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NT\$bn	<u>1Q05</u>	<u>4Q04</u>	<u>1Q04</u>	<u>QoQ</u>	<u>YoY</u>
Revenue	11.38	11.42	11.02	0%	3%
Telecom Service Revenue	11.20	11.24	11.01	0%	2%
EBITDA	5.40	5.26	5.28	3%	2%
Operating Income	4.22	4.03	4.07	5%	4%
Non-op. Income (Expense)	0.31	(0.32)	1.11	NM	-72%
Pre-tax Income	4.53	3.71	5.19	22%	-13%
(Less Tax)	(0.59)	(0.98)	(0.50)	-40%	20%
Net Income	3.94	2.72	4.69	45%	-16%
EPS (NT\$)	0.81	0.55	1.02	47%	-21%
EBITDA margin	47.51%	46.04%	47.88%		
Operating margin	37.13%	35.29%	36.97%		
Effective tax rate	13.08%	26.54%	9.57%		

Highlights of 1Q05 Results

In the first quarter of 2005, Taiwan Mobile reported NT\$14.33bn in consolidated revenue, flat versus last year, and NT\$6.85bn in consolidated EBITDA, up 2% year on year on the pro forma basis. Consolidated EBITDA margin expanded by around 1ppt to 47.8%. (See Consolidated Analysis)

Overall telecom industry service revenue YoY growth has slowed down from 8% growth in 1Q04 to 1% growth in 1Q05. For Taiwan Mobile stand-alone telecom service revenue, low churn rate and MOU growth led to above industry growth of 2% in 1Q05. Taiwan Mobile also achieved a 2% YoY increase in EBITDA as strong revenue growth compensated for slight EBITDA margin contraction. Year on year, network cost increased by around 2% due to an increase in interconnection fees and cell site opex. Operating expenses increased by 5% attributable to stronger channel distribution power. Our well-executed channel strategy led to higher acquisition volume in 1Q, which will gradually build up our future revenue growth momentum.

Taiwan Mobile's net income slid 16% YoY to NT\$3.94bn in the quarter. After taking one-off items into consideration, recurring profit before tax (PBT) saw a healthy 8% YoY increase.

Management Remark

For 2Q05, Taiwan Mobile's revenue should continue to experience low single digit growth YoY. Revenue increase will come from both ARPU enhancing initiatives and subscriber growth. EBITDA and net income are projected to grow by a respective 1% and 7% YoY in the quarter. Higher operating expenses associated with customer acquisition and network costs associated with 3G services will result in a slight EBITDA margin erosion.

Taiwan Mobile's board of directors approved the early resignation of CTO David Clarke effective May 16 and appointed Dr. Teddy Huang (President of Mobitai) as senior vice president & CTO.

Taiwan Cellular Corporation changed its English name to Taiwan Mobile Co., Ltd. and instituted a colorful new logo to signify the Company's customer and service-oriented approach as Taiwan enters the 3G era.

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

	1Q05	4Q04	1Q04	QoQ	YoY
Revenue (NT\$bn)					
-Voice Revenue	10.51	10.68	10.47	-2%	0%
-VAS Revenue	0.68	0.55	0.54	23%	26%
-Others*	0.18	0.19	0.01	-4%	29X
-Data Rev as % to Total	6.0%	4.8%	4.9%		
End Subscribers (K)	4,724	4,827	5,611	-2%	-16%
-Postpaid	4,150	4,166	4,361	0%	-5%
-Prepaid	573	661	1,250	-13%	-54%
Monthly Churn	2.7%	5.4%	4.6%		
MOU (bn)	2.96	2.94	2.87	1%	3%
ARPM (NT\$)	3.79	3.82	3.84	-1%	-1%

*Mainly includes repair and maintenance revenues of telecommunication equipment, and maintenance revenues of billing system and agent service revenues from TAT.

Table 2. Per Sub Spending & Usage

	1Q05	4Q04	1Q04	QoQ	YoY
ARPU (NT\$)*	783	745	639	5%	23%
-Postpaid	818	817	748	0%	9%
-Prepaid	363	262	176	39%	107%
-Domestic Roaming	23	23	19	0%	21%
MOU (minute)	207	195	167	6%	24%

*Blended ARPU is based solely on telecom service revenue

Revenue Analysis

Taiwan Mobile's revenue has shown very positive trend during the first quarter, with March telecom service revenue up 5% and 1Q05 telecom service revenue up 2% compared to last year. The above industry revenue growth seen in 1Q is driven by healthy MOU increase and stabilization of subscriber base. Total MOU in 1Q05 increased by 3% compared to last year while pricing remained stable with ARPM declined slightly by 1%. Value-added services (VAS), at 6% of total revenue, showed over 23% growth both year on year and sequentially.

