

October 30, 2008

Topics in This Report

- Revenue Analysis
- EBIT Analysis
- Income Statement Analysis
- Cash Flow Analysis
- Balance Sheet Analysis
- Forecast
- Management Remark

IR contact:

Shirley Chu
 Deputy Director
 Investor Relations
 shirleychu@taiwanmobile.com

Rosie Yu
 Vice President
 rosieyu@taiwanmobile.com

18Fl, No. 172-1, Sec.2, Ji-Lung
 Rd., Taipei 106, Taiwan, ROC
 Tel: 8862 6636 3159

ir@taiwanmobile.com
<http://www.taiwanmobile.com>

TWM consolidated¹

NT\$bn	<u>1-3Q08</u>	<u>YoY</u>	<u>3Q08</u>	<u>QoQ</u>	<u>YoY</u>
Revenue	52.36	7%	17.61	1%	0%
EBITDA	23.04	1%	7.67	-1%	-5%
Operating Income	16.90	3%	5.57	-2%	-3%
Non-op. Income (Expense)	(0.55)	-19%	(0.16)	-60%	-76%
Pre-tax Income	16.35	4%	5.42	2%	6%
(Less Tax)	(4.11)	7%	(1.35)	2%	4%
(Less Minority Interest)	(0.01)	-85%	(0.00)	-20%	-100%
Net Income	12.23	4%	4.06	2%	9%
EPS (NT\$)	4.12	45%	1.36	3%	33%
EBITDA margin	44.00%	-2.76pps	43.58%	-0.55pps	-2.12pps
Operating margin	32.28%	-1.24pps	31.66%	-0.84pps	-1.01pps

1. Consolidation of TFN figures from April 17, 2007 and TTN from Sept. 2007

Highlights of 1-3Q08 Results

For the first three quarters of this year, TWM's consolidated revenue and EBIT recorded healthy growth from a year ago, supported by inclusions of top line and earnings growth from cable TV and fixed-line business. Net non-operating expense for the period reduced from a year ago due to lower interest expense and asset write-off loss. For 3Q08, EBIT came in 3% higher than guidance along with lower selling and G&A expenses. On the non-operating front, asset write-off loss in 3Q was lower than guidance as some will be pushed into 4Q. In a nutshell, our net income surpassed guidance by 9% in 3Q08.

4Q08 and Full-year Guidance

We forecast 4Q revenue YoY growth for cable to be 4%; 12% for fixed-line and -1% for mobile. Both marketing spent and network cash cost in 4Q are expected to be contained from a year ago while the forecast rising handset and data card sales volume would lead to higher handset subsidies. 4Q asset write-off loss is forecast to be NT\$522m, up from NT\$190m in the previous quarter but down from NT\$1.4bn a year ago.

Factoring in 4Q's guidance, our 2008 full-year revenue and EBITDA are expected to be NT\$69.8bn (up 6% YoY), NT\$30.4bn (up 1% YoY), with EPS of NT\$5.27 (up 2.1x YoY), respectively.

Management Remark

For the past three quarters, we were able to outperform our peers and our guidance. With all our efforts towards strengthening our foothold in the marketplace as well as enhanced financial stability, we are confident in our ability to navigate the economic storm and increase shareholder value.

The information contained in this presentation, including all forward-looking information, is subject to change without notice, whether as a result of new information, future events or otherwise, and Taiwan Mobile Co., Ltd. (the "Company") undertakes no obligation to update or revise the information contained in this presentation. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is the information intended to be a complete statement of the Company, markets or developments referred to in this presentation.

