

Chapter 5 Financial Highlights

Condensed Balance Sheets and Statements of Comprehensive Income

Consolidated condensed balance sheet (2012-2014) – Based on IFRS

Unit: NT\$'000

		2012	2013	2014
Current assets		23,772,918	29,493,868	32,834,704
Investments		3,057,545	4,194,570	5,070,051
Property, plant and equipment (PP&E)		40,737,678	42,985,801	47,066,319
Intangible assets		26,654,154	54,837,271	61,168,844
Other assets		6,167,930	6,840,869	7,397,334
Total assets		100,390,225	138,352,379	153,537,252
Current liabilities	Before appropriation	29,930,393	58,605,638	53,468,928
	After appropriation	44,725,981	73,670,237	(Note1)
Non-current liabilities		12,816,539	21,226,100	33,556,074
Total liabilities	Before appropriation	42,746,932	79,831,738	87,025,002
	After appropriation	57,542,520	94,896,337	(Note1)
Equity attributable to owners of the parent company		56,571,089	57,433,894	60,259,352
Paid-in capital		34,208,328	34,208,328	34,208,328
Capital surplus		12,431,851	12,456,891	14,715,830
Retained earnings	Before appropriation	40,668,067	41,433,176	41,355,524
	After appropriation	25,872,479	26,368,577	(Note1)
Other equity interest		340,026	412,682	(302,986)
Treasury shares		(31,077,183)	(31,077,183)	(29,717,344)
Non-controlling interest		1,072,204	1,086,747	6,252,898
Total equity	Before appropriation	57,643,293	58,520,641	66,512,250
	After appropriation	42,847,705	43,456,042	(Note1)

Note 1: The appropriation amount for the 2014 earnings has to be approved at the AGM.

Note 2: All financial data have been duly audited by independent auditors.

Stand-alone condensed balance sheet (2012-2014) – Based on IFRS

Unit: NT\$'000

		2012	2013	2014
Current assets		16,467,066	19,819,698	15,251,167
Investments		33,717,978	39,563,373	49,879,231
Property, plant and equipment (PP&E)		29,799,766	28,975,365	32,294,190
Intangible assets		11,932,848	40,247,043	39,117,370
Other assets		6,647,558	5,571,753	4,080,948
Total assets		98,565,216	134,177,232	140,622,906
Current liabilities	Before appropriation	30,377,402	57,236,700	53,250,046
	After appropriation	45,172,990	72,301,299	(Note1)
Non-current liabilities		11,616,725	19,506,638	27,113,508
Total liabilities	Before appropriation	41,994,127	76,743,338	80,363,554
	After appropriation	56,789,715	91,807,937	(Note1)
Paid-in capital		34,208,328	34,208,328	34,208,328
Capital surplus		12,431,851	12,456,891	14,715,830
Retained earnings	Before appropriation	40,668,067	41,433,176	41,355,524
	After appropriation	25,872,479	26,368,577	(Note1)
Other equity interest		340,026	412,682	(302,986)
Treasury shares		(31,077,183)	(31,077,183)	(29,717,344)
Total shareholders' equity	Before appropriation	56,571,089	57,433,894	60,259,352
	After appropriation	41,775,501	42,369,295	(Note1)

Note 1: The appropriation amount for the 2014 earnings has to be approved at the AGM.

Note 2: All financial data have been duly audited by independent auditors.

Consolidated condensed balance sheet (2010-2012) – Based on ROC GAAP

Unit: NT\$'000

		2010	2011	2012
Current assets		15,242,392	18,126,033	19,884,936
Investments		3,196,711	2,161,551	2,842,353
Fixed assets		43,613,993	40,801,447	39,978,686
Intangible assets		20,347,050	27,760,674	26,781,024
Other assets		3,084,054	2,944,663	2,865,019
Total assets		85,484,200	91,794,368	92,352,018
Current liabilities	Before appropriation	23,231,653	36,105,959	30,726,480
	After appropriation	35,671,620	49,986,911	45,522,068
Long-term liabilities		10,300,000	4,000,000	8,995,180
Other liabilities		1,053,129	1,624,524	1,824,538
Total liabilities	Before appropriation	34,584,782	41,730,483	41,546,198
	After appropriation	47,024,749	55,611,435	56,341,786
Paid-in capital		38,009,254	34,208,328	34,208,328
Capital surplus		12,432,489	12,432,446	12,432,446
Retained earnings	Before appropriation	32,243,481	33,272,277	34,082,930
	After appropriation	19,803,514	19,391,325	19,287,342
Unrealized valuation loss on financial instruments		89,842	111,306	99,351
Translation adjustments		(5,716)	17,612	2,115
Net loss not recognized as pension cost		(10,695)	(16,775)	(24,050)
Treasury shares		(31,889,100)	(31,077,183)	(31,077,183)
Minority interest		29,863	1,115,874	1,081,883
Total shareholders' equity	Before appropriation	50,899,418	50,063,885	50,805,820
	After appropriation	38,459,451	36,182,933	36,010,232

Note: All financial data have been duly audited by independent auditors.