On the postpaid side, monthly churn rate has stabilized at around 1.5% while acquisition continues to reach new high in 1Q05, aided by increasing contributions from open channels. As a result, revenue from new subs after netting off churned revenue loss expanded sequentially in 1Q05.

In 1Q05, DGT's issued a new rule limiting the issuance of one SIM prepaid card per customer and restricting distribution of prepaid cards to carriers' direct/franchised stores. As a result, acquisition numbers for prepaid subscribers decreased. However, our strategy of encouraging pre-paid users to recharge their cards and improving the local mix is showing results as prepaid revenue in 1Q declined by around 2.5% but revenue in March improved year on year.

Blended ARPU per sub trended up sequentially to NT\$783 from NT\$745 in 4Q04 due to increases in prepaid ARPU. MOU also increased sequentially to 207 minutes from 195 minutes in 4Q04.

II. Cost and Expense Analysis

Table 3. Total Cost & Expense

NT\$bn	1Q05	4Q04	1Q04	QoQ	YoY
Revenue	11.38	11.42	11.02	0%	3%
Network Cost	4.55	4.74	4.47	-4%	2%
Operating Exp.	2.60	2.65	2.47	-2%	5%
Total cost & expense	7.15	7.39	6.95	-3%	3%
Operating income	4.22	4.03	4.07	5%	4%
Operating margin	37.1%	35.3%	37.0%		
EBITDA	5.40	5.26	5.28	3%	2%
EBITDA margin	47.5%	46.0%	47.9%		

Table 4. Network Cost Breakdown

NT\$bn	1Q05	4Q04	1Q04	QoQ	YoY
Network cost	4.55	4.74	4.47	-4%	2%
- Depreciation	1.05	1.10	1.06	-5%	-1%
- Interconnection	2.07	2.08	1.92	-1%	8%
- BTS & leased line rental	0.72	0.75	0.73	-3%	-1%
- Spectrum fee/license concession/USO	0.34	0.37	0.44	-7%	-21%

Table 5. Operating Expense Breakdown

NT\$bn	1Q05	4Q04	1Q04	QoQ	YoY
Total Op. Exp.	2.60	2.65	2.47	-2%	5%
Selling Exp.	1.89	1.91	1.74	-1%	8%
- SAC + SRC	1.24	1.15	1.17	8%	6%
G&A Exp.	0.71	0.74	0.73	-3%	-2%

Table 6. Non-operating Item

NT\$bn	1Q05	4Q04	1Q04	QoQ	YoY
Non-Operating Items	0.31	(0.32)	1.11	NM	-72%
-Net interest expense	(0.16)	(0.22)	(0.32)	-25%	-49%
-Net investment income	0.61	0.64	1.01	-5%	-40%
-Asset disposal, exchange, write-off (loss)	(0.14)	(0.94)	(0.00)	-86%	NM
-CB buy back (loss)	(0.18)	(0.03)	0.00	559%	NM
-CHT disposal gains	0.00	0.13	0.37	-100%	-100%
-Other non-ops.	0.18	0.10	0.06	89%	209%
Investment Income/(Loss)	0.61	0.64	1.01	-5%	-40%
-TAT (92.32%)	0.57	0.46	0.90	24%	-36%
-TFN (9.87%)	(0.07)	(0.04)	0.08	NM	NM
-MBT (84.65%)*	0.07	0.05		31%	

*increased from 67% to 84.65% on March 31, 2005

Cost/Expense Analysis

EBTIDA margin decreased slightly YoY to 47.5%. However, total EBITDA still grew by 2% as total revenue increased by 3% during 1Q05.

Year on year, network cost increased by around 2% due to an increase in interconnection fees and cell site opex. Spectrum fee/license concession/USO decreased 21% year on year mainly due to the reversal of over-allocated USO fees from 2004.

Operating expenses increased by 5% attributable to stronger channel distribution power, which acquired more high quality subscribers.

