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NT\$bn	TWM consolidated <sup>1</sup>				
	<u>1Q08</u>	<u>4Q07</u>	<u>1Q07</u>	<u>QoQ</u>	<u>YoY</u>
<b>Revenue</b>	<b>17.24</b>	<b>17.33</b>	<b>14.48</b>	<b>0%</b>	<b>19%</b>
<b>EBITDA</b>	<b>7.64</b>	<b>7.35</b>	<b>6.94</b>	<b>4%</b>	<b>10%</b>
<b>Operating Income</b>	<b>5.64</b>	<b>4.97</b>	<b>4.98</b>	<b>13%</b>	<b>13%</b>
<b>Non-op. Income (Expense)</b>	<b>0.00</b>	<b>(11.69)</b>	<b>0.00</b>	<b>NM</b>	<b>NM</b>
<b>Pre-tax Income</b>	<b>5.64</b>	<b>(6.72)</b>	<b>4.98</b>	<b>NM</b>	<b>13%</b>
<b>(Less Tax)</b>	<b>(1.44)</b>	<b>1.68</b>	<b>(1.17)</b>	<b>NM</b>	<b>23%</b>
<b>(Less Minority Interest)</b>	<b>(0.01)</b>	<b>(0.07)</b>	<b>0.00</b>	<b>-83%</b>	<b>NM</b>
<b>Net Income</b>	<b>4.19</b>	<b>(5.11)</b>	<b>3.81</b>	<b>NM</b>	<b>10%</b>
<b>EPS (NT\$)</b>	<b>1.44</b>	<b>(1.16)</b>	<b>0.77</b>	<b>NM</b>	<b>87%</b>
EBITDA margin	44.31%	42.40%	47.89%	+1.91pps	-3.58pps
Operating margin	32.70%	28.68%	34.38%	+4.02pps	-1.68pps

1. Consolidation of TFN figures starts from April 17, 2007

**Highlights of 1Q08 Results**

Taiwan Mobile's consolidated revenue in 1Q08 came in on target while EBITDA was 7% higher than guidance because of less-than-expected new sub acquisitions, better controlled back-office expenses and good receivables collections. Higher-than-expected disposal gains from Fubon Financial Holding and lower-than-expected asset write-off losses also contributed to the good results in 1Q. Continuous improvements in balance sheet further led to an annualized ROE of 41% in the quarter.

**2Q08 Guidance**

2Q08 revenue will include mobile, fixed-line, and cable TV vs. full-quarter mobile plus 2.5 months contribution from fixed-line and CATV in 2Q07. On this basis, we expect consolidated revenue to rise 8% YoY. Nonetheless, EBIT would remain flattish, following an increase in selling expense for mobile and cable broadband business, which offsets EBIT increase from fixed-line operations. At the non-operating level, in contrast to NT\$263m Fubon Financial Holding share disposal gains and a mere NT\$204m asset write-off loss in 1Q08, we expect to have NT\$396m asset write-off loss in 2Q08. EPS is expected to be NT\$1.25, up 19% YoY.

**Management Remark**

1Q08 results came in better than expected with efforts made across all businesses. After buying back our own shares and the 24% capital reduction, our balance sheet has become more efficient, so has ROE. Growth driven initiatives remain on the top of our agenda for the year. We are geared up to provide a complete array of multimedia products on our platform in the face of diverse competition ahead.

