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NT\$bn	TWM consolidated ¹				
	<u>2008</u>	<u>YoY</u>	<u>4Q08</u>	<u>QoQ</u>	<u>YoY</u>
Revenue	69.30	5%	16.94	-4%	-2%
EBITDA	30.07	0%	7.03	-8%	-4%
Operating Income	21.78	2%	4.88	-12%	-2%
Non-op. Income (Expense)	(1.25)	-90%	(0.69)	339%	-94%
Pre-tax Income	20.54	129%	4.19	-23%	NM
(Less Tax)	(5.15)	137%	(1.05)	-23%	NM
(Less Minority Interest)	(0.01)	-93%	0.00	NM	NM
Net Income	15.37	132%	3.15	-23%	NM
EPS (NT\$)	5.18	208%	1.06	-22%	NM
EBITDA margin	43.39%	-2.22pps	41.50%	-2.08pps	-0.86pps
Operating margin	31.43%	-0.82pps	28.83%	-2.84pps	-0.15pps

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

Highlights of 4Q08 and Full-Year Results

Pressure on total mobile market as a result of weaker economy led mainly to the revenue short-fall in 4Q08. The savings from cost control plans were offset largely by rising marketing expenses to expand wireless data subscriber base. EBIT and EBITDA both came in 4% lower than our guidance.

On the non-operating front, due to the pull-in of some write-offs originally scheduled for 1Q09, we realized higher-than-expected write-off losses in 4Q08. 4Q08 net income reached 92% of the official guidance on lower revenue and higher write-offs.

For full-year 2008, consolidated revenue was up 5% YoY due to higher revenue contributions from fixed-line and cable business. This, coupled with lower depreciation expense, resulted in a 2% YoY growth in EBIT. Stripping out asset write-offs and disposal gains from divestment of Fubon Financial Holding, the recurring net profit grew 2% YoY.

2009 Guidance

We estimate 2009 consolidated revenue to be flattish with household business group (HBG) rising 4% YoY while enterprise business group (EBG) and consumer business group (CBG) down by a respective 3% YoY and 1% YoY. Cash network cost will be reduced by 2.7% YoY, while device cost will rise due to our estimate of robust volume growth in data card sales in 2009. SG&A is expected to increase 3.8% YoY, reflecting opening of more company stores, IT related depreciation expense rise, and our conservative view on bill collections.

2009 asset write-off losses are forecasted to be NT\$1.63bn and will quite evenly spread out into four quarters. In a nutshell, we forecast our 2009 EPS to come in at NT\$4.66, down 10% YoY.

Management Remark

To enhance shareholder return, TFN's board has approved forfeiting dividends from TWM, leading to a 27% increase in DPS for other TWM shareholders. For 2009, though the financial crisis isn't yet over, we have stepped up efforts to drive growth from wireless data and cable TV/broadband. We are in firm belief that these efforts will pay off over time and will enhance shareholder value.

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I. Revenue Analysis

Table 1. Key Operational Data

Revenue (NT\$m)	4Q08	3Q08	4Q07	QoQ	YoY
Wireless	14.21	14.72	14.74	-3%	-4%
-Voice	12.44	13.18	13.41	-6%	-7%
-VAS	1.49	1.37	1.24	9%	20%
-Handset Sales	0.28	0.17	0.09	65%	206%
Fixed-line	2.49	2.65	2.31	-6%	8%
- Voice	1.56	1.66	1.38	-6%	13%
- Data & Others	0.92	0.99	0.93	-7%	0%
Cable MSO	1.08	1.06	1.02	1%	5%
- Pay-TV & Others	0.96	0.96	0.94	0%	2%
- Broadband	0.11	0.10	0.08	11%	43%

	4Q08	3Q08	4Q07	QoQ	YoY
Mobile Subscribers (K)	6,270	6,224	6,235	1%	1%
- Postpaid	5,646	5,615	5,688	1%	-1%
- Data card	85	58	7	47%	11.5x
- Prepaid	625	608	546	3%	14%
Monthly Churn	1.8%	1.9%	1.9%		
MOU (bn)	3.87	3.82	3.60	1%	7%
ARPM (NT\$)	3.60	3.81	4.06	-5%	-11%
Pay-TV Subs (K)	538	535	518	1%	4%
Cable Broadband Subs (K)	88	82	61	7%	43%

