

April 30, 2015

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NT\$bn	<u>TWM Consolidated</u>				
	<u>1Q15</u>	<u>4Q14</u>	<u>1Q14</u>	<u>QoQ</u>	<u>YoY</u>
Revenue	29.72	30.19	27.73	-2%	7%
EBITDA	7.59	7.26	7.77	5%	-2%
Operating Income	4.34	4.12	5.11	5%	-15%
Non-op. Income (Expense)	(0.19)	(0.07)	(0.03)	186%	508%
Pre-tax Income	4.15	4.05	5.08	2%	-18%
(Income Tax)	(0.21)	(0.86)	(0.86)	-75%	-76%
(Minority Interest & others)	(0.12)	(0.15)	(0.09)	-16%	33%
Net Income	3.81	3.05	4.08	25%	-7%
EPS (NT\$)	1.40	1.11	1.52	26%	-8%

Highlights 1Q15 Results

• *Continuous 4G Business Expansion*

The 4G user take-up rate reached 23% of the postpaid installed base at the end of 1Q15. This helped accelerate mobile data adoption rate to 65% in the quarter. Aided by a higher ARPU, revenue from 4G users made up 32% of the mobile service revenue in the quarter.

• *Steady Growth in the CATV Business*

We have been successful upselling our cable internet service, migrating customers from the mainstream speed of 24Mbps to 60Mbps. As a result, the customer mix on high-speed service, i.e. above 50Mbps, rose to 30% from only 19% a year ago.

• *Brisk Performance in the E-Commerce Business*

In 1Q15, momo's revenue increase was driven by a solid 21% YoY growth in its online shopping business. Without a loss similar to the NT\$46m loss from its discontinued cosmetic store operations in 1Q14, momo's net profit increased by 35% YoY in 1Q15.

In 1Q15, consolidated revenue increased by 7% YoY credited to strong handset sales and revenue rises in the retail and CATV businesses. EBITDA in the quarter did not rise largely due to more handset subsidies arising from higher bundled 4G handset sales volume.

Nonetheless, the 2% EBITDA YoY decline in 1Q15 narrowed from a 5% YoY drop in 4Q14. Drops in operating income and EPS were a function of higher 4G D&A.

2014 Earnings Distribution

TWM's board meeting today (April 30, 2015) approved a proposal to distribute NT\$15.24bn in cash dividends, translating into a 102% payout to shareholders. Dividend per share is NT\$5.6 on 2.72bn shares, excluding treasury shares held by 100%-owned subsidiaries.

Key Message

Taiwan Mobile is committed to enhancing shareholder returns, evidenced by the board's resolution to maintain a stable DPS in 2015. Steady expansions in the 4G revenue streams will continue to absorb the high 4G start-up costs. The company saw a sequential improvement in EBITDA in 1Q15. Nonetheless, the speed of profitability enhancement will hinge on when the industry will have a structural change in 4G pricing.

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I. Revenue Analysis

Table 1. Key Operational Data

Revenue (NT\$bn)	1Q15	4Q14	1Q14	QoQ	YoY
Telecom	21.81	22.22	20.53	-2%	6%
Mobile Service	13.35	13.58	13.41	-2%	0%
Device Sales	6.74	6.89	5.24	-2%	28%
Fixed-line	0.80	0.83	0.83	-3%	-4%
IDD	0.37	0.39	0.47	-4%	-21%
ISR & Others	0.56	0.54	0.58	5%	-2%
CATV	1.62	1.61	1.58	1%	3%
- Pay-TV related	1.11	1.11	1.09	1%	2%
- Broadband	0.32	0.31	0.30	1%	6%
- Content & others	0.19	0.20	0.19	-1%	0%
momo	6.26	6.33	5.66	-1%	11%
- Online shopping	4.07	4.11	3.35	-1%	21%
- TV shopping & others	2.19	2.22	2.31	-1%	-5%
Others¹	0.14	0.12	0.04	12%	252%

Note 1: Other revenue primarily consists of rental income related to leases on commercial space owned by our 49.9%-held Taipei New Horizon Co., Ltd., which became a consolidated entity on Feb 21, 2014.

