

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 2020 and 2019**

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Millions of New Taiwan Dollars)

ASSETS	March 31, 2020 (Unaudited)		December 31, 2019 (Audited)		March 31, 2019 (Unaudited)		LIABILITIES AND EQUITY	March 31, 2020 (Unaudited)		December 31, 2019 (Audited)		March 31, 2019 (Unaudited)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents	\$ 16,570	3	\$ 34,050	7	\$ 37,228	8	Short-term loans	\$ 70	-	\$ 90	-	\$ 175	-
Financial assets at fair value through profit or loss	7	-	1	-	-	-	Short-term bills payable	19,966	4	-	-	-	-
Hedging financial assets	-	-	-	-	-	-	Financial liabilities at fair value through profit or loss	1	-	-	-	-	2
Contract assets	4,467	1	4,441	1	4,606	1	Hedging financial liabilities	-	-	-	-	-	3
Trade notes and accounts receivable, net	23,401	5	26,408	6	27,524	5	Contract liabilities	17,163	4	16,840	3	12,417	3
Receivables from related parties	10	-	17	-	18	-	Trade notes and accounts payable	11,890	2	15,312	3	14,948	3
Inventories	17,775	4	17,344	4	13,904	3	Payables to related parties	338	-	654	-	361	-
Prepayments	5,103	1	1,883	-	4,855	1	Current tax liabilities	8,335	2	5,812	1	8,541	2
Other current monetary assets	6,159	1	7,498	2	7,170	1	Lease liabilities	3,395	1	3,291	1	3,500	1
Other current assets	1,876	-	2,430	-	2,926	1	Other payables	19,654	4	22,953	5	20,294	4
							Provisions	200	-	207	-	131	-
Total current assets	75,368	15	94,072	20	98,231	20	Other current liabilities	973	-	984	-	1,052	-
							Total current liabilities	81,985	17	66,143	13	61,424	13
NONCURRENT ASSETS							NONCURRENT LIABILITIES						
Financial assets at fair value through profit or loss	767	-	778	-	511	-	Contract liabilities	6,668	1	6,841	2	6,325	1
Financial assets at fair value through other comprehensive income	5,903	1	7,154	1	6,774	1	Long-term loans	1,600	-	1,600	-	1,600	-
Investments accounted for using equity method	7,141	1	7,139	1	2,811	1	Deferred income taxes liabilities	1,928	1	1,912	-	1,985	1
Contract assets	2,567	1	2,601	1	2,395	1	Provisions	100	-	97	-	79	-
Property, plant and equipment	279,867	56	283,694	60	284,681	59	Lease liabilities	6,425	1	6,467	2	6,353	1
Right-of-use assets	11,494	2	11,364	2	11,710	2	Customers' deposits	4,602	1	4,748	1	4,646	1
Investment properties	8,164	2	8,169	2	8,278	2	Net defined benefit liabilities	3,539	1	3,505	1	3,580	1
Intangible assets	94,408	19	47,047	10	49,934	11	Other noncurrent liabilities	1,685	-	1,543	-	1,400	-
Deferred income tax assets	3,262	1	3,259	1	3,558	1	Total noncurrent liabilities	26,547	5	26,713	6	25,968	5
Incremental costs of obtaining contracts	930	-	943	-	1,117	-	Total liabilities	108,532	22	92,856	19	87,392	18
Net defined benefit assets	2,204	-	2,128	-	1,088	-	EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT						
Prepayments	2,612	1	2,679	1	2,931	1	Common stocks	77,574	16	77,574	16	77,574	16
Other noncurrent assets	4,992	1	6,101	1	5,798	1	Additional paid-in capital	149,786	29	149,762	31	149,761	31
							Retained earnings						
Total noncurrent assets	424,311	85	383,056	80	381,586	80	Legal reserve	77,574	16	77,574	16	77,574	16
							Special reserve	2,676	1	2,676	1	2,676	1
							Unappropriated earnings	73,834	14	65,984	14	74,504	16
							Total retained earnings	154,084	31	146,234	31	154,754	33
							Other adjustments	(709)	-	587	-	309	-
							Total equity attributable to stockholders of the parent	380,735	76	374,157	78	382,398	80
							NONCONTROLLING INTERESTS						
							Total equity	391,147	78	384,272	81	392,425	82
TOTAL	\$ 499,679	100	\$ 477,128	100	\$ 479,817	100	TOTAL	\$ 499,679	100	\$ 477,128	100	\$ 479,817	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 March 31			
	2020		2019	
	Amount	%	Amount	%
REVENUES	\$ 48,150	100	\$ 51,331	100
OPERATING COSTS	<u>30,391</u>	<u>63</u>	<u>33,481</u>	<u>65</u>
GROSS PROFIT	<u>17,759</u>	<u>37</u>	<u>17,850</u>	<u>35</u>
OPERATING EXPENSES				
Marketing	5,073	10	5,408	11
General and administrative	1,213	3	1,171	2
Research and development	936	2	921	2
Expected credit loss (reversal of credit loss)	<u>6</u>	<u>-</u>	<u>(56)</u>	<u>-</u>
Total operating expenses	<u>7,228</u>	<u>15</u>	<u>7,444</u>	<u>15</u>
OTHER INCOME AND EXPENSES	<u>(1)</u>	<u>-</u>	<u>(4)</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>10,530</u>	<u>22</u>	<u>10,402</u>	<u>20</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	39	-	53	-
Other income	43	-	56	-
Other gains and losses	39	-	(19)	-
Interest expenses	(42)	-	(26)	-
Share of profits of associates accounted for using equity method	<u>35</u>	<u>-</u>	<u>77</u>	<u>-</u>
Total non-operating income and expenses	<u>114</u>	<u>-</u>	<u>141</u>	<u>-</u>
INCOME BEFORE INCOME TAX	10,644	22	10,543	20
INCOME TAX EXPENSE	<u>2,544</u>	<u>5</u>	<u>2,452</u>	<u>5</u>
NET INCOME	<u>8,100</u>	<u>17</u>	<u>8,091</u>	<u>15</u>
TOTAL OTHER COMPREHENSIVE 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	(1,286)	(3)	(159)	-
Gain or loss on hedging instruments subject to basis adjustment	-	-	(4)	-