I. Revenue Analysis

Table 1. Key Operational Data

Revenue (NT\$m)	3Q08	2Q08	3Q07	QoQ	YoY
Wireless	14.72	14.70	15.22¹	0%	-3%
-Voice	13.19	13.20	13.94	0%	-5%
-VAS	1.36	1.31	1.20	4%	13%
Fixed-line²	2.65	2.52	2.08	5%	27%
- Voice	1.66	1.53	1.36	8%	21%
- Data & Others	0.99	0.99	0.72	0%	38%
Cable MSO	1.06	1.06	1.01	0%	5%
- Pay-TV & Others	0.96	0.96	0.94	0%	2%
- Broadband	0.10	0.10	0.07	7%	40%

1. Including one-off revenue

2. TTN's revenue was included since Sept. 2007

	3Q08	2Q08	3Q07	QoQ	YoY
Mobile Subscribers (K)	6,224	6,223	6,228	0%	0%
-Postpaid	5,615	5,639	5,702	0%	-2%
-Prepaid	608	584	526	4%	16%
Monthly Churn	1.9%	1.8%	1.7%		
MOU (bn)	3.82	3.74	3.65	2%	4%
ARPM (NT\$)	3.81	3.88	4.08	-2%	-7%
Cable MSO Subscribers (K)	535	529	517	1%	4%

	3Q08	2Q08	3Q07	QoQ	YoY
Wireless					
ARPU (NT\$) ¹	780	778	799	0%	-2%
-Postpaid	797	791	815	1%	-2%
-Prepaid	617	644	621	-4%	-1%
MOU (minute)	205	201	196	2%	4%
Cable MSO					
Monthly Subscription (NT\$)	510	514	521	-1%	-2%
Broadband ARPU (NT\$)	440	455	447	-3%	-2%
Blended ARPU ² (NT\$)	667	674	658	-1%	1%

1. Excluding one-off revenue

2. All CATV revenue divided by its subscriber number

Revenue Analysis

TWM outperformed peers by reporting a mere 2% YoY decline in terms of recurring mobile service revenue, leading to further expansion in market share, despite expanded revenue dip of the mobile industry as affected by the worsened macro economy. This was mainly credited to a 14% YoY rise in pre-paid revenue, coupled with 13% YoY growth in value-added services.

The growing on-net and prepaid MOUs coupled with the declining F→M minutes weighed on ARPM. However, 4% MOUs growth driven by 22% YoY rise in intra-net minutes, helped stabilize ARPU. Despite a 4% sequential dip of pre-paid ARPU due to rising on-net traffics and pricing pressure, TWM continued standing out with the highest blended ARPU and the lowest blended ARPU contraction among the big three in 3Q08.

A detailed look at TFN's revenue performance shows that excluding group related business, fixed-line saw a 40% growth in data services, credited to increased IP transit services provided to MSOs. At the same time, the 21% YoY growth in voice revenue was credited to increasing wholesale minutes.

On the cable business front, 12% channel leasing revenue growth from additions of two shopping channels in 3Q08 compensated for the negative revenue impact on pay-TV's subscription revenue arising from downward price adjustment for customers in Taipei County. As for cable broadband, mid-to-high speed service went up to 68% in Sept. 08, up from 44% a year ago. Cable broadband subscriber number growth led to the 40% broadband revenue increase seen in the quarter.

II. EBIT Analysis

Table 2. EBIT Breakdown

NT\$bn	3Q08	2Q08	3Q07	QoQ	YoY
EBITDA					
Wireless	6.66	6.69	7.15	0%	-7%
Fixed-line	0.46	0.48	0.38	-6%	20%
Cable MSO	0.55	0.54	0.52	2%	5%
Margin					
Wireless	45.2%	45.5%	47.0%	-0.3pps	-1.7pps
Fixed-line	17.2%	19.2%	18.3%	-2.0pps	-1.0pps
Cable MSO	51.8%	51.1%	51.7%	0.7pps	0.1pps
D&A¹					
Wireless	1.90	1.84	2.05	3%	-8%
Fixed-line	0.04	0.03	0.36	27%	-89%
Cable MSO	0.13	0.13	0.12	0%	6%
EBIT					
Wireless	4.76	4.85	5.09	-2%	-7%
Fixed-line	0.42	0.45	0.02	-8%	18.9x
Cable MSO	0.42	0.42	0.40	2%	5%