	1Q15	4Q14	1Q14	QoQ	YoY
Mobile Subscribers (K)	7,370	7,430	7,306	-1%	1%
- Postpaid	6,012	6,056	6,098	-1%	-1%
Monthly Churn	2.6%	2.7%	2.0%		
- Postpaid	1.7%	1.7%	1.6%		
MOU (bn)	2.76	2.86	3.29	-3%	-16%
Pay-TV Subs (K)	589	588	585	0%	1%
Cable Broadband Subs (K)	193	190	182	2%	6%
DTV Subs (K)	180	172	141	5%	27%

ARPU (NT\$)	1Q15	4Q14	1Q14	QoQ	YoY
Wireless (Residual Value)					
Postpaid	835	843	831	-1%	0.3%
Blended	724	725	737	0%	-2%
Cable MSO					
Basic TV	494	493	495	0%	0%
Broadband	545	545	543	0%	0%
DTV	133	133	137	0%	-3%
Blended ¹	810	806	791	1%	2%

Note 1: Cable TV & broadband related revenue (excluding content agency) divided by CATV subscriber number

Telecom:

The 4G user take-up rate reached 23% of the postpaid installed base at the end of 1Q15. This helped accelerate mobile data adoption rate to 65% in the quarter. Aided by a higher ARPU, revenue from 4G users made up 32% of the mobile service revenue in the quarter. Adjusting for a higher base of mobile game revenue in 1Q14, our mobile service revenue would have grown 1% YoY in 1Q15. We also had higher 3G customer churns, which hindered part of the revenue growth.

Legacy voice revenue of the fixed line service and IDD revenue were still under pressure.

We saw higher churn rates of non-4G users as we allocated most of the company's resources to the 4G business.

Cable:

Benefiting from continual increases in digital TV service adoption and organic growth in basic TV subscriptions, 1Q15 pay-TV related revenue was up by 2% from a year ago.

Broadband revenue maintained a mid-single digit YoY growth on the back of a steady increase in the cable internet subscriber base. We have been successful upselling our cable internet service, migrating customers from the mainstream speed of 24Mbps to 60Mbps. As a result, the customer mix on high-speed service, i.e. above 50Mbps, rose to 30% from only 19% a year ago.

Blended ARPU still grew 2% YoY as a result of our upselling strategy.

momo

momo's revenue increase was mainly due to a solid 21% YoY growth in the online shopping business.

II. EBITDA Analysis

Table 2. EBITDA Breakdown

NT\$bnn	1Q15	4Q14	1Q14	QoQ	YoY
EBITDA	7.59	7.26	7.77	5%	-2%
- Telecom	6.33	5.95	6.57	6%	-4%
- CATV	0.89	0.86	0.86	4%	3%
- momo ¹	0.33	0.39	0.32	-15%	4%
- others	0.05	0.05	0.02	-4%	106%
Margin	25.6%	24.0%	28.0%	+1.5ppts	-2.5ppts
- Telecom	29.0%	26.8%	32.0%	+2.2ppts	-3.0ppts
- CATV	54.7%	53.0%	54.5%	+1.7ppts	+0.2ppts
- momo	5.2%	6.1%	5.6%	-0.8ppts	-0.3ppts
- others	35.8%	41.6%	61.2%	-5.8ppts	-25.4ppts

D&A	3.25	3.14	2.66	4%	22%
- Telecom	2.90	2.80	2.38	4%	22%
- CATV	0.23	0.22	0.19	3%	20%
- momo	0.03	0.04	0.03	-4%	1%
- others	0.05	0.04	0.02	22%	185%
EBIT	4.34	4.12	5.11	5%	-15%
- Telecom	3.42	3.15	4.20	9%	-18%
- CATV	0.66	0.63	0.67	4%	-2%
- momo	0.29	0.35	0.28	-16%	4%
- others	(0.00)	0.01	0.01	NM	NM

Note: The combined total of telecom, CATV, momo and others does not equal the consolidated total of each account due to minor adjustments and eliminations.

