

Letter to shareholders

Dear Shareholders,

Looking back on 2021, Taiwan Mobile (“TWM”, or “the Company”) demonstrated its corporate resilience and flexibility, as it implemented its work-from-home plan immediately after the first local outbreak of COVID-19 and provided various virtual solutions for enterprises and society. On the last day of the year, TWM announced the signing of a merger agreement with T-Star. Once approved by the regulators, we will be able to better utilize our 5G spectrum and mobile network infrastructure, taking us a big step toward achieving our sustainability goals.

As new business models emerge from the new normal, we have striven to explore use cases in 5G, AI, IoT and other applications. We accelerated our transformation into a next generation internet technology company, providing comprehensive solutions that integrated mobile and fixed line, implementing 5G technology, and enriching our digital and content services, to create countless possibilities for a future where the virtual world is integrated with reality. As always, we apply the highest standards in corporate governance, shareholder value and customer satisfaction, and regard sustainability as a corporate social responsibility.

2021 operating and financial results

In 2021, TWM reported consolidated revenue of NT\$156.1 billion, EBITDA of NT\$33.1 billion, net profit of NT\$11.0 billion and earnings per share of NT\$3.90. Despite the increases in 5G spectrum amortization and depreciation expenses in the second year of its 5G launch, TWM’s third-quarter profit grew annually, while full-year earnings exceeded its 2021 guidance. This was the result of 5G-driven revenue growth, a healthier competition landscape and government subsidies.

New business roadmap and group resources integration

TWM’s merger agreement with T-Star is a critical step in expanding our mobile business scale and driving earnings growth. Our investments in digital content also bore fruit in the past year, as we won several awards at the Golden Bell Awards. In terms of service offerings, we continued to promote Double Play packages, which include 5G unlimited mobile data and high-speed fixed broadband. In addition to various telecom bundles, including Disney+ and online gaming, we partnered with Taiwan’s largest e-commerce player momo to offer momo coins in our momobile packages, providing customers the convenience of one-stop shopping and better pricing.

Innovative applications and research results

2021 marked the second year of the 5G era. TWM adopted a front-loaded roll-out strategy and joined forces with Mediatek and Nokia to complete the country’s first 5G SA carrier aggregation test combining 700MHz and 3.5GHz frequency bands. This is expected to significantly improve 5G indoor coverage and bring us closer to “True 5G” network services. On the other hand, to reduce transmission loss in urban areas and improve 5G network quality and efficiency, we continued to use deep learning to develop network slicing resource management and simulated transmissions between base stations and receivers. We also introduced various use cases in the areas of media and smart homes, such as multi-angle live sports streaming, Google Nest’s media access and call functions, and “zero contact” insurance sales via M+’s proprietary two-way communication technology. To address data leakage concerns, we developed a secure communication platform with complete two-way voice and text communication using virtual numbers.

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. Recognized by the Carbon Disclosure

Project, we made the climate change “A” list for three years in a row, the only company in the telecommunications industry. We were also made a constituent of the FTSE4Good TIP Taiwan ESG Index for the fourth consecutive year. Additionally, the Company was included in the Dow Jones Sustainability Indices (DJSI) Emerging Markets Index for the 10th consecutive year and in the DJSI World Index for the 5th time, once again grabbing the No. 1 spot in the global telecommunications industry. For seven years in a row, we have been among the top 5 percent listed companies commended for good enterprise governance. Lastly, TWM was awarded a Gold Class award for the first time in S&P Global’ ESG’s “The Sustainability Yearbook 2021,” making us the world’s best telecom service provider in terms of sustainability accomplishments.

Valuing shareholders' interests and customer satisfaction

TWM’s total mobile subscribers would reach 9.8mn after the proposed merger with T-Star is completed, resulting in the highest per-user 3.5GHz spectrum in the industry as we achieve greater scale. The synergies should propel profit growth, generate stable free cash flow and better financial flexibility, and improve shareholder returns and customer satisfaction.

Corporate social responsibility

As a national telecom industry leader, it is our duty not only to pursue a solid operational and financial performance, but also to take into account social inclusion, environmental awareness and sustainability. In 2021, TWM participated in the first-ever GeSi “Digital With Purpose” movement, and aims to achieve 100% green energy in our cloud IDC by 2030, and RE100 by 2040. Our efforts were recognized by different organizations in Taiwan, as we earned the Best Telecommunications Company title in *Global Views Monthly’s* CSR Awards for the third time, and our 14th Excellence in Corporate Social Responsibility Award from *CommonWealth Magazine*, where we ranked first in the telecom industry for the sixth consecutive year. The Company earned further distinctions – eight awards at the 2021 Taiwan Corporate Sustainability Awards (TCSA) and “The Most Prestigious Sustainability Awards – Top 10 Domestic Companies” for the 7th time, scoring the highest among awardees of the “Growth Through Innovation Leadership Award” under the Service and Information Communication Industry segment.

Outlook

The pandemic accelerated the shift to a virtual lifestyle, as evidenced by the rapid development of 5G technology, advancements in telemedicine and the boom in online learning, digital media and remote working. Telecom service providers expect to play an even more important role going forward, as the maturation of 5G applications, such as IoT, wearables and metaverse, should stimulate demand for high-speed and low-latency networks. Vast network construction relies on economies of scale and, with the Company’s proposed merger with Taiwan Star, we will gain the upper hand in 5G spectrum efficiency while making a positive influence on environmental sustainability.

TWM has not slowed down its enterprise transformation either. Underpinned by a strong business foundation combining telecom and e-commerce, we will continue to invest in related start-ups to integrate innovation into everyday life in order to seize market opportunities and develop new growth prospects. At the same time, we will continue our efforts to promote energy savings and carbon reduction, and enhance all aspects of stakeholder value.

Daniel M. Tsai
Chairman