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

Table 3. Non-operating Item

NT\$bn	3Q08	2Q08	3Q07	QoQ	YoY
Non-Operating	(0.16)	(0.40)	(0.66)	-60%	-76%
-Net Interest Expense	(0.14)	(0.14)	(0.23)	2%	-39%
- Write-off Loss	(0.19)	(0.37)	(0.70)	-49%	-73%
-Disposal Gain and Others	0.17	0.11	0.27	54%	-37%

EBIT Analysis

Increased subsidies from more handsets and data cards sold and expensing employee bonuses weighed on 3Q08 mobile EBITDA margin, compared to a year ago.

Fixed-line's EBITDA margin came slightly down from last quarter, as lower-margin wholesale voice business rose in 3Q08.

For cable business, EBITDA margin in 3Q08 improved from 2Q08 and 3Q07 due to better economies of scale.

Non-Operating Item Analysis

Non-operating loss in 3Q08 was down YoY, due to lower interest expenses and asset write-off losses.



III. Income Statement Analysis

Table 4. TWM Consolidated Results vs. Forecast

NT\$bn	3Q08 Actual	3Q08 Forecast	% of Forecast Achieved
Revenue	17.61	17.78	99%
Operating Income	5.57	5.40	103%
Pre-tax Income	5.42	4.96	109%
(Less Tax)	(1.35)	(1.24)	NM
Net Income - Attributed to the Parent	4.06	3.72	109%
EPS (NT\$)	1.36	1.25	109%
EBITDA	7.67	7.47	103%
EBITDA margin	43.58%	42.01%	

Table 5. Income Statement

NT\$bn	3Q08	2Q08	3Q07
Revenue	17.61	17.50	17.61
Operating Cost	8.11	7.90	7.79
Operating Expenses	3.93	3.92	4.06
EBITDA	7.67	7.72	8.05
Operating Income	5.57	5.69	5.75
Non-op. Income (Expense)	(0.16)	(0.40)	(0.66)
Pre-tax Income	5.42	5.29	5.09
Pre-tax Income -recurring	5.61	5.66	5.79
(Less Tax)	(1.35)	(1.32)	(1.30)
(Minority Interest)	(0.00)	(0.00)	(0.07)
Net Income - Attributed to the Parent	4.06	3.97	3.72
EPS (NT\$)	1.36	1.32	1.02

Income Statement Analysis

Pressure on total mobile market as a result of weaker economy attributed mainly to the revenue short-fall in 3Q08.

That said, 3Q EBIT came in 3% higher than guidance along with lower retention cost per contract renewal and less-than-expected advertising expenditure and other spendings.

On the non-operating front, some asset writ-offs will be pushed into next quarter, an asset write-off loss of NT\$190m was lower than expected. As a result, 3Q net income reached 109% of the official guidance.



IV. Cash Flow Analysis

Table 6. Cash Flow

NT\$bn	3Q08	2Q08	3Q07
Total Op Sources/(Uses)	5.70	6.39	7.11
Consolidated Net Income	4.07	3.97	3.80
Depreciation	1.82	1.76	2.03
Amortization	0.27	0.28	0.26
Asset Write-off Loss Add-back	0.14	0.37	0.71
Changes in Working Capital	(0.61)	0.01	0.29
Cash Management	0.00	0.00	0.01
Net Investing Sources/(Uses)	(1.78)	(1.61)	(3.16)
Divestment of Financial Asset	0.00	0.00	0.50
Capex	(2.04)	(1.43)	(2.01)
Acquisition	0.00	(0.13)	(1.65)
Increase in Goodwill	0.00	(0.10)	0.00
Disposal of Property & Equipment	0.31	0.05	0.00
Net Financing Sources/(Uses)	(4.45)	(9.39)	(7.16)
Dividend and Bonus Payment	(7.80)	0.00	(9.81)
Short-Term Borrowings	2.45	(6.95)	5.21
Debt Repayment	(0.90)	0.90	(3.91)
Commercial Paper Payable	1.85	(3.30)	2.00
Minority Interest Increase (Decrease)	(0.04)	(0.04)	(0.61)
Cash Inherited via Acquisitions	0.00	0.10	0.22
Net Cash Position Chg.	(0.52)	(4.51)	(2.98)

