

<p>October 26, 2006</p> <p>Topics in This Report</p> <ul style="list-style-type: none"> • Revenue Analysis • Cost & Expense Analysis • Income Statement Analysis • Cash Flow Analysis • Balance Sheet Analysis • Forecast • Management Remark <p><u>IR contact:</u></p> <p>Shirley Chu Deputy Director Investor Relations shirleychu@taiwanmobile.com</p> <p>Rosie Yu Vice President rosieyu@taiwanmobile.com</p> <p>18Fl, No. 172-1, Sec.2, Ji-Lung Rd., Taipei 106, Taiwan, ROC Tel: 8862 6636 3159</p> <p>ir@taiwanmobile.com http://www.taiwanmobile.com</p>	<u>TWM consolidated</u>¹																																																																													
	<table border="1"> <thead> <tr> <th data-bbox="427 369 790 414">NT\$bn</th> <th data-bbox="790 369 933 414"><u>1-3Q06</u></th> <th data-bbox="933 369 1077 414"><u>YoY</u></th> <th data-bbox="1077 369 1220 414"><u>3Q06</u></th> <th data-bbox="1220 369 1364 414"><u>QoQ</u></th> <th data-bbox="1364 369 1552 414"><u>YoY</u></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>44.38</td> <td>-2%</td> <td>15.03</td> <td>2%</td> <td>-4%</td> </tr> <tr> <td>Telecom Service Revenue</td> <td>44.14</td> <td>-1%</td> <td>14.97</td> <td>2%</td> <td>-3%</td> </tr> <tr> <td>EBITDA</td> <td>20.23</td> <td>-5%</td> <td>6.99</td> <td>4%</td> <td>-3%</td> </tr> <tr> <td>Operating Income</td> <td>14.39</td> <td>-8%</td> <td>5.04</td> <td>5%</td> <td>-4%</td> </tr> <tr> <td>Non-op. Income (Expense)</td> <td>0.82</td> <td>NM</td> <td>1.20</td> <td>140%</td> <td>NM</td> </tr> <tr> <td>Pre-tax Income</td> <td>15.21</td> <td>2%</td> <td>6.24</td> <td>18%</td> <td>24%</td> </tr> <tr> <td>(Less Tax)</td> <td>(1.941267)</td> <td>-2%</td> <td>(0.77)</td> <td>23%</td> <td>47%</td> </tr> <tr> <td>(Less Minority Interest)</td> <td>(0.04)</td> <td>-84%</td> <td>0.00</td> <td>NM</td> <td>NM</td> </tr> <tr> <td>Net Income</td> <td>13.23</td> <td>4%</td> <td>5.48</td> <td>18%</td> <td>23%</td> </tr> <tr> <td>EPS (NT\$)</td> <td>2.68</td> <td>3%</td> <td>1.11</td> <td>18%</td> <td>22%</td> </tr> <tr> <td>EBITDA margin</td> <td>45.58%</td> <td></td> <td>46.51%</td> <td></td> <td></td> </tr> <tr> <td>Operating margin</td> <td>32.42%</td> <td></td> <td>33.53%</td> <td></td> <td></td> </tr> </tbody> </table>	NT\$bn	<u>1-3Q06</u>	<u>YoY</u>	<u>3Q06</u>	<u>QoQ</u>	<u>YoY</u>	Revenue	44.38	-2%	15.03	2%	-4%	Telecom Service Revenue	44.14	-1%	14.97	2%	-3%	EBITDA	20.23	-5%	6.99	4%	-3%	Operating Income	14.39	-8%	5.04	5%	-4%	Non-op. Income (Expense)	0.82	NM	1.20	140%	NM	Pre-tax Income	15.21	2%	6.24	18%	24%	(Less Tax)	(1.941267)	-2%	(0.77)	23%	47%	(Less Minority Interest)	(0.04)	-84%	0.00	NM	NM	Net Income	13.23	4%	5.48	18%	23%	EPS (NT\$)	2.68	3%	1.11	18%	22%	EBITDA margin	45.58%		46.51%			Operating margin	32.42%		33.53%	
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<p>In a softening revenue environment, TWM's first three quarter service revenue was resilient. Effective cost controls coupled with one-off disposal gains led to a 4% growth in net profits.</p>																																																																														
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<p>We forecast 4Q revenue YoY change to follow similar trend seen in the 3Q. To reflect the seasonal pattern of lower revenue and flattish major cost and expense, 4Q EBITDA margin is expected to trend down to 45.1%. For the full-year, we expect a solid profit outlook with 45.5% EBITDA margin and NT\$16.2bn in net profits or an EPS of NT\$3.3, comparable to TWM's 2005 results.</p>																																																																														
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<p>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.</p>																																																																														

