

Letter to shareholders

Dear Shareholders,

From consumption to entertainment, the rapid changes in technology have altered the way people live. New business opportunities entail new business models. Taiwan Mobile (“TWM”, or “the Company”) believes that technology springs from humanity and should be incorporated into everyday life. Through forward-looking business planning, the Company has continued its pioneering role, breaking conventions and embracing change to develop new growth curves. As always, it applies the highest standards to corporate governance, shareholder value and customer satisfaction, and regards sustainability as a corporate social responsibility.

Innovative intelligent applications

In 2019, leveraging its expertise in internet of things (IoT), cloud and artificial intelligence (AI), Taiwan Mobile developed a host of products and services that are closely intertwined with our daily lives. This included myAir-S1 portable PM2.5 detector, a smart retail platform for charity, smart communities, an AI energy management cloud platform and a mobile card reader. The Company also joined forces with Google to expand smart home application through a smart speaker that integrates cable TV and audio-visual services with voice commands. Going forward, TWM is looking to 5G technology that will enable development of innovative applications, such as multi-angle broadcasting, virtual reality and augmented reality, smart therapy and smart factory.

New business roadmap, new frontier

To capture emerging business opportunities from digital convergence and smart home developments, Taiwan Mobile launched an all-round digital convergence plan that covers mobile, fixed broadband, and video/music streaming services. Apart from promoting “Smarter Home” services to consumers at its retail stores, the Company also enhanced online and offline integration with its e-commerce platform momo. TWM’s solid presence in the mobile, fixed network, cable TV and e-commerce fields lends support to its continuing efforts to promote product differentiation and achieve wider business synergy.

World-class corporate governance

Taiwan Mobile has consistently 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 SAM, a leading international sustainability investment specialist, for inclusion in its “2019 Sustainability Yearbook,” receiving a Silver Class award for the second consecutive year. The Company was also included in the Dow Jones Sustainability Indices (DJSI) Emerging Markets Index for the eighth consecutive year and in the DJSI World Index for the third time, grabbing the No. 2 spot.

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 investment strategy and prudent capital expenditure, while earning widespread recognition for its excellent customer service. In addition to receiving the Best Customer Service Center award at the Customer Service Excellence Awards for three years in a row, the Company's myfone stores and customer service center also received SGS Qualicert certification for the eighth consecutive year.

Corporate social responsibility

As a national telecom industry leader, TWM believes it is its duty not only to pursue solid operational and financial performances, but also to share the benefits of its steady growth over the years with society. In 2019, the Company passed the Science Based Targets Initiative (SBTi) evaluation, becoming the first non-electronics manufacturer in Taiwan and the second telecom service provider throughout Asia to pass this stringent international verification. Additionally, TWM takes pride in winning its 13th and 14th Corporate Social Responsibility Awards from *Global Views Monthly* and its 12th Excellence in Corporate Social Responsibility Award from *CommonWealth Magazine*, where it ranked first in the telecom industry and was among the top 10 in the large enterprise category. TWM earned further distinction by receiving 10 awards at the 2019 Taiwan Corporate Sustainability Awards and was honored with the Most Prestigious Sustainability Award – Top 10 Domestic Corporations for the fifth time, the most amongst domestic telecom peers.

In addition to setting a corporate vision and strategic goals, TWM believes execution, introspection and improvement are the keys to its future growth.

2019 operating and financial results

With easing competition in the telecommunications market in 2019, TWM utilized group resources to introduce differentiated products and services that match consumer trends in order to mitigate the impact on revenue of declining tariffs and a lengthening handset replacement cycle. This, coupled with efforts to boost contributions from non-telecom businesses, helped the Company's YoY profitability trend to turn positive in the second half of the year. TWM reported consolidated revenue of NT\$124.4 billion, EBITDA of NT\$33.4 billion and a net profit of NT\$12.5 billion. Earnings per share of NT\$4.51 were in line with management guidance. Continued investment in research and development bore fruit, including deploying deep learning to boost efficiency in base station resource allocation, utilizing AI algorithms to provide personalized recommendations, and supporting smart home applications, such as smart speakers and virtual assistants.

Outlook

2020 will mark the first year of the 5G era, where its capabilities in enhanced mobile broadband (eMBB), ultra-reliable and low latency communications (URLLC) and massive machine type communications (mMTC), coupled with AI technology, will change industries and lifestyles. While

smart therapy, smart factory and other vertical markets, as well as cloud gaming, offer new opportunities, telecom players face challenges in setting 5G rates, planning commercial rollouts and introducing timely applications. TWM sees these challenges as an opportunity to transform and move forward.

Bearing in mind our responsibility to shareholders and consumers alike, TWM aspires to integrate technology into everyday life, while bolstering information security, to facilitate its transformation into a smarter enterprise, with increasing profit contributions from its consumer, cable TV, enterprise and retail business groups.

Daniel M. Tsai
Chairman