Stand-alone condensed balance sheet (2010-2012) – Based on ROC GAAP

Unit: NT\$'000

		2010	2011	2012
Current assets		23,819,685	10,307,087	12,702,556
Investments		11,359,143	26,670,657	34,466,074
Fixed assets		35,014,385	31,268,171	29,131,007
Intangible assets		12,818,208	12,816,185	12,014,914
Other assets		4,144,036	3,665,604	3,650,151
Total assets		87,155,457	84,727,704	91,964,702
Current liabilities	Before appropriation	25,621,285	29,800,200	31,158,254
	After appropriation	38,061,252	43,681,152	45,953,842
Long-term liabilities		8,800,000	4,000,000	8,995,180
Other liabilities		1,864,617	1,979,493	2,087,331
Total liabilities	Before appropriation	36,285,902	35,779,693	42,240,765
	After appropriation	48,725,869	49,660,645	57,036,353
Paid-in capital		38,009,254	34,208,328	34,208,328
Capital surplus		12,432,489	12,432,446	12,432,446
Retained earnings	Before appropriation	32,243,481	33,272,277	34,082,930
	After appropriation	19,803,514	19,391,325	19,287,342
Unrealized valuation loss on financial instruments		89,842	111,306	99,351
Translation adjustments		(5,716)	17,612	2,115
Net loss not recognized as pension cost		(10,695)	(16,775)	(24,050)
Treasury shares		(31,889,100)	(31,077,183)	(31,077,183)
Total shareholders' equity	Before appropriation	50,869,555	48,948,011	49,723,937
	After appropriation	38,429,588	35,067,059	34,928,349

Note: All financial data have been duly audited by independent auditors.

Consolidated statements of comprehensive income (2012-2014) – Based on IFRS

Unit: NT\$'000

	2012	2013	2014
Operating revenue	99,740,256	108,407,931	112,623,879
Gross profit	38,114,612	38,836,911	37,525,641
Operating income	20,782,210	21,071,835	19,710,715
Non-operating income (expenses)	(840,885)	(1,652,822)	(845,638)
Pre-tax income	19,941,325	19,419,013	18,865,077
Income from continuing operations	16,550,199	16,067,173	15,631,434
Loss from discontinued operations, net of tax	-	(249,392)	(78,329)
Net income	16,550,199	15,817,781	15,553,105
Other comprehensive income (after tax)	(57,035)	53,691	(721,504)
Comprehensive income	16,493,164	15,871,472	14,831,601
Profit attributable to owners of the parent company	16,326,013	15,583,447	15,005,428
Profit attributable to non-controlling interest	224,186	234,334	547,677
Comprehensive income attributable to owners of parent company	16,274,624	15,655,368	14,271,279
Comprehensive income attributable to non-controlling interest	218,540	216,104	560,322
EPS (NT\$)	6.07	5.79	5.56

Note: All financial data have been duly audited by independent auditors.

Stand-alone statements of comprehensive income (2012-2014) – Based on IFRS

Unit: NT\$'000

	2012	2013	2014
Operating revenue	69,867,814	78,928,492	81,649,070
Gross profit	27,460,813	27,629,638	28,814,818
Operating income	13,063,580	8,258,017	5,713,280
Non-operating income (expenses)	5,244,610	8,329,636	10,027,657
Pre-tax income	18,308,190	16,587,653	15,740,937
Net income	16,326,013	15,583,447	15,005,428
Other comprehensive income (after tax)	(51,389)	71,921	(734,149)
Comprehensive income	16,274,624	15,655,368	14,271,279
EPS (NT\$)	6.07	5.79	5.56

Note: All financial data have been duly audited by independent auditors.

Consolidated condensed income statement (2010-2012) – Based on ROC GAAP

Unit: NT\$'000

	2010	2011	2012
Operating revenue	70,146,004	81,369,183	98,250,353
Gross profit	31,983,641	32,727,673	35,972,109
Operating income	18,307,711	17,589,805	18,734,841
Non-operating income	739,516	672,876	200,288
Non-operating expenses	1,945,905	2,134,112	963,707
Pre-tax income	17,101,322	16,128,569	17,971,422
Net income	13,817,778	13,626,180	14,916,282
EPS (NT\$)	4.62	4.70	5.46

Note: All financial data have been duly audited by independent auditors.