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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 March 31			
	2020		2019	
	Amount	%	Amount	%
Share of remeasurements of defined benefit pension plans of associates	\$ <u>-</u> <u>(1,286)</u>	<u>-</u> <u>(3)</u>	\$ <u>-</u> <u>(163)</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	(12)	-	24	-
Share of exchange differences arising from the translation of the foreign operations of associates	<u>-</u> <u>(12)</u>	<u>-</u> <u>-</u>	<u>-</u> <u>24</u>	<u>-</u> <u>-</u>
Total other comprehensive loss, net of income tax	<u>(1,298)</u>	<u>(3)</u>	<u>(139)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	\$ <u>6,802</u>	<u>14</u>	\$ <u>7,952</u>	<u>15</u>
NET INCOME ATTRIBUTABLE TO				
Stockholders of the parent	\$ 7,850	16	\$ 7,929	15
Noncontrolling interests	<u>250</u>	<u>1</u>	<u>162</u>	<u>-</u>
	\$ <u>8,100</u>	<u>17</u>	\$ <u>8,091</u>	<u>15</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Stockholders of the parent	\$ 6,554	13	\$ 7,778	15
Noncontrolling interests	<u>248</u>	<u>1</u>	<u>174</u>	<u>-</u>
	\$ <u>6,802</u>	<u>14</u>	\$ <u>7,952</u>	<u>15</u>
EARNINGS PER SHARE				
Basic	<u>\$1.01</u>		<u>\$1.02</u>	
Diluted	<u>\$1.01</u>		<u>\$1.02</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
	Common Stocks	Additional Paid-in Capital	Legal Reserve	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 or Loss on Hedging Instruments	Total Other Adjustments	Total Equity Attributable to Stockholders of the Parent	Noncontrolling Interests	
				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
Net income for the three months ended March 31, 2019	-	-	-	-	7,929	7,929	-	-	-	-	7,929	162	8,091
Other comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	-	-	15	(162)	(4)	(151)	(151)	12	(139)
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	7,929	7,929	15	(162)	(4)	(151)	7,778	174	7,952
Share-based payment transactions of subsidiaries	-	(1)	-	-	-	-	-	-	-	-	(1)	16	15
BALANCE, MARCH 31, 2019	\$ 77,574	\$ 149,761	\$ 77,574	\$ 2,676	\$ 74,504	\$ 154,754	\$ (64)	\$ 376	\$ (3)	\$ 309	\$ 382,398	\$ 10,027	\$ 392,425
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
Net income for the three months ended March 31, 2020	-	-	-	-	7,850	7,850	-	-	-	-	7,850	250	8,100
Other comprehensive loss for the three months ended March 31, 2020	-	-	-	-	-	-	(13)	(1,283)	-	(1,296)	(1,296)	(2)	(1,298)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	7,850	7,850	(13)	(1,283)	-	(1,296)	6,554	248	6,802
Share-based payment transactions of subsidiaries	-	24	-	-	-	-	-	-	-	-	24	49	73
BALANCE, MARCH 31, 2020	\$ 77,574	\$ 149,786	\$ 77,574	\$ 2,676	\$ 73,834	\$ 154,084	\$ (161)	\$ (548)	\$ -	\$ (709)	\$ 380,735	\$ 10,412	\$ 391,147