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## I. Revenue Analysis

**Table 1. Key Operational Data**

Revenue (NT\$m)	1Q08	4Q07	1Q07	QoQ	YoY
<b>Wireless</b>	<b>14.62</b>	<b>14.74</b>	<b>14.48</b>	<b>-1%</b>	<b>1%</b>
-Voice	13.17	13.41	13.30	-2%	-1%
-VAS	1.35	1.24	1.11	8%	22%
<b>Fixed-line<sup>1</sup></b>	<b>2.33</b>	<b>2.31</b>	<b>1.92</b>	<b>1%</b>	<b>21%</b>
- Voice	1.44	1.38	1.27	4%	13%
- Data & Others	0.90	0.93	0.65	-3%	38%
<b>Cable MSO</b>	<b>1.04</b>	<b>1.02</b>	<b>0.98</b>	<b>1%</b>	<b>6%</b>
- Pay-TV & Others	0.95	0.94	0.92	1%	4%
- Broadband	0.09	0.08	0.06	8%	35%

1. TTN's revenue was also included since Sept. 2007

	1Q08	4Q07	1Q07	QoQ	YoY
Mobile Subscribers (K)	6,228	6,235	6,176	0%	1%
-Postpaid	5,664	5,688	5,689	0%	0%
-Prepaid	564	546	487	3%	16%
Monthly Churn	1.8%	1.9%	1.6%		
MOU (bn)	3.62	3.60	3.52	0%	3%
ARPM (NT\$)	4.01	4.06	4.10	-1%	-2%
Cable MSO Subscribers (K)	522	518	506	1%	3%

	1Q08	4Q07	1Q07	QoQ	YoY
<b>Wireless</b>					
ARPU (NT\$)	776	784	779	-1%	0%
-Postpaid	786	799	793	-2%	-1%
-Prepaid	675	620	611	9%	10%
MOU (minute)	193	193	190	0%	2%
<b>Cable MSO</b>					
Pay-TV ARPU (NT\$)	600	604	604	-1%	-1%
Broadband ARPU (NT\$)	456	456	475	0%	-4%

### Revenue Analysis

TWM outperformed the market with 1% YoY growth in terms of mobile service revenue, leading to further expansion in market share. This was mainly credited to a 22% YoY rise in value-added services and 27% growth in pre-paid revenue. Growing 3G subscriber number and expanding subscriber base for mobile data packages propelled mobile value-added service revenue. Our pre-paid business has benefited from market share gain in foreign labor segment and escalating ARPU.

In 1Q08, fixed-line's voice revenue grew by 13% from a year ago, driven by increasing mobile to IDD call revenue. The YoY data revenue growth tapered off due to larger discounts provided to mobile division on leased line charges, which had no impacts on consolidated P&L. Stripping out group related business, fixed-line's data revenue still reported a healthy 13% YoY rise in 1Q08, aided by more leased-line and IP transit demand from other service providers.

Taipei County's lowered cable TV monthly subscription fee in 2008 slowed down CATV revenue growth momentum. That said, 1Q08 cable broadband subscriber number saw a pronounced 42% YoY increase, leading to a 35% rise in revenue. As a result the cable MSO's total revenue still grew at a healthy 6%.

## II. EBIT Analysis

**Table 2. EBIT Breakdown**

NT\$bn	1Q08	4Q07	1Q07	QoQ	YoY
<b>EBITDA</b>					
Wireless	6.65	6.28	6.94	6%	-4%
Fixed-line	0.45	0.53	0.26	-15%	69%
Cable MSO	0.55	0.54	0.51	1%	8%
<b>Margin</b>					
Wireless	45.5%	42.6%	47.9%		
Fixed-line	19.2%	23.0%	13.8%		
Cable MSO	52.7%	53.0%	51.7%		
<b>D&amp;A<sup>1</sup></b>					
Wireless	1.81	2.09	1.96	-14%	-8%
Fixed-line	0.03	0.38	0.35	-91%	-91%
Cable MSO	0.12	0.13	0.12	-2%	5%
<b>EBIT</b>					
Wireless	4.84	4.18	4.98	16%	-3%
Fixed-line	0.42	0.15	(0.09)	177%	NM
Cable MSO	0.42	0.42	0.39	2%	8%

1. Excluding depreciation savings due to negative goodwill amortization in 2007

**Table 3. Non-operating Item**

NT\$bn	1Q08	4Q07	1Q07	QoQ	YoY
<b>Non-Operating</b>	<b>0.00</b>	<b>(11.69)</b>	<b>0.00</b>	<b>NM</b>	<b>405%</b>
-Net Interest Expense	(0.17)	(0.23)	(0.03)	-28%	512%
- Write-off (Loss)	(0.20)	(11.34)	(0.18)	-98%	12%
-Disposal Gain and Others	0.37	(0.12)	0.21	NM	77%

### EBIT Analysis

Expensing employee bonuses, increased contract renewal incentives and personnel transfer within the group (no impact on consolidated margins) weighed on mobile EBITDA margin in 1Q08 from a year ago.

