,796	1	Deferred income taxes liabilities	124	-	132	-	101	-
Investments accounted for using equity method	3,036	1	2,750	1	2,556	1	Provisions	86	-	93	-	119	-
Property, plant and equipment	298,417	66	302,650	68	299,084	67	Customers' deposits	4,639	1	4,759	1	4,755	1
Investment properties	7,670	2	7,621	2	8,014	2	Net defined benefit liabilities	6,570	2	6,470	2	5,582	1
Intangible assets	42,129	9	42,825	9	44,134	10	Deferred revenue	3,717	1	3,398	1	3,615	1
Deferred income tax assets	1,874	-	1,826	-	1,713	-	Other noncurrent liabilities	1,589	-	1,515	-	1,355	-
Prepayments	3,523	1	3,504	1	3,590	1	Total noncurrent liabilities	18,575	4	18,267	4	16,927	4
Other noncurrent assets	5,402	1	5,601	1	5,059	1	Total liabilities	76,826	17	80,786	18	73,102	16
Total noncurrent assets	372,758	82	377,086	84	376,178	84	EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT						
							Common stock	77,574	17	77,574	18	77,574	17
							Additional paid-in capital	146,747	33	146,720	33	163,294	37
							Retained earnings						
							Legal reserve	76,893	17	76,893	17	74,819	17
							Special reserve	2,820	1	2,820	1	2,676	1
							Unappropriated earnings	65,253	14	55,895	12	49,368	11
							Total retained earnings	144,966	32	135,608	30	126,863	29
							Other adjustments	1,288	-	886	-	(372)	-
							Total equity attributable to stockholders of the parent	370,575	82	360,788	81	367,359	83
							NONCONTROLLING INTERESTS						
								5,075	1	4,924	1	4,994	1
							Total equity	375,650	83	365,712	82	372,353	84
TOTAL	\$ 452,476	100	\$ 446,498	100	\$ 445,455	100	TOTAL	\$ 452,476	100	\$ 446,498	100	\$ 445,455	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			
	2015 (Unaudited)		2014 (Unaudited)	
	Amount	%	Amount	%
REVENUES	\$ 56,473	100	\$ 55,050	100
OPERATING COSTS	<u>36,696</u>	<u>65</u>	<u>35,000</u>	<u>64</u>
GROSS PROFIT	<u>19,777</u>	<u>35</u>	<u>20,050</u>	<u>36</u>
OPERATING EXPENSES				
Marketing	5,983	11	6,168	11
General and administrative	1,145	2	1,083	2
Research and development	<u>835</u>	<u>1</u>	<u>894</u>	<u>2</u>
Total operating expenses	<u>7,963</u>	<u>14</u>	<u>8,145</u>	<u>15</u>
OTHER INCOME AND EXPENSES	<u>(29)</u>	<u>-</u>	<u>(9)</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>11,785</u>	<u>21</u>	<u>11,896</u>	<u>21</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	67	-	59	-
Other revenue	253	-	253	1
Other gains and losses	125	-	(33)	-
Interest expenses	(9)	-	(9)	-
Share of the profit of associates and joint ventures accounted for using equity method	<u>284</u>	<u>1</u>	<u>161</u>	<u>-</u>
Total non-operating income and expenses	<u>720</u>	<u>1</u>	<u>431</u>	<u>1</u>
INCOME BEFORE INCOME TAX	12,505	22	12,327	22
INCOME TAX EXPENSE	<u>3,023</u>	<u>5</u>	<u>2,903</u>	<u>5</u>
NET INCOME	<u>9,482</u>	<u>17</u>	<u>9,424</u>	<u>17</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>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from the translation of the foreign operations	(29)	-	14	-
Unrealized gain (loss) on available-for-sale financial assets	428	-	(260)	-
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)