Table 7. Capex & FCF

NT\$bn	3Q08	2Q08	3Q07
Cash Capex	2.04	1.43	2.01
- Mobile	1.67	1.16	1.68
- Fixed-line	0.29	0.12	0.15
- Cable MSO	0.09	0.15	0.18
% of Revenue	12%	8%	11%
Free Cash Flow	3.65	4.96	5.10

Cash Flow Analysis

Besides NT\$2bn cash capex in 3Q08, we had NT\$310m sales proceeds from the disposal of a switching office premises. Overall investing cash outflow came off from 3Q07 when it had a cash outflow of NT\$1.65bn associated with increasing TFN stakes and TTN acquisition.

For the financing activities, total borrowing had a net increase of NT\$3.4bn to facilitate NT\$7.8bn dividend and bonuses payment in 3Q08.

Capex and Free Cash Flow Analysis

Group capex in 3Q climbed to the same level as a year ago, and accumulated cash capex reached to NT\$4.72bn as of 3Q08.

With good core business cash earnings and stable cash capex, free cash flow yield for the first nine months was at 10% (annualized).

V. Balance Sheet Analysis

Table 8. Balance Sheet

NT\$bn	3Q08	2Q08	3Q07
Total Assets	91.81	92.56	115.64
Current Assets	13.24	13.33	23.21
- Cash & Cash Equivalents	3.73	4.26	11.66
-Available-for-Sale Financial Asset	0.30	0.31	2.87
- Other Current Assets	9.21	8.76	8.67
Long-Term Investment	3.04	3.02	3.22
Property and Equipment	48.98	49.33	64.91
Intangible Assets	22.34	22.59	21.83
-3G License & Goodwill	18.15	18.33	18.24
Other Assets	4.21	4.30	2.47
Liabilities	42.98	47.80	60.62
Current Liabilities	35.04	38.91	45.74
- ST Debts/Commercial Paper Payable	17.74	13.45	30.48
- Other Current Liabilities	17.30	25.47	15.25
Long-Term Borrowings	7.50	8.40	14.17
Other Liabilities	0.45	0.49	0.71
Shareholders' Equity	48.83	44.76	55.02
-Paid-in Capital	38.01	38.01	50.01
-Capital Surplus	12.27	12.27	8.78
-Treasury Shares	(31.89)	(31.89)	(38.49)
-Un-appropriated Earnings*	2.34	2.34	4.11
-Special Reserve	3.41	3.41	3.49

*: excluding YTD profits

Table 9. Ratios

	3Q08	2Q08	3Q07
Current Ratio	38%	34%	51%
Interest Coverage (x)	31.6	30.6	24.9
Net Debt to Equity	44%	39%	60%
Net Debt to EBITDA (x)	0.71	0.59	1.08
ROE (annualized)	40%	42%	22%
ROA (annualized)	18%	18%	14%

Balance Sheet Analysis

Gross debt balance reached NT\$25.24bn at the end of 3Q08 as a result of NT\$0.9bn reduction in long-term debt and NT\$4.29bn increase in short-term debt as a bridge for the employee bonuses and dividend payments in 3Q08. We have priced a five-year NT\$8bn bond with 2.88% coupon to be issued in November. Additionally, we will draw down our 3-year syndicate loan of NT\$13.5bn by the end of this year. All in all, these measures are aimed to refinance our short-term debt with long-term borrowings to enhance our balance sheet stability.