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions of New Taiwan Dollars)

(Unaudited)

	Three Months Ended March 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 10,644	\$ 10,543
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	7,759	7,693
Amortization	1,059	1,064
Amortization of incremental costs of obtaining contracts	197	377
Expected credit loss (reversal of credit loss)	6	(56)
Interest expenses	42	26
Interest income	(39)	(53)
Compensation cost of share-based payment transactions	2	-
Share of profits of associates accounted for using equity method	(35)	(77)
Loss on disposal of property, plant and equipment	1	4
Loss on disposal of financial instruments	2	-
Loss on disposal of investments accounted for by using equity method	6	-
Provision for inventory and obsolescence	24	96
Valuation loss on financial assets and liabilities at fair value through profit or loss, net	12	7
Others	(51)	(23)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Contract assets	8	213
Trade notes and accounts receivable	3,042	2,615
Receivables from related parties	7	6
Inventories	(454)	1,121
Prepayments	(3,153)	(3,109)
Other current monetary assets	122	(42)
Other current assets	554	(350)
Incremental cost of obtaining contracts	(184)	(159)
Increase (decrease) in:		
Contract liabilities	150	1,762
Trade notes and accounts payable	(3,423)	(5,517)
Payables to related parties	(316)	(557)
Other payables	(2,523)	(2,241)
Provisions	(5)	4
Other current liabilities	(6)	(107)
Net defined benefit plans	(42)	122
Cash generated from operations	13,406	13,362
Interest paid	(77)	(26)
Income tax paid	(8)	(117)
Net cash provided by operating activities	<u>13,321</u>	<u>13,219</u>

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CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions of New Taiwan Dollars)

(Unaudited)

	Three Months Ended March 31	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (35)	\$ -
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	(1,392)	(1,564)
Proceeds from disposal of time deposits and negotiable certificates of deposit with maturities of more than three months	2,616	3,931
Acquisition of property, plant and equipment	(3,729)	(4,492)
Proceeds from disposal of property, plant and equipment	14	10
Acquisition of intangible assets	(47,420)	(54)
Decrease (increase) in other noncurrent assets	70	(619)
Interest received	<u>46</u>	<u>58</u>
Net cash used in investing activities	<u>(49,839)</u>	<u>(2,730)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	70	300
Repayment of short-term loans	(90)	(225)
Proceeds from short-term bills payable	29,000	-
Repayment of short-term bills payable	(9,000)	-
Decrease in customers' deposits	(150)	(79)
Payments for the principal of lease liabilities	(992)	(1,019)
Increase in other noncurrent liabilities	142	90
Change in other noncontrolling interests	<u>72</u>	<u>14</u>
Net cash provided by (used in) financing activities	<u>19,052</u>	<u>(919)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(14)</u>	<u>13</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,480)	9,583
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>34,050</u>	<u>27,645</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 16,570</u>	<u>\$ 37,228</u> (Concluded)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended March 31, 2020 and 2019

(Unaudited)

STATEMENT OF COMPLIANCE

The Company has prepared its consolidated balance sheets as of March 31, 2020 and 2019, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 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.