	4Q08	3Q08	4Q07	QoQ	YoY
Wireless					
ARPU (NT\$)	743	780	784	-5%	-5%
-Postpaid	762	797	799	-4%	-5%
-Prepaid	571	617	620	-7%	-8%
MOU per sub (minute)	206	205	193	1%	7%
Cable MSO					
Monthly Subscription (NT\$)	509	510	524	0%	-3%
Broadband ARPU (NT\$)	447	440	449	2%	0%
Blended ARPU ¹ (NT\$)	669	667	660	0%	1%

1. All CATV revenue divided by its subscriber number

Revenue Analysis

Mobile: Total mobile revenue of the big 3 was down 4% YoY in 4Q08, negatively affected by weak local economy. The only bright spots seen in the quarter were 20% YoY growth in value-added services and 6% YoY rise in pre-paid revenue. We note that wireless data revenue was propelled by 67% increase in mobile internet in 4Q, aided by 93% increase in subscriber number with data price plan and 78k additions of data card customers from a year ago. The drop of average revenue per minute (ARPM) was mainly because of non-billable MOU increase from bucket plan customers. Accordingly, the blended ARPU declined 5% YoY.

Fixed-line: A detailed look at TFN's revenue performance shows that excluding 42% group related business, fixed-line still saw an 8% revenue growth from third parties, aided by 22% YoY increase in voice revenue due to increasing wholesale minutes in 4Q08.

Cable TV: The additions of two shopping channels broadcasting on our TV programs since 3Q08 and 4% rise in basic-TV subscribers led to a 2% YoY increase in pay-TV related revenue. As for cable broadband, broadband ARPU was underpinned by the rise in mid-to-high download speed service users, making up 72% of total in Dec. 08, up from 49% a year ago. Cable broadband subscriber number also had a strong 43% YoY growth, leading to a 43% broadband revenue increase in the quarter.

II. EBIT Analysis

Table 2. EBIT Breakdown

NT\$bn	4Q08	3Q08	4Q07	2008	YoY
EBITDA	7.03	7.67	7.34	30.07	0%
- Wireless	5.96	6.66	6.28	25.96	-6%
- Fixed-line	0.49	0.46	0.52	1.88	29%
- Cable MSO	0.54	0.55	0.54	2.18	4%
Margin	41.5%	43.6%	42.4%	43.4%	-2.2pps
- Wireless	41.9%	45.2%	42.6%	44.6%	-1.8pps
- Fixed-line	19.8%	17.2%	22.7%	18.8%	1.1pps
- Cable MSO	50.6%	51.8%	53.0%	51.5%	-0.8pps
D&A	2.15	2.10	2.37	8.28	-6%
- Wireless	1.94	1.90	2.09	7.49	-8%
- Fixed-line	0.05	0.04	0.37	0.15	-90%
- Cable MSO	0.12	0.13	0.13	0.50	3%
EBIT	4.88	5.57	4.97	21.78	2%
- Wireless	4.02	4.76	4.18	18.47	-5%
- Fixed-line	0.45	0.42	0.15	1.73	109x
- Cable MSO	0.42	0.42	0.42	1.69	4%

Table 3. Non-operating Item

NT\$bn	4Q08	3Q08	4Q07	2008	YoY
Non-Operating	(0.69)	(0.16)	(11.69)	(1.25)	-90%
-Net Interest Expense	(0.14)	(0.14)	(0.23)	(0.59)	-15%
- Write-off Loss	(0.71)	(0.19)	(11.34)	(1.49)	-88%
-Disposal Gain and Others	0.15	0.17	(0.12)	0.83	7%

EBIT Analysis

4Q08 mobile EBITDA margin contracted from 3Q08 due to sequential revenue decline arising from seasonality and economic slow-down. Although we had lowered 2G handset subsidies to cope with weaker revenue trend, overall marketing spent did not go down both YoY and QoQ due to the fast ramp of 3.5G data card business and netbook PC bundled campaigns.

Fixed-line's EBITDA margin in 4Q08 was up from previous quarter, due to better product mix with a lower % wholesale voice business in the quarter.

Cable TV's EBITDA margin was stable in 4Q08 and was still stood at over 50% level.

For 2008, the growth in fixed-line and cable TV EBITDA compensated for mobile EBITDA decrease. Consolidated EBITDA margin in 2008 contracted to 43.39% as a result of 1) expensing employee bonuses (0.7% margin erosion), 2) higher subsidies of data cards and other focused handset models, and 3) mandatory price cuts (1% erosion).

