

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 increased mildly to 1.77% in 2013 from 1.62% a year ago, on the back of a stable global economy and stock market recovery. Buoyed by rising corporate recruitment and wages, consumer confidence is expected to further improve this year. Rising imports of mid-priced cars and budget airlines' expansion are also expected to stimulate consumption, helping private consumption grow by 2.44% in 2014.

Overall Operating Results

The Company's consolidated revenue expanded 9% YoY in 2013, bolstered by a 30% increase in mobile value-added service (VAS) revenue, continuous mobile revenue growth from enterprise customers, an 8% gain in cable internet revenue, and an over 40% jump in momo's (TWM's 51%-owned subsidiary) online shopping revenue. In terms of profitability, despite higher expenses to expand the Company's mobile data capacity, smartphone adoption rate and distribution network, EBITDA still edged up 1% YoY in 2013. In addition, operating income slightly exceeded the Company's guidance at 102%.

Performance by division

Unit: NT\$m

	Consumer Business Group	Home Business Group	Enterprise Business Group	Fubon Media Technology
Brand name	Taiwan Mobile	TWM Broadband	TWM Business Solution	momo
Services	<ul style="list-style-type: none"> ● Voice and data mobile services for consumers ● Mobile to international direct dialing (IDD) services 	<ul style="list-style-type: none"> ● Pay TV services ● Cable broadband services ● Others 	<ul style="list-style-type: none"> ● Voice and data mobile services for enterprises ● Fixed-line services ● International simple resale (ISR) services 	<ul style="list-style-type: none"> ● Online shopping ● TV home shopping ● Mail order
2013 revenue*	71,199	6,244	10,734	21,278
As a % of group revenue	65%	6%	10%	19%
2013 EBITDA*	22,945	3,278	3,748	833
As a % of group EBITDA	75%	11%	12%	2%

	Mobile business	Cable business	Fixed-line business	Retail business
Market position	Second-largest mobile operator in a five-player market, with a market share of around 29% 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 180K cable broadband subscribers from the cable business)	Ranked among the top three in both online shopping and TV home shopping
Subscriber base	<ul style="list-style-type: none"> ● 7,225K mobile subscribers 	<ul style="list-style-type: none"> ● 584K CATV subscribers ● 180K cable broadband subscribers 	<ul style="list-style-type: none"> ● Around 80K ADSL/FTTx internet access users 	Not applicable

* Source: 2013 financial reports. The difference between the sum of each division and consolidated number was due to inter-division adjustments and eliminations.

Operating Results Review

Consumer Business Group

Benefiting from a continuous increase in mobile data subscriptions bundled with smartphones, the Company's mobile internet adoption rate among postpaid subscribers rose to 54% from 42% a year ago, boosting its VAS revenue as a percentage of mobile service revenue to 39%. As a result, mobile service revenue grew 6% YoY. This, together with handset sales, lifted CBG's total revenue by 8% from a year ago.

Home Business Group

HBG's 2013 revenue rose 2% from a year ago due to revenue growth from its digital TV and cable broadband businesses. Growth is attributed to an expanding digital TV penetration rate and higher adoption rate for high-speed cable broadband services.

Enterprise Business Group

EBG's 2013 revenue grew 3% YoY, largely due to an expanding client base, which boosted its enterprise mobile revenue by 13% YoY. EBITDA rose 9% from a year ago due to rising revenue and strict cost/expense control.

Fubon Media Technology

momo's main growth driver came from the continuous expansion of its online shopping business. Revenue from online shopping grew 43% YoY in 2013, while EBITDA increased close to 30%.