

## 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%

	<b>Mobile business</b>	<b>Cable business</b>	<b>Fixed-line business</b>
Market position	One of the top three mobile operators, with a market share of around 30% in terms of mobile revenue and subscriber numbers	Fourth-largest multisystem operator (MSO), covering about 11% of the households in Taiwan	A market share of around 3% for ADSL/FTTx business. Second-largest internet service provider (ISP), with a market share of 6% (including 155K cable broadband subscribers from its cable business)
Subscriber base	<ul style="list-style-type: none"> <li>● 6,663K mobile subscribers</li> </ul>	<ul style="list-style-type: none"> <li>● 575K CATV subscribers</li> <li>● 155K cable broadband subscribers</li> </ul>	<ul style="list-style-type: none"> <li>● Around 150K ADSL/FTTx internet access users</li> </ul>

\* Source: segment information of financial reports.

## Operating Results Review

### Consumer Business Group

Mandatory tariff cuts imposed by the National Communications Commission (NCC) weighed on mobile voice revenue in 2011. However, with mobile data revenue surging 47% from a year ago – accounting for 27% of overall mobile service revenue – mobile service revenue still grew 1% YoY. This, together with handset sales, lifted CBG's total revenue by 5% from a year ago.

### Home Business Group

HBG's 2011 revenue rose 4% from a year ago due to revenue growth from its pay TV (including analog and digital channels) and cable broadband businesses. Growth is attributed to an expanding subscriber base, additional revenue stream from digital TV services, increasing channel leasing and higher adoption rate for high-speed cable broadband services. EBITDA climbed 9% YoY due to expanding economies of scale.

### Enterprise Business Group

EBG's 2011 revenue grew 4% YoY, largely from a 2% YoY increase in enterprise customers' mobile revenue and rising IP transit and internet data center (IDC) businesses. In addition, EBG's 2011 EBITDA rose 15% from a year ago because of rising revenue and cost/expense control.