

## 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 growth slowed to 1.49% in 2012 from 3.13% a year ago, as rising price levels, a weak stock market and unpredictable national policies dampened consumer confidence. Although growth in the emerging markets should help prop up the global economy this year, private consumption growth is expected to remain mild at 1.86% due to continuing global economic uncertainties.

### Overall Operating Results

In 2012, 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 21% YoY rise in consolidated revenue, as it strived to grow wireless data, cable broadband and other promising businesses. In terms of profitability, despite increased handset subsidies to boost smartphone penetration, the Company's net income grew 9% YoY due to improved revenues and profitability from its telecom and cable businesses, as well as full-year profit contribution (versus 5.5 months a year ago) from momo.

### 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>
2012 revenue*	62,903	6,122	10,391
As a % of group revenue	64%	6%	11%
2012 EBITDA*	20,477	3,238	3,393
As a % of group EBITDA	73%	12%	12%

	<b>Mobile business</b>	<b>Cable business</b>	<b>Fixed-line business</b>
Market position	One of the top three mobile operators among five players in the market, with a market share of around 27% in terms of mobile service revenue	Fourth-largest multisystem operator (MSO), covering about 11% of the households in Taiwan	A market share of around 2% for ADSL/FTTx business. Second-largest internet service provider (ISP), with a market share of 6% (including 170K cable broadband subscribers from its cable business)
Subscriber base	7,012K mobile subscribers	580K CATV subscribers 170K cable broadband subscribers	Around 100K ADSL/FTTx internet access users

\* Source: Financial reports

## **Operating Results Review**

### **Consumer Business Group**

Mandatory tariff cuts imposed by the NCC weighed on mobile voice revenue in 2012. However, with mobile data revenue surging 39% from a year ago – accounting for 33% of overall mobile service revenue – mobile service revenue still grew 5% YoY. This, together with handset sales, lifted CBG's total revenue by 8% from a year ago.

### **Home Business Group**

HBG's 2012 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, higher digital TV penetration rate, increased channel leasing and higher adoption rate for high-speed cable broadband services. EBITDA climbed 7% YoY due to expanded economies of scale.

### **Enterprise Business Group**

EBG's 2012 revenue grew 5% YoY, largely from an 11% YoY increase in enterprise customers' mobile revenue from a larger customer base. In addition, EBG's 2012 EBITDA rose 22% from a year ago because of rising revenue and strict cost/expense control.