Table 3. Non-operating Item

NT\$bnn	1Q15	4Q14	1Q14	QoQ	YoY
Non-Operating	(0.19)	(0.07)	(0.03)	186%	508%
- Net Interest Expense	(0.14)	(0.11)	(0.13)	32%	10%
- Write-off Loss	(0.04)	(0.37)	(0.07)	-90%	-49%
- Other revenue (Expense)	(0.02)	0.41	0.17	NM	NM

EBITDA Analysis

Telecom EBITDA YoY decline narrowed to 4% from 8% in 4Q14, relieved from margin pressure as a result of the new iPhone launch. YoY EBITDA growth from momo and the CATV business also remained healthy. Overall, the YoY decline in consolidated EBITDA contracted from 5% a quarter ago to only 2% in 1Q15.

Rising revenues in HBG's broadband and DTV businesses supported a YoY increase to its EBITDA for the quarter. The sequential EBITDA margin expansion was due to the implementation of stringent expense controls.

In an aim to level up service quality, momo invested more in the warehousing, logistics, and call center areas, which had a short-term impact on its margin for the quarter. Though the TV home shopping business failed to see a YoY increase in revenue, it still registered EBITDA growth from a year ago, on the back of better profitability.

D&A Analysis

In 1Q15, telecom D&A expense increased YoY as a reflection of an expanding 4G network rollout and the amortization of the 4G license fees starting once 4G launched on the 700MHz and 1800MHz bands in June and September of 2014, respectively.

An increase in CATV D&A expense was due to a rising depreciation expense from a growing installed base for the digital set-top-boxes.

Non-Operating Item Analysis

In 1Q15, non-operating expense increased YoY as a result of recognizing a one-off gain from the disposal of an unused parcel of land in 1Q14. The sequential increase of non-operating expense was mainly due to the reversal of provisions booked in 4Q14 after winning a case against a dissenting shareholder.

III. Income Statement Analysis

Table 4. 1Q15 Consolidated Results vs. Forecast

NT\$b	1Q15	YoY	QoQ	% of 1Q15 Forecast
Revenue	29.72	7%	-2%	98%
Operating Cost	20.98	17%	-2%	99%
Operating Expense	4.40	-5%	-5%	92%
Operating Income	4.34	-15%	5%	100%
Non-op. Income (Expense)	(0.19)	508%	186%	103%
Pre-tax Income	4.15	-18%	2%	99%
Net Income	3.81	-7%	25%	113%
EPS (NT\$)	1.40	-8%	26%	114%
EBITDA	7.59	-2%	5%	98%
EBITDA margin	25.6%			

Income Statement Analysis

YoY Analysis

In 1Q15, consolidated revenue increased by 7% YoY credited to strong handset sales and revenue rises in the retail and CATV businesses. EBITDA in the quarter did not rise largely due to more handset subsidies arising from higher bundled 4G handset sales volume.

Nonetheless, the 2% EBITDA YoY decline in 1Q15 narrowed from a 5% YoY drop in 4Q14. Drops in operating income and EPS were a function of higher 4G D&A.

Guidance Achievement Rate Analysis

We missed our revenue target by 2% due to lower 3G and TV home shopping revenue in the quarter. With strict expense disciplines and tax expense write-back, we managed to beat our EPS target by 14% in 1Q15.