Non-Operating Item Analysis

4Q08 non-operating expense dropped 94% from a year ago due to lower interest expense and asset write-off losses. In 2008, apart from the aforementioned reasons, we also realized NT\$0.26bn gains from the disposal of Fubon Financial Holding shares. Accordingly, net non-operating expense was down by 90% from a year ago for the year.



III. Income Statement Analysis

Table 4. TWM Consolidated Results vs. Forecast

NT\$bn	4Q08 Actual	4Q08 Forecast	% of Forecast Achieved
Revenue	16.94	17.46	97%
Operating Income	4.88	5.11	96%
Pre-tax Income	4.19	4.55	92%
(Less Tax)	(1.05)	(1.14)	92%
Net Income - Attributed to the Parent	3.15	3.41	92%
EPS (NT\$)	1.06	1.15	93%
EBITDA	7.03	7.33	96%
EBITDA margin	41.50%	42.00%	

Table 5. Income Statement

NT\$bn	4Q08	4Q07	2008
Revenue	16.94	17.33	69.30
Operating Cost	(8.06)	(7.92)	(31.69)
Operating Expenses	(4.00)	(4.44)	(15.83)
EBITDA	7.03	7.34	30.07
Operating Income	4.88	4.97	21.78
Non-op. Income (Expense)	(0.69)	(11.69)	(1.25)
Pre-tax Income	4.19	(6.72)	20.54
(Less Tax)	(1.05)	1.68	(5.15)
(Minority Interest)	0.00	(0.07)	(0.01)
Net Income - Attributed to the Parent	3.15	(5.11)	15.37
EPS (NT\$)	1.06	(1.16)	5.18

Income Statement Analysis

Pressure on total mobile market as a result of weaker economy led mainly to the revenue short-fall in 4Q08.

The savings from cost control plans were offset largely by rising marketing expenses to expand wireless data subscriber base. EBIT and EBITDA both came in 4% lower than our guidance.

On the non-operating front, due to the pull-in of some write-offs originally scheduled for 1Q09, we realized higher-than-expected write-off losses in 4Q08.

4Q08 net income reached 92% of the official guidance on lower revenue and higher write-offs.

For full-year 2008, consolidated revenue was up 5% YoY due to higher revenue contributions from fixed-line and cable business. This, coupled with lower depreciation expense, resulted in a 2% YoY growth in EBIT. Stripping out asset write-offs and disposal gains from divestment of Fubon Financial Holding, the recurring net profit grew 2% YoY.

IV. Cash Flow Analysis

Table 6. Cash Flow

NT\$bn	2008	4Q08	3Q08	4Q07
Total Op Sources/(Uses)¹	27.39	7.86	5.70	8.42
Consolidated Net Income	15.38	3.14	4.07	(5.04)
Depreciation	7.19	1.88	1.82	2.09
Amortization	1.10	0.27	0.27	0.28
Changes in Working Capital	1.41	1.44	(0.89)	1.42
Other Add-back	2.32	1.13	0.42	9.68
Net Investing Sources/(Uses)	(5.85)	(2.11)	(1.78)	(2.38)
Divestment of Financial Asset	2.09	0.00	0.00	0.67
Capex	(6.54)	(1.81)	(2.04)	(1.92)
Acquisition	(0.39)	(0.26)	(0.00)	(1.27)
Disposal of Property & Equipment	0.36	0.00	0.31	0.01
Net Financing Sources/(Uses)	(24.82)	(5.62)	(4.45)	(10.68)
Dividend and Bonus Payment	(7.80)	0.00	(7.80)	(0.01)
Short-Term Borrowings	(19.34)	(12.40)	2.45	(2.24)
Commercial Paper Payable	(1.59)	(2.84)	1.85	(0.40)
Corporate Bond Payable	5.50	5.50	0.00	(3.75)
Long-Term Borrowings	2.75	5.20	(0.90)	(4.92)
Shares Buyback	(1.06)	(1.06)	0.00	0.71
Capital Reduction	(9.43)	0.00	0.00	0.00
Disposal of Treasury Stock	13.51	0.00	0.00	0.00
Minority Interest (Decrease)	(7.31)	0.00	(0.04)	(0.06)
Net Cash Position Chg.	(3.16)	0.13	(0.52)	(4.63)