Stand-alone condensed income statement (2010-2012) – Based on ROC GAAP

Unit: NT\$'000

	2010	2011	2012
Operating revenue	58,547,285	61,919,273	68,025,875
Gross profit	25,738,573	24,125,399	25,616,164
Operating income	13,700,566	11,169,724	11,310,743
Non-operating income	4,465,716	4,506,462	6,068,970
Non-operating expenses	1,768,138	833,190	994,871
Pre-tax income	16,398,144	14,842,996	16,384,842
Net income	13,822,186	13,468,763	14,691,605
EPS (NT\$)	4.62	4.70	5.46

Note: All financial data have been duly audited by independent auditors.

Independent auditors' names and their audit opinions for the past five years

Year	Accounting firm	Name of CPA	Opinion
2010	KPMG	Simon Chen, Janice Lai	Modified unqualified opinion
2011	KPMG	Simon Chen, Janice Lai	Unqualified opinion
2012	KPMG	Simon Chen, Janice Lai	Unqualified opinion
2013	KPMG	Simon Chen, Leo Chi	Modified unqualified opinion
2014	KPMG	Simon Chen, Leo Chi	Unqualified opinion

Financial Analysis

Consolidated financial analysis (2012-2014) – Based on IFRS

		2012	2013	2014
Financial structure	Liability to asset ratio (%)	42.58	57.70	56.68
	Long-term fund to PP&E ratio (%)	170.33	182.99	199.33
Solvency	Current ratio (%)	79.43	50.33	61.41
	Quick ratio (%)	68.95	42.98	54.49
	Interest coverage ratio (%)	6,104.36	4,911.23	3,218.92
Operations	Accounts receivable turnover (x)	6.72	6.14	5.66
	Average collection days	54.31	59.44	64.48
	Inventory turnover (x)	13.05	12.00	12.19
	Accounts payable turnover (x)	9.01	9.53	10.03
	Average days sales	27.96	30.41	29.94
	Property, plant and equipment turnover (x)	2.45	2.54	2.51
	Total asset turnover (x)	0.99	0.79	0.77
Profitability	Return on assets (%)	16.99	13.53	11.00
	Return on equity (%)	29.48	27.34	25.50
	Pre-tax income as a % of paid-in capital	58.29	55.89	54.87
	Net income margin (%)	16.59	14.49	13.79
	EPS (NT\$)	6.07	5.79	5.56
Cash flow	Cash flow ratio (%)	86.82	42.37	53.00
	Cash flow adequacy ratio (%)	129.18	111.11	106.30
	Cash reinvestment rate (%)	11.86	9.08	11.10
Leverage	Operating leverage	2.07	2.13	2.66
	Financial leverage	1.02	1.02	1.03
Others	EBITDA (NT\$'000) (Note)	30,529,287	31,003,599	31,294,846
	EBITDA margin (%) (Note)	30.61	28.60	27.79

Explanation of significant changes in 2014 compared with the previous year:

- (1) The current ratio, quick ratio and cash flow ratio rose due to an increase in current financial assets and payment of short-term borrowings.
- (2) The rise in mid-to-long term borrowings led to increased interest expenses and a lower interest coverage ratio.
- (3) The cash reinvestment rate rose due to higher operating cash inflows in 2014.

Note: The 2014 and 2013 data do not include discontinued operations.

Stand-alone financial analysis (2012-2014) – Based on IFRS

		2012	2013	2014
Financial structure	Liability to asset ratio (%)	42.61	57.20	57.15
	Long-term fund to PP&E ratio (%)	228.82	265.54	270.55
Solvency	Current ratio (%)	54.21	34.63	28.64
	Quick ratio (%)	46.49	29.92	24.32
	Interest coverage ratio (%)	4,841.74	3,835.17	2,726.66
Operations	Accounts receivable turnover (x)	5.39	5.10	5.38
	Average collection days	67.71	71.56	67.84
	Inventory turnover (x)	10.10	11.13	11.42
	Accounts payable turnover (x)	10.28	11.46	12.34
	Average days sales	36.13	32.79	31.96
	Property, plant and equipment turnover (x)	2.27	2.69	2.67
	Total asset turnover (x)	0.71	0.59	0.59
Profitability	Return on assets (%)	17.73	13.71	11.28
	Return on equity (%)	29.48	27.34	25.50
	Pre-tax income as a % of paid-in capital	53.52	48.49	46.01
	Net profit margin (%)	23.37	19.74	18.38
	EPS (NT\$)	6.07	5.79	5.56
Cash flow	Cash flow ratio (%)	58.81	21.31	32.37
	Cash flow adequacy ratio (%)	128.55	103.57	89.23
	Cash reinvestment rate (%)	3.49	-	1.59
Leverage	Operating leverage	2.02	2.64	5.89
	Financial leverage	1.03	1.06	1.12
Others	EBITDA (NT\$'000)	21,046,995	16,260,324	14,818,825
	EBITDA margin (%)	30.12	20.60	18.15
	ARPU (NT\$)	735	746	730
	MOU (in thousand minutes)	16,496,235	14,864,026	12,379,819

Explanation of significant changes in 2014 compared with the previous year:

- (1) The increase in borrowings led to higher interest expenses and a lower interest coverage ratio.
- (2) The operating leverage increased due to a higher opex in 2014.