IV. Cash Flow Analysis

Table 5. Cash Flow

NT\$bn	1Q15	4Q14	1Q14
Total Op Sources/(Uses)	5.38	7.23	6.84
Pre-tax Income	4.15	4.05	5.03
Depreciation	2.62	2.53	2.35
Amortization	0.63	0.61	0.32
Changes in Working Capital	(2.29)	(0.54)	(0.99)
Asset Write-off Add-backs	0.04	0.37	0.07
Other Add-backs	0.23	0.21	0.06
Net Investing Sources/(Uses)	(6.68)	(10.23)	(0.99)
Capex ¹	(3.29)	(4.07)	(2.27)
4G spectrum fee-(5MHz on 700MHz)	(3.43)	-	-
Divestment (Acquisition)	0.00	(4.33)	(0.11)
Other Financial Assets (Increase)	0.03	(1.88)	0.18
Cash from the consolidation of Subsidiary	-	-	1.19
Others	0.01	0.05	0.02
Net Financing Sources/(Uses)	1.62	3.90	(5.63)
Short-Term Borrowings	(5.10)	(1.27)	(6.76)
Commercial Paper Payable Increase	6.39	(0.20)	(1.90)
Long-Term Bank Loan	0.45	(1.00)	3.00
Disposal of Treasury Shares	-	2.97	-
Minority Interest Increase	-	3.46	-
Others	(0.11)	(0.06)	0.03
Net Cash Position Chg.	0.31	0.92	0.22

1. Inclusive of prepayments for equipment and the acquisition of computer software & other intangible assets

Table 6. Capex & FCF

NT\$bn	1Q15	4Q14	1Q14
Cash Capex	3.29	4.07	2.27
- Mobile	2.33	3.06	1.48
- Fixed-line	0.46	0.48	0.32
- Cable MSO	0.25	0.22	0.34
- momo & others	0.25	0.31	0.13
% of Revenue	11%	13%	8%
Free Cash Flow	2.09	3.16	4.57

Cash Flow Analysis

1Q15 operating cash inflow decreased both QoQ and YoY mainly due to a higher handset payment made in the quarter.

The 1Q15 net investing cash outflow was mainly for 1) a NT\$3.29bn cash capex and 2) a NT\$3.43bn payment to acquire the 5MHz spectrum on the 700MHz band from Ambit. The level decreased from 4Q14 when we had a NT\$2.98bn investment in Ambit and a NT\$3.18bn cash management investment made by momo.

In terms of 1Q15 financing activities, as we are still in the process of 4G infrastructure roll-out, gearing still went up compared to a year ago. But it has been reduced from last quarter's level.

Capex and Free Cash Flow Analysis

1Q15 cash capex came off slightly from a quarter ago mainly due to a reduction in mobile capex. Mobile capex was used to further expand our 4G network coverage and deploy carrier aggregation on more base stations. 1Q15 free cash flow was lower due to smaller operating cash inflows compared to a quarter and a year ago.

V. Balance Sheet Analysis

Table 7. Balance Sheet

NT\$bn	1Q15	4Q14	1Q14
Total Assets	157.23	153.54	142.93
Current Assets	33.29	32.83	28.54
- Cash & Cash Equivalents	8.22	7.90	8.18
- Accounts Receivable	15.03	15.02	14.15
- Inventories	3.25	3.21	2.94
- Available-for-Sale Assets	2.22	2.21	0.97
- Other Current Assets	4.57	4.48	2.31
Non- current Assets	123.94	120.70	114.39
- Long-Term Investment	4.77	5.07	2.47
- Property and Equipment	47.18	47.07	42.81
- Concession	42.30	39.10	40.02
- Other Non-current Assets	29.69	29.46	29.09
Liabilities	87.10	87.04	78.52
Current Liabilities	56.12	53.47	49.62
- ST Debt	13.80	18.90	23.84
- Commercial Paper Payable	11.98	5.59	0.50
- LT Borrowings due in one year	5.21	2.21	1.21
- Other Current Liabilities	25.13	26.77	24.06
Non-current Liabilities	30.98	33.57	28.91
- Long-Term Borrowings	25.42	27.98	23.08
- Other Non-current Liabilities	5.55	5.59	5.83
Shareholders' Equity	70.13	66.50	64.41
-Paid-in Capital	34.21	34.21	34.21
-Capital Surplus	14.72	14.72	12.48
-Legal Reserve	21.54	21.54	19.26
-Un-appropriated Earnings	4.83	4.83	6.61
-Treasury Shares	(29.72)	(29.72)	(31.08)
-Non-controlling Interest	6.36	6.25	3.04
-Retained Earnings & Others*	18.20	14.67	19.89