	Three Months Ended March 31			
	2015 (Unaudited)		2014 (Unaudited)	
	Amount	%	Amount	%
Income tax relating to items that may be reclassified subsequently	\$ (3)	-	\$ 1	-
Share of exchange differences arising from the translation of the foreign operations of associates	<u>1</u>	<u>-</u>	<u>8</u>	<u>-</u>
	<u>397</u>	<u>-</u>	<u>(237)</u>	<u>-</u>
Total other comprehensive income (loss), net	<u>397</u>	<u>-</u>	<u>(237)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 9,879</u>	<u>17</u>	<u>\$ 9,187</u>	<u>17</u>
NET INCOME ATTRIBUTABLE TO				
Stockholders of the parent	\$ 9,358	17	\$ 9,293	17
Noncontrolling interests	<u>124</u>	<u>-</u>	<u>131</u>	<u>-</u>
	<u>\$ 9,482</u>	<u>17</u>	<u>\$ 9,424</u>	<u>17</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Stockholders of the parent	\$ 9,760	17	\$ 9,065	17
Noncontrolling interests	<u>119</u>	<u>-</u>	<u>122</u>	<u>-</u>
	<u>\$ 9,879</u>	<u>17</u>	<u>\$ 9,187</u>	<u>17</u>
EARNINGS PER SHARE				
Basic	<u>\$1.21</u>		<u>\$1.20</u>	
Diluted	<u>\$1.20</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	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					Total Retained 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
Net income for the three months ended March 31, 2014	-	-	-	-	9,293	9,293	-	-	-	-	9,293	131	9,424
Other comprehensive loss for the three months ended March 31, 2014	-	-	-	-	-	-	26	(254)	-	(228)	(228)	(9)	(237)
Total comprehensive income for the three months ended March 31, 2014	-	-	-	-	9,293	9,293	26	(254)	-	(228)	9,065	122	9,187
Compensation cost of employee stock option of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	26	26
BALANCE, MARCH 31, 2014	<u>\$ 77,574</u>	<u>\$ 163,294</u>	<u>\$ 74,819</u>	<u>\$ 2,676</u>	<u>\$ 49,368</u>	<u>\$ 126,863</u>	<u>\$ 32</u>	<u>\$ (404)</u>	<u>\$ -</u>	<u>\$ (372)</u>	<u>\$ 367,359</u>	<u>\$ 4,994</u>	<u>\$ 372,353</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
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>

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

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

	<u>Three Months Ended March 31</u>	
	2015 (Unaudited)	2014 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 12,505	\$ 12,327
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	7,784	8,044
Amortization	770	323
Provision for doubtful accounts	180	51
Interest expenses	9	9
Interest income	(67)	(59)
Compensation cost of employee share options	14	26
Share of the profit of associates and joint ventures accounted for using equity method	(284)	(161)
Impairment loss on available-for-sale financial assets	26	1
Provision for inventory and obsolescence	53	157
Gain on disposal of financial instruments	-	(16)
Loss on disposal of property, plant and equipment	29	9
Loss on disposal of intangible assets	-	-
Valuation loss on financial instruments at fair value through profit or loss, net	-	1
(Loss) Gain on disposal of investments accounted for by using equity method	(5)	2
Gain on foreign exchange	(114)	(72)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets held for trading	1	-
Trade notes and accounts receivable	(1,545)	(132)
Receivables from related parties	20	7
Inventories	166	(1,253)
Other current monetary assets	292	(73)
Prepayments	(3,383)	(3,109)
Other current assets	303	(63)
Increase (decrease) in:		
Trade notes and accounts payable	(3,623)	(3,192)
Payables to related parties	(152)	(54)
Other payables	(1,206)	(3,078)
Provisions	25	10
Advance receipts	(369)	(69)
Other current liabilities	(128)	3
Deferred revenue	319	(86)
Net defined benefit liabilities	100	99
Cash generated from operations	<u>11,720</u>	<u>9,652</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	
	2015	2014
	(Unaudited)	(Unaudited)
Interest paid	\$ (9)	\$ (9)
Income tax refunded (paid)	<u>73</u>	<u>(27)</u>
Net cash provided by operating activities	<u>11,784</u>	<u>9,616</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(27)
Proceeds from disposal of available-for-sale financial assets	1	44
Acquisition of time deposits and negotiable certificate of deposits with maturities of more than three months	(1)	(231)
Proceeds from disposal of time deposits and negotiable certificate of deposits with maturities of more than three months	136	322
Proceeds from disposal of held-to-maturity financial assets	700	650
Acquisition of investments accounted for using equity method	-	(50)
Proceeds from disposal of investments accounted for using equity method	11	-
Acquisition of property, plant and equipment	(5,532)	(5,768)
Proceeds from disposal of property, plant and equipment	-	5
Acquisition of intangible assets	(75)	(58)
Decrease (increase) in other noncurrent assets	239	(188)
Interest received	<u>69</u>	<u>61</u>
Net cash used in investing activities	<u>(4,452)</u>	<u>(5,240)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	1,050	50
Repayment of short-term loans	(1,054)	-
Repayment of long-term loans	(50)	-
Decrease in customers' deposits	(123)	(78)
Increase in other noncurrent liabilities	74	18
Partial disposal of interests in subsidiaries without losing control	<u>45</u>	<u>-</u>
Net cash used in financing activities	<u>(58)</u>	<u>(10)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(33)</u>	<u>35</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,241	4,401
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>23,560</u>	<u>14,585</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 30,801</u>	<u>\$ 18,986</u>

(Concluded)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2015 AND 2014

(Unaudited)

STATEMENT OF COMPLIANCE

The Company has prepared its consolidated balance sheets as of March 31, 2015 and 2014, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2015 and 2014 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.