

Statements of Comprehensive Income Analysis

Consolidated statements of comprehensive income

Explanation of significant changes in the past two years' operating revenue, operating income and income before tax:

Non-operating expenses increased in 2017 due to the recognition of an estimated litigation provision.

2016 – 2017 Consolidated Statements of Comprehensive Income

Unit: NT\$'000, %

	2016	2017	YoY change	
			Amount	%
Operating revenue	116,647,498	117,171,107	523,609	0.45
Operating costs	78,790,518	81,445,116	2,654,598	3.37
Gross profit	37,856,980	35,725,991	(2,130,989)	(5.63)
Operating expenses	18,260,396	17,502,915	(757,481)	(4.15)
Operating income	20,019,766	19,092,412	(927,354)	(4.63)
Non-operating income (expenses)	(828,294)	(1,461,129)	(632,835)	76.40
Income before tax	19,191,472	17,631,283	(1,560,189)	(8.13)
Net income	15,928,443	14,948,787	(979,656)	(6.15)

Stand-alone statements of comprehensive income

Explanation of significant changes in the past two years' operating revenue, operating income and income before tax:

1. Operating income decreased due to the decline in telecommunication and domestic roaming revenue.
2. Non-operating income increased due to higher investment income from subsidiaries, which more than offset the litigation provision.

2016 – 2017 Stand-alone Statements of Comprehensive Income

Unit: NT\$'000, %

	2016	2017	YoY change	
			Amount	%
Operating revenue	80,543,403	73,612,276	(6,931,127)	(8.61)
Operating costs	50,615,701	48,473,355	(2,142,346)	(4.23)
Gross profit	29,927,702	25,138,921	(4,788,781)	(16.00)
Operating expenses	14,920,182	13,886,610	(1,033,572)	(6.93)
Operating income	15,401,232	12,094,034	(3,307,198)	(21.47)
Non-operating income (expenses)	2,369,009	3,672,554	1,303,545	55.02
Income before tax	17,770,241	15,766,588	(2,003,653)	(11.28)
Net income	15,320,187	14,192,176	(1,128,011)	(7.36)

Revenue outlook, key assumptions, potential impact on the Company's business and corresponding proposal:

In 2018, the Company will continue to leverage its 4G high-speed mobile internet service and focus on developing and enhancing top-of-the-line mobile value-added services, including mobile shopping, mobile payment, video/audio services and myBook store (an e-book platform). Meanwhile, the Company will make full use of its potential and competitive edge in handset procurement to effectively contain subscriber acquisition costs so as to meet its profit target.

Cash Flow Analysis

1. Increase in cash outflow from investment activities: Cash outflow rose due to the payment of 4G concession fee.
2. Decrease in cash outflow from financing activities: Cash outflow declined due to an increase in bank borrowings.

Consolidated cash flow analysis

2016 – 2017 Consolidated Cash Flow Statement

Unit: NT\$'000, %

	2016	2017	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	31,830,164	30,320,285	(1,509,879)	(4.74)
Cash inflow (outflow) from investment activities	(11,527,956)	(17,672,308)	(6,144,352)	53.30
Cash inflow (outflow) from financing activities	(21,170,963)	(13,717,494)	7,453,469	(35.21)
Impact from changes in exchange rate	(6,150)	(3,456)	2,694	(43.80)
Net cash decrease	(874,905)	(1,072,973)	(198,068)	22.64

Stand-alone cash flow analysis:

2016 – 2017 Stand-alone Cash Flow Statement

Unit: NT\$'000, %

	2016	2017	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	22,475,739	21,031,267	(1,444,472)	(6.43)
Cash inflow (outflow) from investment activities	(2,471,192)	(9,316,367)	(6,845,175)	277.00
Cash inflow (outflow) from financing activities	(20,065,912)	(12,252,034)	7,813,878	(38.94)
Net cash decrease	(61,365)	(537,134)	(475,769)	775.31

Plans to improve negative liquidity: Not applicable