

## 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 grew a steady 2.73% in 2014 from 2.35% a year ago, as the local economy further picked up momentum on the back of falling global crude oil prices and monetary easing by major economies. Going forward, private consumption sentiment might be overshadowed by food safety issues, but consumer confidence is expected to improve due to rising employment and wages, helping private consumption grow by 2.74% in 2015.

### Overall Operating Results

The Company's consolidated revenue expanded 4% YoY in 2014, as its telecom business benefited from the launch of 4G services and robust smartphone sales, cable revenue increased 5% and revenue from online shopping business of its subsidiary surged more than 30%. Profit-wise, 4G revenue has yet to reach a scale to cover higher operating expenses from the rapid rollout of new LTE services to boost 4G takeup. Nonetheless, consolidated EBITDA still grew 1% YoY, because of increased contributions from its other business lines: CATV and retail. Quarterly operating income and net profit both beat the Company's guidance.

### Performance by division

	<b>Consumer Business Group</b>	<b>Enterprise Business Group</b>	<b>Home Business Group</b>	<b>Retail Business</b>
Brand name	Taiwan Mobile	TWM Business Solution	TWM Broadband	momo
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>● Voice and data mobile services for enterprises</li> <li>● Fixed-line services</li> <li>● International simple resale (ISR) 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>● Online shopping</li> <li>● TV home shopping</li> <li>● Mail order</li> </ul>

	Telecom business		Cable business	Retail business
	Mobile business	Fixed-line 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	A market share of around 1% for ADSL/FTTx business. One of the top three internet service providers (ISP), with a market share of 3.5% (including 190K cable broadband subscribers from its cable business)	Fourth-largest multisystem operator (MSO), covering about 11% of households in Taiwan	Ranked among the top three in both online shopping and TV home shopping businesses
Subscriber base	● 7,430K mobile subscribers	● Around 70K ADSL/FTTx internet access users	● 588K CATV subscribers ● 190K cable broadband subscribers	Not applicable
2014 revenue*	82,356		6,380	23,897
As a % of group revenue	73%		6%	21%
2014 EBITDA*	26,106		3,438	1,562
As a % of group EBITDA	83%		11%	5%

\* Source: 2014 financial reports. The difference between the sum of each division and consolidated number was due to inter-division adjustments and eliminations.

## Operating Results Review

### Telecom Business

Benefiting from a continuous increase in mobile data subscriptions bundled with smartphones, the Company's mobile internet adoption rate among postpaid subscribers hit 62% by the end of 2014, compared with 54% a year ago, boosting its mobile broadband revenue by 24% YoY, while wireless data revenue as a percentage of mobile service revenue rose to 51%. As a result, total telecom revenue, including handset sales, expanded 1% YoY.

### Cable Business

Revenue in 2014 rose 2% from a year ago, driven by growth in digital TV and cable broadband businesses. Growth was attributed to a successful bundling strategy, which lifted the Company's digital TV penetration rate and cable broadband service adoption rate. Accordingly, EBITDA from the cable TV business rose 5% YoY.