

Letter to Shareholders

Dear Shareholders,

Taiwan Mobile's ("TWM" or "The Company") consolidated net profit in 2012 rose 9% from a year ago, bolstered by revenue growth in all three major business groups – Consumer, Enterprise and Home. Given solid operating results, TWM's share price surged past the NT\$100 mark for the first time last year. The management team and employees are committed to further enhancing the Company's core competence and market leadership in order to meet shareholders' expectations.

Steady expansion of core business

In 2012, Taiwan Mobile posted a consolidated revenue of NT\$98.14bn, up 21% from a year ago. The Company's consolidated EBITDA of NT\$27.93bn and net income of NT\$14.69bn reached 98% and 102%, respectively, of its annual targets. Earnings per share rose 16% YoY to NT\$5.46. In addition to the benefits of a capital reduction in August 2011, the Company's growth was propelled by the following:

1. Wireless value-added services

The Company introduced many exclusive mid-to-low-end smartphone models to encourage users to switch from feature phones to smartphones. As a result, TWM's smartphone penetration rate reached 39% at the end of 2012, boosting wireless value-added service (VAS) revenue by 39% from 2011. Mobile VAS revenue as a percentage of total mobile service revenue climbed to 33% at the end of 2012.

2. Cable broadband services

Following the successful launch of its high-speed 60Mbps cable internet service in 2012, TWM's high-speed (≥ 20 Mbps) customer mix rose to 28% from 12% a year ago. This boosted the Company's cable internet subscriber numbers and average revenue per user (ARPU) by 10% and 4% YoY, respectively, leading to 15% YoY growth in cable internet revenue.

Enhancing corporate value

1. World-class corporate governance

Taiwan Mobile's commitment to corporate governance has made it a role model in protecting shareholders' interests and promoting financial transparency. The Company's compliance with global standards has won the trust of investors as well as numerous awards and recognition from various domestic and international rating institutions last year, including the following: "Corporate Governance Asia Recognition Award" in the Asia-Pacific region for the sixth year in a row, and "Best Corporate Investor Relations, Taiwan" in the 2nd Asian Excellence Recognition Awards from *Corporate Governance Asia* magazine; the "Best Managed Company," "Best Corporate Governance," "Best Corporate Investor Relations" and "Best Commitment to Strong Dividends" in the Asia's Best Companies Poll 2012 by *FinanceAsia* magazine; an "A++" rating and top 10 ranked listed company for "Transparency and Information

Disclosure” by the Securities and Futures Institute for the seventh consecutive year; and first place in the “Info Tech 100 Taiwan” and eighth in the “Info Tech 100 Asia” by *Business Next* magazine.

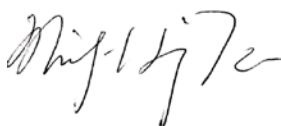
2. A role model for corporate social responsibility

TWM’s efforts to employ its corporate and financial resources to assist non-profit organizations in promoting social welfare have also won wide recognition. Last year, these included the “Best CSR” in the 2nd Asian Excellence Recognition Awards by *Corporate Governance Asia* magazine; the “Corporate Social Responsibility Award” for excellence in Community Care and Teamwork Efficiency by *Global Views Monthly* magazine; “Excellence in Corporate Social Responsibility” award from *CommonWealth* magazine for the sixth consecutive year, with the Company also ranking first in the Non-manufacturing Sector; and the Silver Award in the Telecom Sector of the 2012 Taiwan Corporate Sustainability Report Awards from the Taiwan Institute for Sustainable Energy.

3. Premium services and customer satisfaction

With customer care as its core value, TWM offers premium customer services that include world-class information security, network quality and product and service innovations – all of which were critical to its earning the following recognition: named the “Most Prestigious Company” in the Telecom Sector in an annual survey conducted by *CommonWealth* magazine; recipient of the internationally renowned Swiss SGS Qualicert certification for its quality direct store channel and customer service system; winner of the “Trusted Brand Gold Award” from *Reader’s Digest* for the ninth consecutive year; and named No.2 in *Next* magazine’s “Ninth Annual Top Service Awards” in the Mobile and Fixed-line Communications category.

Although the National Communications Commission’s (NCC) reduction of mobile termination rates (MTR) in 2013 will inevitably weigh on the Company’s revenue and profit, TWM will continue to explore new growth opportunities and introduce innovative products and services to ensure steady profitability. The NCC also plans to release 4G licenses to improve the speed and quality of domestic wireless broadband networks by the end of 2013. The Company will cautiously review potential acquisition of a new spectrum and license and expects to enhance shareholders’ interests by opening new business opportunities in the 4G era.



Richard Tsai
Chairman