1. Inclusive cashflow for cash managements.

Table 7. Capex & FCF

NT\$bn	2008	4Q08	3Q08	4Q07
Cash Capex	6.54	1.81	2.04	1.92
- Mobile	5.34	1.53	1.67	1.65
- Fixed-line	0.74	0.18	0.29	0.12
- Cable MSO	0.46	0.10	0.09	0.15
% of Revenue	9%	11%	12%	11%
Free Cash Flow	20.85	6.05	3.65	6.51

Cash Flow Analysis

4Q08 operating cash flow remained stable. For the full year, our recurring operating cash flow reached NT\$27.26bn, up from NT\$26.74bn in 2007.

The 4Q08 investing activity cash outlay was mainly for NT\$1.8bn cash capex and NT\$250m long-term investment in a BOT property development project for our headquarters through a newly established 49.9% owned development company, Taipei New Horizons Co., Ltd. Total investment of this project is estimated to be NT\$7.345bn during 2009 through 2012, of which TWM's equity investment will be NT\$1.92bn. We will be able to centralize all employees in the new office premises built in this project in the future. For the full-year, we had NT\$2.09bn investing cash inflow from divestment of Fubon Financial Holding, whilst a NT\$6.54bn outflow for capex.

For the financing activities in 4Q08, we raised NT\$5.2bn from a three-year syndicate loan and a five-year NT\$8bn corporate bond to pay back NT\$15.24bn short-term borrowings and corporate bond of NT\$2.5bn due in year end. Separately, we spent NT\$1.06bn buying back 24mn TWM shares from the market, of which 7.28m shares were sold to employees in 1Q09. For 2008, we, in total, returned NT\$17.03bn to shareholders in the form of both regular cash dividend as well as capital return. The NT\$13.51bn proceeds from the sale of 6% treasury shares were used largely to pay down our short-term borrowing.

Capex and Free Cash Flow Analysis

Group capex in 4Q was similar to 3Q. For the full year, total cash capex reached NT\$6.5bn, of which 82% was spent on wireless infrastructure, which increased our total 3G base stations by 1,000 to around 5,000 at the end of 2008. The rest capex was used in fixed-line and CATV business.

With good core business cash earnings and stable cash capex (9% of revenue), 2008 free cash flow of NT\$21bn was equal to some 11% yield.

V. Balance Sheet Analysis

Table 8. Balance Sheet

NT\$bn	4Q08	3Q08	4Q07
Total Assets	91.94	91.81	98.03
Current Assets	12.88	13.24	17.69
- Cash & Cash Equivalents	3.87	3.73	7.03
-Available-for-Sale Financial Asset	0.24	0.30	2.10
- Other Current Assets	8.77	9.21	8.56
Long-Term Investment	3.35	3.04	3.03
Property and Equipment	49.47	48.98	50.96
Intangible Assets	22.12	22.34	21.85
-3G License & Goodwill	17.96	18.15	17.46
Other Assets	4.12	4.21	4.51
Liabilities	41.00	42.98	65.63
Current Liabilities	26.74	35.04	57.65
- ST Debts/Commercial Paper Payable	7.50	17.74	25.88
- Other Current Liabilities	19.24	17.30	31.78
Long-Term Borrowings	13.20	7.50	7.50
Other Liabilities	1.07	0.45	0.47
Shareholders' Equity	50.94	48.83	32.41
-Paid-in Capital	38.01	38.01	38.01
-Capital Surplus	12.30	12.27	8.79
-Treasury Shares	(32.95)	(31.89)	(40.84)
-Un-appropriated Earnings*	2.34	2.34	4.11
-Special Reserve	3.41	3.41	3.49
-Retained Earnings & Others	27.83	24.69	18.85

*: excluding YTD profits

Table 9. Ratios

	4Q08	3Q08	4Q07
Current Ratio	48%	38%	31%
Interest Coverage (x)	30.8	31.6	10.5
Net Debt to Equity	33%	44%	81%
Net Debt to EBITDA (x)	0.56	0.71	0.87
ROE (annualized)	37%	40%	11%
ROA (annualized)	17%	18%	7%

Balance Sheet Analysis

The 4Q08 cash level was similar to that in the previous quarter.