I. Revenue Analysis

Consolidated basis

Table 1. Key Operational Data

	3Q06	2Q06	3Q05	QoQ	YoY
Revenue (NT\$bn)	15.03	14.75	15.64	2%	-4%
Telecom service revenue	14.97	14.67	15.44	2%	-3%
-Voice Revenue	14.03	13.76	14.57	2%	-4%
-VAS Revenue	0.94	0.92	0.88	3%	7%
Others	0.06	0.07	0.20	-17%	-69%
Data Rev as % to Total	6.3%	6.2%	5.6%		
End Subscribers (K)	6,134	6,119	6,140	0%	0%
-Postpaid	5,656	5,649	5,690	0%	-1%
-Prepaid	478	471	450	2%	6%
Monthly Churn	1.9%	2.0%	3.2%		
MOU (bn)	3.56	3.57	3.77	0%	-6%
ARPM (NT\$)	4.15¹	4.11	4.09	1%	1%

Note 1: Excluding CHT's lawsuit compensation of NT\$212m

Table 2. Per Sub Spending & Usage

	3Q06	2Q06	3Q05	QoQ	YoY
ARPU (NT\$)²	814	802	825	1%	-1%
-Postpaid	835	822	847	2%	-1%
-Prepaid	567	561	534	1%	6%
MOU (minute)	193	195	202	-1%	-4%

Note 2: Blended ARPU is based solely on telecom service revenue

Revenue Analysis

TWM's 3Q revenue came in slightly better than the combined revenue YoY change at the Big Three, despite mobile industry revenue softness.

Overall subscriber base remained stable. It is noteworthy that post-paid monthly churn dropped to a low of 1.7% in 3Q vs. 2.7% a year ago.

We attributed the revenue decline to the combination of continuous F2M incoming minutes decrease and no further customer mix enhancement, compared to a year earlier.

Accordingly, the YoY increase in blended ARPU was not repeated in 3Q.

II. Cost and Expense Analysis

Consolidated basis

Table 3. Operating Cost Breakdown

NT\$bn	3Q06	2Q06	3Q05	QoQ	YoY
Operating Cost	6.31	6.09	6.22	4%	1%
Cost of Goods Sold	0.04	0.00	0.08	3873%	-54%
Telecom Service Cost	6.27	6.09	6.14	3%	2%
- Depreciation	1.58	1.55	1.43	2%	11%
-Amortization-3G	0.19	0.19	0.19	0%	NM
- Interconnection	2.50	2.50	2.70	0%	-7%
- BTS related	1.49	1.33	1.34	12%	11%
- Spectrum fee/license concession/USO	0.50	0.50	0.48	-1%	3%

Table 4. Operating Expense Breakdown

NT\$bn	3Q06	2Q06	3Q05	QoQ	YoY
Total Op. Exp.	3.68	3.86	4.17	-5%	-12%
Selling Exp.	2.48	2.74	2.97	-9%	-16%
- SAC + SRC	1.69	1.91	1.93	-12%	-12%
- Direct Store & Customer Service Exp	0.42	0.45	0.59	-7%	-28%
G&A Exp.	1.20	1.13	1.20	7%	0%

Table 5. Non-operating Item

NT\$bn	3Q06	2Q06	3Q05	QoQ	YoY
Non-Operating Items	1.20	0.50	(0.20)	140%	NM
-Net Interest Expense	(0.05)	(0.05)	(0.11)	14%	-54%
-Net Investment Income (Loss)	0.64	0.54	0.90	20%	-28%
-CHT Disposal Gain	1.49	0.00	0.00	NM	NM
-Asset Disposal /Write-off Gain (Loss)	(1.18)	(0.18)	(1.04)	567%	13%
-CB Buy-back Gain (Loss)	(0.00)	(0.01)	(0.00)	-96%	-29%
-Other Non-ops.	0.31	0.21	0.06	46%	431%

Cost/Expense Analysis

Network costs, exclusive of depreciation and amortization, remained flat YoY, with rising site opex offset by declining interconnecting cost. On the sequential comparison, BTS related opex remained the main cost driver on seasonal peak of utility expense and increasing maintenance expense for equipment off the warranty coverage period.

TWM in 3Q, focused on marketing resource rationalization, which aimed to raise new subscriber quality and increase marketing efficiency. Accordingly, selling expense trended down both YoY and QoQ.