General and administrative expenses decreased by 2% year on year due to a combination of falling bad debts and bill collecting costs.

Non-Operating Item Analysis

Due to the absence of exceptional disposal gains, non-operating income was a mere NT\$310m in 1Q05 compared to NT\$1.11bn in 1Q04 (Taiwan Mobile recorded NT\$365m and TAT recorded NT\$341m gains from the disposal of CHT shares in 1Q04). We note that Mobitai's net income saw a noticeable 80% YoY jump and our holdings in the company increased to 84.65% at the end of March. Year on year, Taiwan Mobile managed to further bring down its net interest expense as a result of lowered bank borrowings. Investment income declined in TFN due to the recognition of asset impairment loss.

III. Cash Flow Analysis

Table 7. Cash Flow

NT\$bn	1Q05	4Q04	1Q04
Net Income	3.94	2.72	4.69
Deprec. & Amort.	1.18	1.23	1.20
Other Op Sources/(Uses)	3.11	2.08	(0.12)
Total Op Sources/(Uses)	8.24	6.03	5.77
Net Investing Sources/(Uses)	0.42	(2.23)	4.16
Net Financing Sources/(Uses)	(8.32)	(4.14)	(9.07)
Net Cash Position Chg.	0.34	(0.34)	0.87

Table 8. Capex & FCF

NT\$bn	1Q05	4Q04	1Q04
2G Capex	0.27	0.43	0.03
3G Capex	0.50	0.02	0.12
Total Capex	0.77	0.45	0.15
% of Revenue	7%	4%	1%
Free Cash Flow*	7.47	5.58	5.62

*Free cash flow: operating cash flow minus capex

Cash Flow Analysis

Taiwan Mobile's operating cash flow increased to NT\$8.24bn in 1Q05, up 43% from a year earlier, primarily due to NT\$2.76bn cash dividend received from TAT and Mobitai.

Cash inflows from investing activities came largely from disposal of bond fund investments. Major investing cash outflows in 1Q05 are NT\$0.77bn in capital expenditures and around NT\$0.7bn in the acquisition of an additional 17.65% of Mobitai.

NT\$8.32bn cash outflow from financing activity in 1Q05, stemmed from NT\$6bn debt repayments, NT\$1.5bn maturity of corporate bonds and NT\$1bn buyback of convertible bonds.

Capex and Free Cash Flow Analysis

Cash outflow on capital expenditure is NT\$770m in 1Q05, consisting of NT\$371m gross adds (mainly for 3G equipment) and NT\$399m payment for equipment acquired last year. Free cash flow at the end of 1Q05 remained strong as capex accounted for only 7% of revenue with falling 2G capex compensating for rising 3G capex. On April 29, Taiwan Mobile's board increased the 2005 gross add capex to around NT\$6bn, we expect cash outflow for telecom equipment purchase to increase significantly over the next three quarters.

IV. Balance Sheet Analysis

Table 9. Balance Sheet

NT\$bn	1Q05	4Q04	1Q04
Total Assets	117.39	121.25	126.92
Current Assets	22.19	21.45	21.97
- Cash & Cash Equivalents	3.43	3.10	2.75
- Short-Term Investment	10.08	11.91	13.23
- Other Current Assets	8.68	6.44	5.99
Long-Term Investment	22.29	23.74	27.77
Property and Equipment	58.90	60.19	62.35
Liabilities	31.65	40.28	52.55
Current Liabilities	13.34	12.61	16.89
- ST Debts	3.87	3.37	8.17
- Other Current Liabilities	9.47	9.24	8.72
Long-Term Borrowings	18.11	27.49	35.52
Other Liabilities	0.19	0.18	0.14
Shareholders' Equity	85.75	80.97	74.37

Table 10. Ratios

	1Q05	4Q04	1Q04
Current Ratio	166%	170%	130%
Interest Coverage (x)	27.20	17.39	17.15
Net Debt to Equity	21%	31%	55%
ROE (annualized)	19%	22%	26%
ROA (annualized)	14%	14%	15%

Balance Sheet Analysis

Other current assets saw a noticeable increase in 1Q05 due to NT\$2.2bn increase in account receivables for transmission network sold to TFN.

Despite additional NT\$0.7bn investment into Mobitai, our long-term investment balance declined in 1Q05 to reflect NT\$2.76bn cash dividend received from affiliates.

Total debt decreased as a result of reduction of around NT\$9.4bn in long-term debt.

