

# Letter to shareholders

Dear Shareholders,

Inspired by the concept of “embracing change, setting new trends,” Taiwan Mobile (“TWM”, or “the Company”) has continued to evolve over the years. In 2018, the Company focused on bringing innovation to smart living – deploying technology to enhance the user experience on the internet, as well as in entertainment and online shopping. Synergy was achieved from forward-looking business planning, while the highest standards were applied to corporate governance, shareholder value, customer satisfaction and corporate social responsibility.

## **Creating a better life experience with technology**

Taiwan Mobile was the first in Taiwan to launch a “red envelope” mobile payment feature through its M+ messenger and is making forays into online only banking. The Company made significant advances in the fields of internet of things (IoT), artificial intelligence (AI) and cloud services. Aside from establishing its own IoT ecosystem, Taiwan Mobile teamed up with Quanta Computer and Asustek Computer to form an “A team” that successfully built a national AI cloud platform, forging the largest Data Mart and AI Training Model Marketplace in the nation. TWM’s cloud service business also collaborated with Microsoft to launch the first Azure Stack public cloud operating service in Taiwan. These have allowed individuals or business users to enjoy the convenience and better quality of life that technology brings.

## **Visionary business roadmap**

Thanks to its extensive digital convergence services and leading position in B2C e-commerce, TWM has developed a diversified business development plan to facilitate business synergies and new business promotions. Aside from continuing to market mobile value-added services, such as over-the-top (OTT) media services and mobile phone insurance, as part of its core telecom business, TWM has enhanced its enterprise solutions and integrated its cable TV and retail business resources to enable cross-selling, digital media content integration and sales channel collaboration.

## **World-class corporate governance**

Taiwan Mobile has striven to be a role model in corporate sustainability, with the Company once again receiving numerous commendations for its efforts in the past year. TWM was selected by RobecoSAM, a leading international sustainability investment specialist, for inclusion in its “2018 Sustainability Yearbook,” receiving a Silver Class award. The Company was also included in the Dow Jones Sustainability Indices (DJSI) Emerging Markets Index for the seventh consecutive year and in the DJSI World Index for the second time, grabbing the No. 1 spot for the first time in the global telecommunications sector.

## **Valuing customer satisfaction and shareholders' interests**

Taiwan Mobile has created solid returns for its shareholders by maintaining a cash dividend yield of around 5% in recent years through a calibrated spectrum investment strategy and prudent capital expenditure, while earning widespread recognition for its excellent customer service. In 2018, TWM received the Best Customer Service Center award at the Customer Service Excellence Awards by the Taiwan Contact Center Development Association. Its TWM Customer Service App was also selected as a finalist for the Best Customer Service Award at the Asia Communication Awards and was the only telecom customer service app nominated at the World Communication Awards.

### **Corporate social responsibility**

As a national telecom industry leader, it is our duty not only to continue to pursue solid operational and financial performances, but also to share the benefits of our steady growth over the years with society. TWM takes pride in winning its 12th Corporate Social Responsibility Award from *Global Views Monthly* and its 11th Excellence in Corporate Social Responsibility Award from *CommonWealth Magazine*, where it distinguished itself as the only telecom operator in the top 10 large enterprises category. TWM earned further distinction by receiving eight awards at the 2018 Taiwan Corporate Sustainability Awards and was the only telecom operator honored with the Most Prestigious Sustainability Award – Top 10 Domestic Corporations.

In addition to setting a corporate vision and strategic goals, we believe that execution, introspection and improvement are the keys to our future growth.

### **2018 operating and financial results**

With synergy from business diversification and effective cost control, operating cash flow was stable. Free cash flow in 2018 increased from a year ago, offsetting negative impacts from industry competition, lower interconnecting revenue and weaker demand for high-end smartphones. In 2018, the Company reported consolidated revenue of NT\$118.7 billion, EBITDA of NT\$31.7 billion and net profit of NT\$13.6 billion. Earnings per share of NT\$5.01 were in line with management guidance and, for the seventh consecutive year, were the highest among domestic peers. On the research-and-development front, TWM's team significantly reduced interference in 5G massive machine-type communications. Applying the research results to products and value-added services, such as user credit line and intelligent virtual assistant utilizing AI technology, is already in progress.

### **Outlook**

With the termination of 3G services, the telecommunications industry has firmly entered the 4G era and is ready to welcome the arrival of 5G. Smart living and digital economy are target areas for future growth. In addition to continuous efforts to raise average revenue per user (ARPU), we aim to deepen our relationship with enterprise users to seize cloud and IoT opportunities, as well as expand the scale of our e-commerce operations in order to maintain our market leadership. We also plan to leverage group resources, along with enhanced sales channels and a better product mix, to create differentiated products and services that increase our competitiveness in the market.

We plan to accelerate the development of our 5G business model and AI-related technology and services in order to promote AI innovation, value-added services and applications. By exploring multiple opportunities, we will find new profit engines, while bringing convenience and entertainment value to smart living for our customers.



Daniel M. Tsai

Chairman