Fixed-line's cash network cost increased 20% YoY due to more mobile to IDD interconnecting charges and higher internet accessing cost from data business growth. However, this was offset by decreasing expenses of less marketing campaign and personnel/maintenance expense cuts. In a nutshell, fixed-line's EBITDA margin was improved to 19.2% from 1Q07.

CATV's EBITDA margin and EBITDA growth momentum were held up by healthy revenue growth in broadband, advertising and channel leasing coupled with administrative expense savings from a year ago.

### Non-Operating Item Analysis

Only NT\$0.2bn losses of 2G asset write-offs were executed in 1Q. Net interest expense declined by 28% due mainly to NT\$2.2bn decrease in short-term borrowings in this quarter. The shareholding of Fubon Financial Holding was sold out as of 1Q with NT\$263m of disposal gain booked in this quarter.



### III. Income Statement Analysis

**Table 4. TWM Consolidated Results vs. Forecast**

NT\$bn	1Q08 Actual	1Q08 Forecast	% of Forecast Achieved
Revenue	17.24	17.21	100%
Operating Income	5.64	5.36	105%
Pre-tax Income	5.64	5.20	108%
(Less Tax)	(1.44)	(1.36)	105%
<b>Net Income - Attributed to the Parent</b>	<b>4.19</b>	<b>3.83</b>	<b>110%</b>
EPS (NT\$)	1.44	1.31	110%
EBITDA	7.64	7.17	107%
EBITDA margin	44.31%	41.67%	

**Table 5. Income Statement**

NT\$bn	1Q08	4Q07	1Q07
<b>Revenue</b>	<b>17.24</b>	<b>17.33</b>	<b>14.48</b>
<b>Operating Cost</b>	<b>7.63</b>	<b>7.94</b>	<b>6.18</b>
<b>Operating Expenses</b>	<b>3.98</b>	<b>4.42</b>	<b>3.32</b>
EBITDA	7.64	7.35	6.94
<b>Operating Income</b>	<b>5.64</b>	<b>4.97</b>	<b>4.98</b>
Non-op. Income (Expense)	0.00	(11.69)	0.00
Pre-tax Income	5.64	(6.72)	4.98
Pre-tax Income -recurring	5.58	4.61	5.16
(Less Tax)	(1.44)	1.68	(1.17)
(Minority Interest)	(0.01)	(0.07)	0.00
<b>Net Income - Attributed to the Parent</b>	<b>4.19</b>	<b>(5.11)</b>	<b>3.81</b>
EPS (NT\$)	1.44	(1.16)	0.77

#### Income Statement Analysis

Taiwan Mobile recorded NT\$17.24bn of total consolidated revenue in 1Q, in line with our expectation.

EBITDA came in 7% higher than guidance because of less-than-expected new sub acquisitions, better controlled back-office expenses and good receivables collections.

Higher-than-expected disposal gains from Fubon Financial Holding and lower-than-expected asset write-off losses also contributed to better results in 1Q.