In 1Q05, face value of convertible bonds outstanding decreased by NT\$1.3bn to NT\$2.7bn. CB conversion increased company's total paid-in capital to 4.94bn shares (before netting off treasury shares). Separately, employees' total subscription of 11m shares reduced the company's total treasury stocks to 54m shares.

Ratio Analysis

Current ratio stood at a healthy 166%. We continued the de-leveraging efforts and brought down net debt to equity ratio to 21% at the end of 1Q05, down from 31% at 4Q04. ROE declined YoY due to lack of extraordinary gains from the disposal of CHT and one time losses such as CB buyback in 1Q05. After taking one off items into consideration, ROE based on recurring profits declined slightly from 21% to 20% year on year due to higher tax rate. However, full year tax rate in 2005 should be lowered than full year tax rate in 2004 due to deferred tax credits from 2004.

V. Consolidated Results

Table 11. Key Operational Data

	1Q05	4Q04	1Q04	QoQ	YoY
Revenue (NT\$bn)					
-Voice Revenue	13.44	13.78	13.68	-2%	-2%
- VAS Revenue	0.89	0.73	0.70	21%	27%
- Data Rev as % to Total	6.2%	5.0%	4.9%		
End Subscribers (K)	6,625	6,843	8,324	-3%	-20%
-Postpaid	6,010	6,130	6,845	-2%	-12%
-Prepaid	615	712	1,479	-14%	-58%
Monthly Churn	2.8%	4.9%	4.2%		
MOU (bn)	3.76	3.75	3.68	0%	2%
ARPM (NT\$)	3.80	3.86	3.87	-2%	-2%

Year on year, Taiwan Mobile's consolidated revenue remained flat as Taiwan Mobile and Mobitai's revenue grew by 3% and 8% respectively, while TAT's revenue declined by 11%. Value-added services (VAS), at 6.2% of total revenue, showed a 27% growth year on year.

Total MOU in 1Q05 increased by 2% compared to last year due to 3% and 8% increased usage from Taiwan Mobile and Mobitai. ARPM declined by 2% due to 3% ARPM decline at TAT.

On the postpaid side, both Taiwan Mobile and Mobitai's monthly churn rate have stabilized at around 1.5% while TAT's monthly churn rate is slightly higher at 3.2%. On the prepaid side, Taiwan Mobile and Mobitai are both experiencing reasonable monthly churn rate of around 10% while TAT has stopped engaging in prepaid business.

Table 12. Per Sub Spending & Usage

	1Q05	4Q04	1Q04	QoQ	YoY
ARPU (NT\$)	705	673	554	5%	27%
-Postpaid	743	736	637	1%	17%
-Prepaid	354	250	166	42%	113%
MOU (minute)	186	176	145	6%	28%

Table 13. Pro forma P&L

NT\$bn	1Q05	4Q04	1Q04	QoQ	YoY
Revenue	14.33	14.51	14.38	-1%	0%
EBITDA	6.85	6.61	6.74	4%	2%
EBITDA margin	47.8%	45.5%	46.9%		

On the pro forma basis, Taiwan Mobile on a consolidated basis achieved 2 % YoY and 4% QoQ increase in EBITDA. EBITDA margin also increased by around 1ppt YoY to 47.8%, driven by margin expansion at both Mobitai and TAT.

Note: Consolidated figures only include Taiwan Mobile, TAT and MBT and are not reviewed by CPAs

Table 14. Cash Flow

NT\$bn	1Q05
Net Income	3.94
Deprec. & Amort.	1.82
Other Op Sources/(Uses)	1.10
Cash Flows From Operating Activities	6.86
Acquisition/Divestment	3.53
Capex	(0.82)
Others	(0.14)
Cash Flows From Financing Activities	2.56
Debt Repayment	(7.83)
CB Buyback	(1.04)
Others	(0.60)
Cash Flows From Financing Activities	(9.47)
Net Cash Position Changes	(0.04)

Please note that ROC GAAP changed its requirement for consolidated reporting in 2005. In 2005, the consolidated financial statements include the accounts of all of the Company's direct and indirect subsidiaries with at least 50% shareholding or under its control. In 2004, the consolidated financial statements only include the 50% shareholding subsidiaries whose individual assets or operating revenues amounting to at least 10% of the unconsolidated assets or operating revenues of the Company. As a result, besides TAT and Mobitai, the 1Q05 consolidated financial statements also include Taihsing Den Den, Tai Hung Investment, Tai Fu Investment, Tai Hsuo Investment, T.I. Investment, Taiwan Tele-Shop, TT&T, TT&T Life Assurance Agency, TT&T Casualty & Property Insurance Agency, and TT&T Holding. Thus, we cannot directly compare 1Q05 consolidated balance sheet and statement of cash flows against 2004 consolidated statements as they are not on the same basis.