Non-Operating Item Analysis

Non-operating items accounted for 22% of net profits in 3Q, boosted by NT\$1.5bn CHT local share/ADR disposal gains, NT\$644m dividend income largely from CHT. It is noted that asset write-off losses for the quarter also increased to NT\$1.2bn, exceeding our guidance due to faster-than-expected progress of 2G software upgrades.



III. Income Statement Analysis

Consolidated basis

Table 6. Income Statement

NT\$bn	3Q06	2Q06	3Q05
Revenue	15.03	14.75	15.64
Telecom Service Revenue	14.97	14.67	15.44
Other Revenue	0.06	0.07	0.20
Operating Cost	6.31	6.09	6.22
Telecom Service Cost	6.27	6.09	6.14
Cost of Good Sold	0.04	0.00	0.08
Operating Expenses	3.68	3.86	4.17
EBITDA	6.99	6.73	7.21
Operating Income	5.04	4.80	5.24
Non-op. Income (Expense)	1.20	0.50	(0.20)
Pre-tax Income	6.24	5.30	5.05
(Less Tax)	(0.77)	(0.63)	(0.52)
(Minority Interest)	0.00	(0.03)	(0.06)
Net Income - Attributed to the Parent	5.48	4.65	4.46
EPS (NT\$)	1.11	0.94	0.91

Income Statement Analysis

Our 3Q revenue came in slightly off the guidance due to lower-than-expected minutes of use. Nonetheless, EBITDA surpassed the target, attributable to better-than-expected selling expense controls. Additionally, higher-than-expected profit contributions from CHT share disposals resulted in the outperformance of net income, exceeding the guidance by 8%.

Table 7. TWM Consolidated Results vs Forecast

NT\$bn	3Q06 Actual	3Q06 Forecast	% of Forecast Achieved
Revenue	15.03	15.34	98%
Operating Income	5.04	4.86	104%
Pre-tax Income	6.24	5.89	106%
(Less Tax)	(0.77)	(0.81)	94%
Net Income	5.48	5.07	108%
EPS (NT\$)	1.11	1.03	108%
EBITDA	6.99	6.82	103%
EBITDA margin	46.51%	44.43%	

IV. Cash Flow Analysis

Consolidated basis

Table 8. Cash Flow

NT\$bn	3Q06	2Q06	3Q05
Total Op Sources/(Uses)	4.60	(3.00)	7.36
Consolidated Net Income	5.47	4.67	4.53
Depreciation	1.70	1.67	1.56
Amortization	0.25	0.27	0.41
Disposal (Gain) on Investment	(1.49)	0.00	0.00
Changes in Working Capital & Others	(1.34)	(9.61)	0.87
Net Investing Sources/(Uses)	3.51	(1.64)	1.06
Divestment (Acquisition)	5.04	0.00	0.00
Capex	(1.32)	(1.40)	(0.69)
Net Financing Sources/(Uses)	(13.34)	(2.82)	(12.18)
Dividend and Bonus Payments	(12.84)	0.00	(12.15)
Debt Repayment	(0.00)	0.00	(0.12)
CB Buyback	(0.01)	(0.40)	(0.01)
Shares Buyback	0.00	(1.82)	0.00
Net Cash Position Chg.	(5.23)	(7.46)	(3.77)

Table 9. Capex & FCF

NT\$bn	3Q06	2Q06	3Q05
Total Capex	1.32	1.40	0.69
% of Revenue	9%	10%	4%
Free Cash Flow*	3.29	(4.40)	6.67

*Free cash flow: operating cash flow minus capex

Cash Flow Analysis

Operating cash flows rose from the previous quarter on rising net profits.

Investment cash outflow in 3Q was mainly NT\$1.3bn capex. The disposal of CHT shares brought in additional NT\$5bn of cash in 3Q with another NT\$3.3bn proceeds from ADR issuance to be received in 4Q.

Similar to 3Q05, our financing activity cash outflows surged due to cash dividend and bonus payments.

Capex and Free Cash Flow Analysis

Fixed asset gross adds amounted to NT\$1.9bn in 3Q, with 3G equipment making up 88% of total. Year to date, we had increased our gross fixed assets by NT\$3.9bn, of which 3G related equipment accounted for 81%.

Compared to previous quarter's negative FCF due to transferring excess cash to money market instruments, 3Q FCF surged.