The following table summarize debt maturity schedule.

Year -end	Maturity Amt (NT\$bn)	Bond	Coupon
2008	2.5	First unsecured corporate bond	2.80%
2009	7.5	First unsecured corporate bond	2.45%/2.80%
2010	0.0		
2011	0.0		
2012	4.0	Second unsecured straight bond ¹	2.88%
2013	4.0	Second unsecured straight bond ¹	2.88%

1. To be issued in November, 2008

2. Any drawn down from the NT\$13.5bn syndicate loan will be matured by May 2011

Other current liabilities as of the end of 3Q08 decreased from 2Q08 after we made the NT\$7.8bn employee bonuses and dividend payments on July 24.

Treasury shares with carrying cost of NT\$31.89bn represent 21.4% of total shares. Unappropriated earnings together special reserve totaled NT\$5.75bn, as of the end of 3Q08.

Ratio Analysis

Current ratio improved to 38% in 3Q end due to the reduction of other current liabilities. Both net debt to EBITDA and net debt to equity remained at a healthy level.

VI. Forecast

Table 10. Forecast

NT\$bn	4Q08	QoQ	YoY
Revenue	17.46	-1%	-1%
Cash Cost	6.42	3%	13%
Selling Expense	2.67	0%	-8%
G&A	1.29	4%	-15%
EBITDA	7.33	-4%	0%
EBITDA Margin	42.00%		
Operating Income	5.11	-8%	3%
(Asset write-off)	(0.52)	175%	-95%
Pre-tax Income	4.55	-16%	NM
(Tax Expense)	(1.14)	-16%	NM
(Minority Interest)	(0.00)	219%	-99%
Net Income	3.41	-16%	NM
EPS (NT\$)	1.15	-15%	NM

4Q guidance

We forecast 4Q revenue YoY growth for cable to be 4%; 12% for fixed-line and -1% for mobile. Although we still anticipate a healthy 5% YoY rise in 4Q mobile MOU and 21% YoY growth in wireless data service, the forecasted lower revenue per minute will negatively affect 4Q revenue.

On the network cost front, despite the cost pressure from electricity price hike and expensing employee bonus, we still expect full-year cash network cost to be flattish YoY on the back of maintenance cost savings. Marketing spent in 4Q08 will be contained. That said, overall cash opex will increase YoY in both 4Q and full-year 2008 due to higher handset subsidies on forecast higher sales volume of company's self-procured data cards and certain handset models.

4Q asset write-off loss is forecast to be NT\$522m, up from NT\$190m in the previous quarter but down from NT\$11.4bn a year ago.

Factoring in 4Q's guidance, our 2008 full-year revenue and EBITDA are expected to be NT\$69.8bn (up 6% YoY), NT\$30.4bn (up 1% YoY), with EPS of NT\$5.27 (up 2.1x YoY), respectively.

VII. Management Discussion & Analysis

Key Message

For the past three quarters, we were able to outperform our peers and our guidance. With all out efforts towards strengthening our foothold in the marketplace as well as enhanced financial stability, we are confident in our ability to navigate the economic storm and increase shareholder value.

Shares buy-back plan

On Oct. 7, the BOD resolved 25mn shares (0.66% of total issued shares) buy-back plan for employees at the price of NT\$45~60 within two months effective on Oct. 8.

Award and Recognition

Awarded the highest customer satisfaction in a 2008 survey conducted by the Consumers' Foundation.

New product and service

- Launched new mobile→fixed tariff, featuring NT\$299 monthly fee with NT\$1.5 for every three minutes, lower than on-net land line calls.
- Introduced 3.5G data card built-in mini laptop, "Acer Aspire one", to promote mobile broadband service.
- Introduced HTC Touch Diamond and RIM's Chinese interface BlackBerry Bold, respectively, in response to the popularity of smart phones.