Net PP&E cost at the end of 2008 was NT\$49.47bn, of which 2G's net book value was NT\$20.93bn.

Current liability balance had a big reduction at the end of 2008 by paying down all short-term borrowings, except for a NT\$7.5bn corporate bond issued in 2002 to mature in one year. This had been refinanced by long-term borrowing as mentioned in our cash flow analysis.

On top of 812m treasury shares (i.e. TWM shares held by our 100%-owned TFN) with a carrying cost of NT\$39.28/share, treasury share balance under shareholder equity account rose in 4Q08 due to the additions of 24m share buybacks in the quarter.

Ratio Analysis

Current ratio improved to 48% in 4Q end due to the reduction of short-term loans. As both net debt and gross debt reduced, both net debt to EBITDA and net debt to equity ratios also came off in 4Q08. Our good capital efficiency is evidenced by our higher ROE of 37% in 4Q08.

VI. Forecast

Table 10. Forecast

NT\$bn	1Q09	QoQ	2009	YoY
Revenue	16.86	0%	69.25	0%
Cash Cost	(6.05)	-1%	(24.66)	2%
Selling Expense	(2.72)	-2%	(11.14)	2%
G&A	(1.29)	5%	(5.29)	9%
EBITDA	6.99	-1%	29.00	-4%
EBITDA Margin	41.47%	-0.03pps	41.88%	-1.51pps
D&A	(2.13)	-1%	(8.81)	6%
Operating Income	4.86	0%	20.19	-7%
Asset write-off	(0.42)	-41%	(1.63)	10%
Pre-tax Income	4.45	6%	18.52	-10%
Tax Expense	(1.11)	6%	(4.63)	-10%
Net Income	3.34	6%	13.89	-10%
EPS (NT\$)	1.12	6%	4.66	-10%

Guidance

We estimate 2009 consolidated revenue to be flattish with household business group (HBG) growing 4% YoY while enterprise business group (EBG) and consumer business group (CBG) down by a respective 3% YoY and 1% YoY. For HBG, pay-TV subscriber numbers are expected to rise 2.4% and cable broadband subscriber number to increase 25%. For CBG, mobile revenue is expected to edge down 0.7% while fixed-line IDD business to drop 8.8%. The small decline in consumer mobile revenue is underpinned by 23% rise in value-added service. For EBG, despite continuous revenue growth in enterprise mobile business and fixed-line data and access business, revenue decline from other areas including ISR will far more offset the growth.

On the network cost front, it will be reduced by 2.7% YoY with savings coming from both mobile and fixed-line networks. For other cost, the increase will come from rising device costs on robust volume growth in data card sales in 2009.

On SG&A, we forecast this expense to increase 3.8% YoY, reflecting opening of more company stores, IT related depreciation expense rise, and our conservative view on bill collections.

Total D&A in 2009 will rise 6% to NT\$8.8bn as 2G

depreciation is not coming off large enough to offset 3G depreciation increase.

2009 full-year capex budget approved by the board is NT\$6.87bn, down from NT\$8.4bn budget ratified by the board in 2008.

2009 asset write-off losses are forecasted to be NT\$1.63bn which may evenly spread out into four quarters.

In a nutshell, we forecast our 2009 EPS to come in at NT\$4.66, down 10% YoY due to flattish revenue coupled with our continuous investments into data card promotions and the rise in D&A.

Key Message

We concluded year 2008 with net profits of NT\$15.4 billion, a little shy of our annual target. To enhance shareholder return, TFN's board has approved forfeiting dividends from TWM, leading to a 27% increase in DPS for other TWM shareholders. For 2009, though the financial crisis isn't yet over, we have stepped up efforts to drive growth from wireless data and cable TV/broadband. We are in firm belief that these efforts will pay off over time and will enhance shareholder value.

New product and service

- Ahead of the pack launching more affordable, lower-commitment data packages including "Catch 450" for middle usage users and "1/3/5 day packages counted mobile internet data rate plans" to cater to different market segments. We expect the number of subscribers adopting data price plans to increase by 1.3x YoY in 2009.

Award and Recognition

- Received the "Top Service Award 2008" in both the mobile/fixed-line operators and the 3C store channels categories from *Next Magazine*.
- Won the "Brilliant Award" of "e-21 Golden Website Award" in the large enterprise sector from the Department of Commerce of the Ministry of Economic Affairs for the Company's "myfone" internet shops.