V. Balance Sheet Analysis

Consolidated basis

Table 10. Balance Sheet

NT\$bn	3Q06	2Q06	3Q05
Total Assets	114.20	124.90	116.03
Current Assets	30.92	40.18	26.98
- Cash & Cash Equivalents	9.13	14.36	9.52
-Available-for-Sale Financial Asset	0.37	8.78	9.28
-Financial Assets at Fair Value	10.49	9.57	0.06
- Other Current Assets	10.94	7.48	8.13
Long-Term Investment	3.88	4.01	4.01
Property and Equipment	60.36	61.38	65.08
Intangible Assets	15.99	16.18	16.41
-3G License	9.16	9.35	9.91
-Goodwill	6.84	6.84	6.50
Other Assets	3.04	3.16	3.55
Liabilities	27.92	42.89	32.16
Current Liabilities	13.51	28.10	15.41
- ST Debts	1.34	1.59	3.36
- Other Current Liabilities	12.17	26.51	12.06
Long-Term Borrowings	14.10	14.47	15.84
Other Liabilities	0.31	0.32	0.91
Shareholders' Equity	86.28	82.01	83.87

Table 11. Ratios

	3Q06	2Q06	3Q05
Current Ratio	229%	143%	175%
Interest Coverage (x)	47.6	40.4	33.9
Net Debt (Cash) to Equity	-5%	-10%	12%
ROE (annualized)	20%	18%	21%
ROA (annualized)	15%	13%	14%

Balance Sheet Analysis

Available-for-sale financial asset as of the end of 3Q saw a significant reduction from 2Q because TWM disposed of 150m shares of CHT and acquired US\$5.8m worth of Nasdaq listed Hurray! ADS.

As sales proceeds of CHT ADR were not received at the end of 3Q, this increased our other current assets by more than NT\$3bn.

Our capex is back-end loaded, with 3Q gross adds rising to NT\$1.9bn (88% for 3G related), from NT\$1bn in 2Q. Nevertheless, net PP&E was still on the decline due to continuous 2G asset write-offs.

Short-term debt balance was reduced by NT\$250m in 3Q, due to CBI maturity and continuous CBII conversion/buyback. CBII outstanding balance decreased to a mere NT\$78m at the end of 3Q.

Other current liabilities reduced in 3Q after we distributed cash dividends to shareholders. This also resulted in a decrease in our cash level at the end of 3Q.

Ratio Analysis

After making dividend payments which lowered payable balance, current ratio rose to a healthy 2.29x in 3Q.

3Q ROE of 20% is the highest year to date, aided by higher quarterly net profits.

Net cash went down to 5% of equity in 3Q as CHT cash dividend and sales proceeds were offset by TWM's cash outflow for dividend payment.

VI. Forecast

Table 12. TWM Consolidated Q4 Forecast

NT\$bn	4Q06	QoQ	YoY
Revenue	14.41	-4%	-3%
-Telecom Service Revenue	14.37	-4%	-3%
Operating Income	4.59	-9%	-2%
Pre-tax Income	3.55	-43%	-10%
(Less Tax)	(0.54)	-30%	35%
Net Income	3.02	-45%	-15%
EPS (NT\$)	0.61	-45%	-14%
EBITDA	6.50	-7%	-4%
EBITDA margin	45.09%		

We forecast 4Q06 service revenue YoY change to follow similar trend seen in the 3Q.

4Q EBITDA margin is expected to reach 45.1%, reflecting seasonal pattern of a lower revenue while major cost and expense to remain flattish. Asset write-off in 4Q is forecast to be NT\$588m, leading to a full-year write-off charge of NT\$3.5bn.

For the full-year, we estimate core business to remain stable with revenue dipping 2% YoY to NT\$58.8bn and EBITDA margin at 45.5%. Net profits are expected to be flat at NT\$16.2bn, translating into an EPS of NT\$3.29.

VII. Management Discussion & Analysis

Key Messages

We delivered better-than-expected EBITDA in 3Q and expect to see a stable trend moving into 4Q. Looking ahead, we are still closely following NCC's new initiatives, which might add uncertainties to our 2007 operations. In light of a solid profit outlook for the year, we are committed to a stable dividend payment in 2007.

Appointment of CSO

The board today (October 26) approved the appointment of Dr. JC Dorng as the Chief Strategy Officer. Dr. Dorng has more than 20 years experience in high-tech product and technology developments. Prior to joining Taiwan Mobile, JC headed Networks and Multimedia Institute (NMI) at The Institute for Information Industry (III, Taiwan's leading IT research organization).

Investment Updates

- During the past quarter, TWM acquired 1,079,925 ADS (5.02%) of Hurray! in the open market for a total cost of US\$5.8M.
- Hurray is one of the top wireless value added service providers in China.
- We consider our investment in Hurray! a financial investment, pending further evaluations.