

2011	KPMG	Simon Chen, Janice Lai	Unqualified opinion
2012	KPMG	Simon Chen, Janice Lai	Unqualified opinion

Financial Analysis for the Past Five Years – Based on ROC GAAP

		2008	2009	2010	2011	2012	
Financial structure	Liability to asset ratio (%)	43.23	35.52	41.63	42.23	45.93	
	Long-term fund to fixed asset ratio (%)	149.01	153.90	170.41	169.34	201.57	
Solvency	Current ratio (%)	46.61	71.84	92.97	34.59	40.77	
	Quick ratio (%)	42.66	67.00	87.00	28.47	32.04	
	Interest coverage ratio (%)	2,991.34	3,316.61	5,099.46	6,314.20	4,387.49	
Operations	Accounts receivable turnover (x)	8.02	8.56	9.17	9.76	9.94	
	Average collection days	45.51	42.64	39.80	37.39	36.72	
	Inventory turnover (x)	5.44	7.85	10.76	10.37	10.09	
	Accounts payable turnover (x)	12.62	12.71	13.68	12.26	10.27	
	Average days sales	67.10	46.50	33.92	35.19	36.17	
	Fixed asset turnover (x)	1.26	1.46	1.67	1.98	2.31	
	Total asset turnover (x)	0.61	0.71	0.67	0.73	0.73	
Profitability	Return on assets (%)	18.29	16.80	16.79	15.90	16.99	
	Return on equity (%)	37.15	26.97	26.85	26.99	29.78	
	% of paid-in capital	Operating income	44.36	43.76	36.05	32.65	31.47
		Pre-tax income	52.03	47.71	43.14	43.39	47.90
	Net income margin (%)	28.30	24.36	23.61	21.75	21.80	
	EPS (NT\$)	5.18	4.66	4.62	4.70	5.46	
Cash flow	Cash flow ratio (%)	106.27	139.10	91.01	74.40	67.31	
	Cash flow adequacy ratio (%)	147.08	143.32	131.99	148.99	133.23	
	Cash reinvestment rate (%)	18.69	14.54	9.89	9.70	6.38	
Leverage	Operating leverage	1.69	1.77	1.94	2.16	2.23	
	Financial leverage	1.04	1.04	1.02	1.02	1.04	
Others	EBITDA (NT\$'000)	23,886,242	24,519,524	21,763,237	19,239,530	18,747,961	
	EBITDA margin (%)	43.98	43.01	37.17	31.07	27.81	
	ARPU (NT\$)	785	721	718	719	721	
	MOU (in thousand minutes)	14,674,970	15,797,024	14,399,713	15,305,902	16,496,235	

Explanations of significant changes in 2012 compared with the previous year:

- (1) The long-term fund to fixed asset ratio increased due to higher long-term liabilities resulting from a new corporate bond issue.
- (2) As mentioned above, the increase in liabilities led to an increase in interest expense, resulting in lower Interest coverage ratio.
- (3) As revenue and net income increased, the fixed asset turnover, return on assets, return on equity, pre-tax income as a % of paid-in capital and EPS rose accordingly.
- (4) The cash reinvestment rate dropped due to higher cash dividend distribution and higher investment in the 100%-owned subsidiary, Wealth Media Technology Co., Ltd.

Note: 2008-2012 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 fund 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 coverage ratio = Income before interest and tax / Interest expense

Operations

- (1) Accounts receivable turnover = Net revenue / Average accounts receivable
- (2) Average collection days = 365 / AR turnover
- (3) Inventory turnover = COGS / Average inventory
- (4) Accounts payable turnover = COGS / Average accounts payable
- (5) Average days sales = 365 / Inventory turnover
- (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