Financial Analysis for the Past Five Years

			2007	2008	2009	2010	2011
Financial structure	Liability to asset ratio (%)		62.08	43.23	35.52	41.63	42.23
	Long-term capital to fixed asset ratio (%)		92.57	149.01	153.90	170.41	167.14
Solvency	Current ratio (%)		27.67	46.61	71.84	92.97	34.47
	Quick ratio (%)		26.17	42.66	67.00	87.00	28.37
	Interest coverage ratio (x)		21.58	29.91	33.17	50.99	63.14
Operations	Accounts receivable turnover (x)		7.75	8.02	8.56	9.17	9.76
	Average collection days		47.10	45.51	42.64	39.80	37.39
	Inventory turnover (x)		2.02	5.44	7.85	10.76	10.37
	Accounts payable turnover (x)		14.76	12.62	12.71	13.68	12.26
	Average days sales		180.69	67.10	46.50	33.92	35.19
	Fixed asset turnover (x)		1.20	1.26	1.46	1.67	1.95
	Total asset turnover (x)		0.61	0.61	0.71	0.67	0.73
Profitability	Return on assets (%)		6.87	18.29	16.80	16.79	15.90
	Return on equity (%)		10.87	37.15	26.97	26.85	26.99
	% of paid-in capital	Operating income	42.16	44.36	43.76	36.05	32.65
		Pre-tax income	21.19	52.03	47.71	43.14	43.39
	Net income margin (%)		12.89	28.30	24.36	23.61	21.75
	EPS (NT$)		1.68	5.18	4.66	4.62	4.70
Cash flow	Cash flow ratio (%)		79.87	106.27	139.10	91.01	74.14
	Cash flow adequacy ratio (%)		148.13	147.08	143.32	131.99	148.67
	Cash reinvestment rate (%)		24.93	18.69	14.54	9.89	9.58
Leverage	Operating leverage		1.70	1.69	1.77	1.94	2.16
	Financial leverage		1.03	1.04	1.04	1.02	1.02
Others	EBITDA (NT$'000)		23,205,291	23,886,242	24,519,524	21,763,237	19,239,530
	EBITDA margin (%)		45.25	43.98	43.01	37.17	31.07
	ARPU (NT$)		821	785	721	718	719
	MOU (in thousand minutes)		13,554,863	14,674,970	15,797,024	14,399,713	15,305,902

Explanations of significant changes (>20%) in 2011compared with the previous year:

(1) The Company had a capital reduction and acquired a 51% stake in Fubon Multimedia Technology (momo) using money collected from receivables owed by subsidiaries, resulting in a decrease in current assets and lower current ratio and quick ratios. The repayment of a syndicated loan in March 2011 led to lower interest expenses, which in turn raised the interest coverage ratio.
(2) Benefiting from the capital reduction, average shareholders' equity and paid-in capital dropped, resulting in increases in return on equity, pre-tax income as a percentage of paid-in capital and EPS.
(3) As the corporate bond due within one year was reclassified as corporate bond-current portion, current liabilities increased in 2011, leading to a decline in the cash flow ratio.

Note: 2007-2011 financial data have been duly audited by independent auditors.

Formulas for the above table:

Financial structure

(1) Debt to asset ratio = Total liabilities / Total assets
(2) Long-term capital to fixed asset ratio = (Shareholders' equity + Long-term liabilities) / Net fixed assets

Solvency

(1) Current ratio = Current assets / Current liabilities
(2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities
(3) Interest cover = Income before interest and tax / Interest expense

Operations

(1) Accounts receivable turnover = Net revenue / Average accounts receivable
(2) Average collection days = 365 / AR turnover ratio
(3) Inventory turnover = COGS / Average inventory
(4) Accounts payable turnover = COGS / Average accounts payable
(5) Average days sales = 365 / Inventory turnover ratio
(6) Fixed asset turnover = Net revenue / Net fixed assets
(7) Total asset turnover = Net revenue / Total assets

Profitability

(1) Return on assets = [Net income + Interest expense * (1 – Tax rate)] / Average assets
(2) Return on equity = Net income / Average equity
(3) Net income margin = Net income / Net sales
(4) EPS = (Net income – Preferred stock dividend) / Weighted average outstanding shares

Cash flow

(1) Cash flow ratio = Cash flow from operating activities / Current liabilities
(2) Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years / (Capital expenditures + Increases in inventory + Cash dividend) for the past 5 years
(3) Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross fixed assets + Long-term investments + Other assets + Working capital) (Note: Use zero if working capital value is negative)

Leverage

(1) Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income
(2) Financial leverage = Operating income / (Operating income – Interest expense)

Others

(1) EBITDA = Operating income + Depreciation + Amortization
(2) EBITDA margin = EBITDA / Net revenue
(3) ARPU = Net telecom service revenue / Average number of subscribers
(4) MOU = Outgoing & incoming minutes