## IV. Cash Flow Analysis

**Table 6. Cash Flow**

NT\$bn	1Q08	4Q07	1Q07
<b>Total Op Sources/(Uses)</b>	<b>7.45</b>	<b>8.97</b>	<b>13.51</b>
Consolidated Net Income	4.20	(5.04)	3.81
Depreciation	1.73	2.09	1.71
Amortization	0.28	0.29	0.25
Asset Write-off Loss Add-back	0.20	11.34	0.18
Changes in Working Capital	0.91	0.30	1.39
Cash Management	0.13	(0.00)	6.17
<b>Net Investing Sources/(Uses)</b>	<b>(0.35)</b>	<b>(2.38)</b>	<b>(14.29)</b>
Divestment of Financial Asset	2.09	0.67	0.00
Capex	(1.25)	(1.92)	(1.76)
Pledged Time Deposit	0.00	0.02	(12.50)
Acquisition	(0.00)	(1.27)	0.00
Increase in Goodwill	(1.12)	0.00	0.00
<b>Net Financing Sources/(Uses)</b>	<b>(5.35)</b>	<b>(11.23)</b>	<b>12.51</b>
Short-Term Borrowings	(2.44)	(2.24)	12.50
Debt Repayment	(2.45)	(8.69)	0.00
Commercial Paper Payable	2.70	(0.40)	0.00
Treasury Stock Transferred to Employees	0.00	0.71	0.00
Minority Interest Increase (Decrease)	(7.24)	(0.60)	0.00
Capital Reduction	(9.43)	0.00	0.00
Disposal of Treasury Stock	13.51	0.00	0.00
<b>Net Cash Position Chg.</b>	<b>1.74</b>	<b>(4.63)</b>	<b>11.73</b>

**Table 7. Capex & FCF**

NT\$bn	1Q08	4Q07	1Q07
<b>Cash Capex</b>	<b>1.25</b>	<b>1.92</b>	<b>1.76</b>
- Mobile	0.98	1.65	1.76
- Fixed-line	0.15	0.12	-
- Cable MSO	0.12	0.15	-
<b>% of Revenue</b>	<b>7%</b>	<b>11%</b>	<b>12%</b>
<b>Free Cash Flow</b>	<b>6.19</b>	<b>7.06</b>	<b>11.75</b>

### Cash Flow Analysis

Operating cash flow generation remained stable in 1Q08.

For cash flow from investment activity, there were NT\$2bn of cash inflows from divestment of Fubon Financial Holding.

For cash flow from financing activities, NT\$13.5bn sales proceeds from the disposal of 6% TWM treasury shares more than offset the NT\$9.43bn capital reduction payment. Separately, NT\$8.36bn was spent to acquire minorities of TFN, Phoenix cable TV, and TFN Media.

### Capex and Free Cash Flow Analysis

Group capex in 1Q was on track and accounted for only 7% of revenue. We expect three division's capex to be more back-end loaded.

With good core business cash earnings and stable cash capex, 1Q08 free cash flow remained at a healthy level.

## V. Balance Sheet Analysis

**Table 8. Balance Sheet**

NT\$bn	1Q08	4Q07	1Q07
<b>Total Assets</b>	<b>97.49</b>	<b>98.03</b>	<b>134.97</b>
Current Assets	17.08	17.69	52.06
- Cash & Cash Equivalents	8.77	7.03	24.14
-Available-for-Sale Financial Asset	0.31	2.10	0.36
-Financial Assets at Fair Value	0.00	0.13	7.91
- Other Current Assets	8.01	8.43	19.65
Long-Term Investment	3.06	3.03	3.88
Property and Equipment	50.29	50.98	58.80
Intangible Assets	22.71	21.84	15.74
-3G License	8.04	8.22	8.79
-Goodwill	10.35	9.23	6.84
Other Assets	4.35	4.49	4.50
<b>Liabilities</b>	<b>48.86</b>	<b>65.63</b>	<b>41.24</b>
Current Liabilities	40.90	57.65	30.71
- ST Debts/Commercial Paper Payable	23.69	25.88	16.30
- Other Current Liabilities	17.21	31.78	14.41
Long-Term Borrowings	7.50	7.50	10.00
Other Liabilities	0.45	0.47	0.53
<b>Shareholders' Equity</b>	<b>48.63</b>	<b>32.41</b>	<b>93.73</b>
-Paid-in Capital	38.01	38.01	50.00
-Capital Surplus	12.27	8.79	8.76
-Treasury Shares	(31.89)	(40.84)	(1.40)