Consolidated capex is around NT\$0.82bn as TAT and Mobitai had minimal capex at around NT\$19m and NT\$32m respectively.

Table 15. Balance Sheet

NT\$bn	1Q05
Total Assets	121.89
Current Assets	29.62
- Cash & Cash Equivalents	7.77
-Short-Term Investment	11.94
-Accounts & Other Accounts Receivable	8.43
- Other Current Assets	1.47
Long-Term Investment	4.44
Property and Equipment	66.59
Intangible Assets	10.28
Other Assets	10.97
-Non-Operating Assets	2.55
-Consolidated Debits	6.70
-Others	1.72

NT\$bn	1Q05
Liabilities	34.88
Current Liabilities	16.24
- ST Debts	0.12
- Accounts & Notes Payable	10.49
- Current portion of LT Liabilities	3.87
- Other Current Liabilities	1.76
Bonds Payable	16.91
Long-Term Bank Loan	1.20
Other Liabilities	0.53
Shareholders' Equity	87.01
Capital Stock	49.36
Capital Surplus	7.61
Retained Earnings	30.31
Treasury Stock	(1.53)
Minority Interests	1.26

VII. Management Discussion & Analysis

Q2 Outlook*

NT\$bn	2Q05	QoQ	YoY
Revenue	11.60	2%	5%
Gross Profit	6.78	-1%	4%
Operating Expense	2.75	6%	13%
Operating Income	4.02	-5%	-2%
Pre-tax Income	4.40	-3%	4%
Net Income	3.84	-3%	7%
EPS (NT\$)	0.78	-4%	1%
EBITDA	5.39	0%	1%
EBITDA margin	46.5%		

*Q2 outlook has not factored in potential asset impairment loss from TFN

We expect Taiwan Mobile's standalone revenue to show stronger momentum in 2Q05 with telecom service revenue up 4% YoY. 2Q05 EBITDA margin should come in lower at around 46.5% due to increases in operating expenses associated with customer acquisition and network costs associated with 3G services. That said, EBITDA and net income expect to see mild YoY growth in 2Q.

Operation Integration

On March 30, 2005, Taiwan Mobile merged with subsidiary Taiwan Elitec. On March 31, 2005, Taiwan Mobile acquired an additional 17.65% holdings of Mobitai, bringing its total holdings to 84.65%. Mobitai's back office operations will be integrated back to Taiwan Mobile starting in May. We will initiate network optimization plan to consolidate network system at Taiwan Mobile, TAT, and MBT to achieve meaningful network cost cut in the future.

Channel Strategy

Taiwan Mobile has developed closer working relationship with other open channels since FET's acquisition of Arcoa. Well-executed channel strategy has led to an increase in total number of subscribers acquired both sequentially as well as year on year. To exert more influence on franchised stores, we offered Taiwan Teleshop (TTS) shareholders an opportunity to sell their shares to us until April 27 at the price based on 2004 BVPS.

3G Updates

Taiwan Mobile received the operating permit from MOTC at the end of 1Q. Expected commercial launch date is mid 2005. The Company increased its 3G capex to NT\$4bn this year, which would put cumulative spending on 3G at NT\$8bn. Depreciation for 3G equipment will be based on an eight year straight-line method. Total 3G depreciation and amortization for 2005 is estimated at around NT\$270m and NT\$560m, respectively. By year end, Taiwan Mobile will have 2,200 3G sites covering major metropolitan cities and approximately 70-75% of total Taiwan population.

2005 General Shareholder Meeting

Date: June 14th, 2005

Main matters for ratification and discussion:

- 2004 operating results and audited financial statements
- 2004 earnings distribution proposal (Cash dividend of NT\$2.5 per share, based on shares outstanding as of Feb. 1, 2005. This represents over 8% cash dividend yield based on stock price of NT\$31)
- Election of board directors and supervisors for the fourth term