* Including YTD profits and other equity items

Table 8. Ratios

	1Q15	4Q14	1Q14
Current Ratio	59%	61%	58%
Interest Coverage (x)	25.3	31.9	34.5
Net Debt (Cash) to Equity	69%	70%	63%
Net Debt (Cash) to EBITDA (x)	1.47	1.49	1.30
ROE (annualized)	24%	20%	27%
ROA (annualized)	10%	8%	12%

Assets

Cash balance remained stable at around NT\$8bn in 1Q15.

Long-term investment increased YoY mainly resulting from TWM's acquisition of a 14.9% stake in Ambit in 4Q14.

The YoY increase in PP&E mainly came from the continuous addition of 4G equipment and a land purchase made by momo in 2Q14 to build its own warehousing and logistics center.

The QoQ and YoY increases in concession were due to TWM's purchase of the 5MHz spectrum from Ambit in 1Q15.

Liabilities & Shareholders' Equity

TWM's gross debt increased slightly by NT\$1.74bn from a quarter ago, mainly due to the purchase of more LTE spectrum.

Other current liabilities decreased QoQ as more payments related to handsets and employee bonuses were made in 1Q15. Compared to a year ago, 1Q15 accounts payables were higher as a result of more purchases for handsets and the retail business.

On a YoY basis, capital surplus increased due to the following changes made in 4Q14: 1) the sale of 32mn of TWM's treasury shares, 2) momo's rights issue for its IPO and 3) TWM's disposal of some momo shares for greenshoe purposes. Shareholders' equity also rose YoY accordingly.

Ratio Analysis

Current ratio and ratio of net debt to EBITDA remained stable. Rising interest expense from higher debt level resulted in lower interest coverage. However, both ROE and ROA improved QoQ from higher net profits reported in the quarter.

VI. Management Remarks

Key Message

Taiwan Mobile is committed to enhancing shareholder returns, evidenced by the board's resolution to maintain a stable DPS in 2015. Steady expansions in the 4G revenue streams will continue to absorb the high 4G start-up costs. The company saw a sequential improvement in EBITDA in 1Q15. Nonetheless, the speed of profitability enhancement will hinge on when the industry will have a structural change in 4G pricing.

- Outperformed peers by delivering the fastest 3G download speed in 12 counties/cities out of 22 total according to the results of an NCC speed test announced on March 4, 2015.
- TWM's 3G/4G network won highest customer satisfaction in a survey conducted by Insightxplorer Market Research.

* For details, refer to the *Apple Daily*'s report dated on March 2, 2015 and *Next Magazine*'s report dated on October 23, 2014.

2014 Earnings Distribution

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Regulatory Update

With FET's early return of part of its 2G spectrum approved by the NCC on March 25, 2015, TWM will have another 5MHz x 2 spectrum on 1800MHz for LTE use according to the Mobile Broadband Regulation. As such, TWM will utilize CA (Carrier Aggregation) technology on its current total available spectrum of 30MHz x 2 (20MHz x 2 and 10MHz x 2 on the 700 and 1800 frequency bands, respectively) and provide 210Mbps theoretical download speed, the fastest among peers.

Awards and Recognition

- Received honors in the categories of Taiwan's Best Managed Public Companies, Best Corporate Governance, Best Investor Relations and Best Committed to Paying Good Dividends in *FinanceAsia* magazine's 2015 Asia's Best Companies Poll.
- TWM's 4G download speed ranked No. 1 in speed tests independently conducted by both *Apple Daily* and *Next Magazine**