**Table 9. Ratios**

	1Q08	2007	1Q07
<b>Current Ratio</b>	42%	31%	170%
<b>Interest Coverage (x)</b>	29.3	10.5	63.9
<b>Net Debt (Cash) to Equity</b>	46%	81%	-6%
<b>ROE (annualized)</b>	41%	11%	17%
<b>ROA (annualized)</b>	18%	7%	12%

### Balance Sheet Analysis

Available for sale financial asset decreased in the quarter as we disposed of all our holdings in FFH.

PP&E balance was down by NT\$0.69bn from the end of 2007 as 2G assets write-offs and depreciation charge were higher than the purchase of new equipment.

Gross debt balance fell to NT\$31.19bn at the end of 1Q08 with NT\$2.2bn net reduction in short term borrowings. Other current liabilities decreased by NT\$14.57bn QoQ after the cash was paid for capital reduction and purchase of minority shareholders' stake in TFN.

The sales of 6% TWM treasury shares resulted in a NT\$8.95bn decline in treasury shares account and a NT\$3.5bn increase in capital surplus due to the disposal gain. As such, net debt to equity dropped to 46% at the end of 1Q as shown in Table 9.

### Ratio Analysis

Current ratio increased to 42% in 1Q end as the aforementioned current liability dropped. Net debt to EBITDA remained at a healthy level of 0.75x.

1Q's ROE improved substantially to 41%, compared to 17% ROE in 1Q07, benefiting from buying back our own shares and 24% capital reduction. 2G assets write-off and more efficient balance sheet leveled up ROA.

## VI. Forecast

**Table 10. Forecast**

NT\$bn	2Q08	QoQ	YoY
Revenue	17.96	4%	8%
EBITDA	7.54	-1%	-4%
EBITDA margin	42.02%		
Operating Income	5.53	-2%	-2%
(Asset write-off)	(0.40)	94%	114%
Pre-tax Income	5.01	-11%	-10%
(Tax Expense)	(1.25)	-13%	-10%
(Minority Interest)	(0.00)	-90%	-90%
Net Income	3.76	-10%	-10%
EPS (NT\$)	1.25	-13%	19%

### 2Q08 guidance

2Q08 revenue will include mobile, fixed-line, and cable TV vs. full-quarter mobile plus 2.5 months contribution from fixed-line and CATV in 2Q07. On this basis, we expect consolidated revenue to rise 8% YoY. Nonetheless, EBIT would remain flattish, following an increase in selling expense for mobile and cable broadband business, which offsets EBIT increase from fixed-line operations. At the non-operating level, in contrast to NT\$263m Fubon Financial Holding share disposal gains and a mere NT\$204m asset write-off loss in 1Q08, we expect to have NT\$396m asset write-off loss in 2Q08. EPS expects to be NT\$1.25, up 19% YoY.

## VII. Management Discussion & Analysis

### Key Message

1Q08 results came in better than expected with efforts made across all businesses. After the 24% capital reduction, our balance sheet has become more efficient, so has ROE. Growth driven initiatives remain on the top of our agenda for the year. We are geared up to provide a complete array of multimedia products on our platform in the face of diverse competition ahead.

### New product & service

- Introduced new convergent triple-play product, “TWM Family”, combining mobile, cable broadband and pay-TV services in our CATV covered area in April.

### Regulatory updates

- Executive Yuan overruled the draft of convergence bill and suggested NCC to adopt a more progressive regulation changes.

### Award and Recognition

- Awarded “Excellence in Corporate Social Responsibility” by *CommonWealth* magazine for the second year in a row.
- Recognized as Taiwan’s top 10 in “Asia’s 200 Most-admired Companies” by *The Wall Street Journal*. TWM was the sole telecom awardee.
- Received the “Gold Trusted Brand” by *Reader’s Digest* for the fifth year in a row.