

## Chapter 4 Operational Highlights

### Macro Environment

Consumer spending on communication and broadcasting related services is largely influenced by the macroeconomic environment. According to the Directorate-General of Budget, Accounting and Statistics (DGBAS), private consumption maintained a healthy growth momentum last year due to falling unemployment and rising wages. However, as the European debt crisis continued to cast a shadow over the global economy in the second half of 2011, corporate earnings and employment took a hit, affecting consumer confidence and buying willingness. As a result, private consumption growth moderated to 3.10% in 2011 from 3.67% in 2010. Although growth in the emerging markets should help prop up the global economy this year, consumer confidence is expected to remain weak due to continuing uncertainty. Private consumption growth is thus forecast to slow further to 2.69% in 2012.

### Overall Operating Results

In 2011, in spite of the impact of the National Communications Commission's (NCC) mandatory tariff cuts on mobile operators' voice service revenue, the Company still saw a 16% YoY rise in consolidated revenue, as it pushed wireless data, cable broadband and other promising businesses. In terms of profitability, despite increased handset subsidies to boost smartphone penetration, the Company managed to post stable earnings due to: 1) rising revenue, 2) contained network cost and administration expenses, which were lower than a year ago, and, 3) earnings contribution from momo (51% owned by the Company and consolidated into TWM since July 13, 2011, contributing 2% to TWM's full-year consolidated EBITDA in 2011). The following is a description of the performance of the Company's three major business groups: Consumer Business Group (CBG), Home Business Group (HBG) and Enterprise Business Group (EBG).

### Performance by division

Unit: NT\$m

	CBG	HBG	EBG
Brand name	Taiwan Mobile	TWM Broadband	TWM Solution
Services	<ul style="list-style-type: none"> <li>● Voice and data mobile services for consumers</li> <li>● Mobile to international direct dialing (IDD) services</li> </ul>	<ul style="list-style-type: none"> <li>● Pay TV services</li> <li>● Cable broadband services</li> <li>● Others</li> </ul>	<ul style="list-style-type: none"> <li>● Voice and data mobile services for enterprises</li> <li>● Fixed-line services</li> <li>● International simple resale (ISR) services</li> </ul>
2011 revenue*	58,109	5,914	9,861
As a % of group revenue	71%	7%	12%
2011 EBITDA*	20,494	3,038	2,688
As a % of group EBITDA	76%	11%	10%