Note: The 2012-2014 financial data have been duly audited by independent auditors.

Formulas for the above tables:

Financial structure

- (1) Debt to asset ratio = Total liabilities / Total assets
- (2) Long-term fund to PP&E ratio = (Shareholders' equity + Long-term liabilities) / Net PP&E

Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities
- (3) Interest coverage ratio = Income before interest and taxes / Interest expense

Operations

- (1) Accounts receivable turnover = Net revenue / Average accounts receivable
- (2) Average collection days = 365 / AR turnover
- (3) Inventory turnover = COGS / Average inventory
- (4) Accounts payable turnover = COGS / Average accounts payable
- (5) Average days sales = 365 / Inventory turnover
- (6) PP&E turnover = Net revenue / Average net PP&E
- (7) Total asset turnover = Net revenue / Average total assets

Profitability

- (1) Return on assets = [Net income + Interest expense x (1 – Tax rate)] / Average assets
- (2) Return on equity = Net income / Average equity
- (3) Net income margin = Net income / Net sales
- (4) EPS = (Net income – Preferred stock dividend) / Weighted average outstanding shares

Cash flow

- (1) Cash flow ratio = Cash flow from operating activities / Current liabilities
- (2) Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years / (Capital expenditures + Increases in inventory + Cash dividend) for the past 5 years (2009-2011 numbers were calculated based on ROC GAAP)
- (3) Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross fixed assets + Long-term

investments + Other assets + Working capital)
 (Note: Use zero if working capital value is negative)

Leverage

- (1) Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income
 (2) Financial leverage = Operating income / (Operating income – Interest expense)

Others

- (1) EBITDA = Operating income + Depreciation + Amortization
 (2) EBITDA margin = EBITDA / Net revenue
 (3) ARPU = Net telecom service revenue / Average number of subscribers
 (4) MOU = Outgoing & incoming minutes

Consolidated financial analysis (2010-2012) – Based on ROC GAAP

		2010	2011	2012	
Financial structure	Liability to asset ratio (%)	40.46	45.46	44.99	
	Long-term fund to fixed asset ratio (%)	140.25	131.98	146.88	
Solvency	Current ratio (%)	65.61	50.20	64.72	
	Quick ratio (%)	57.83	42.04	53.21	
	Interest coverage ratio (%)	5,452.51	6,796.94	5,511.22	
Operations	Accounts receivable turnover (x)	9.25	10.35	11.81	
	Average collection days	39.46	35.27	30.91	
	Inventory turnover (x)	10.31	11.39	13.24	
	Accounts payable turnover (x)	11.68	9.73	8.96	
	Average days sales	35.40	32.05	27.57	
	Fixed asset turnover (x)	1.61	1.99	2.46	
	Total asset turnover (x)	0.82	0.89	1.06	
Profitability	Return on assets (%)	16.44	15.60	16.50	
	Return on equity (%)	26.85	26.99	29.78	
	% of paid-in capital	Operating income	48.17	51.42	54.77
		Pre-tax income	44.99	47.15	52.54
	Net profit margin (%)	19.70	16.75	15.18	
EPS (NT\$)	4.62	4.70	5.46		
Cash flow	Cash flow ratio (%)	111.89	69.93	84.16	
	Cash flow adequacy ratio (%)	140.61	154.74	130.24	
	Cash reinvestment rate (%)	12.87	14.50	12.40	
Leverage	Operating leverage	1.91	1.97	2.14	
	Financial leverage	1.02	1.01	1.02	
Others	EBITDA (NT\$'000)	27,464,723	27,086,632	26,985,307	
	EBITDA margin (%)	39.15	33.29	27.47	

Stand-alone financial analysis (2010-2012) – Based on ROC GAAP

		2010	2011	2012	
Financial structure	Liability to asset ratio (%)	41.63	42.23	45.93	
	Long-term fund to fixed asset ratio (%)	170.41	169.34	201.57	
Solvency	Current ratio (%)	92.97	34.59	40.77	
	Quick ratio (%)	87.00	28.47	32.04	
	Interest coverage ratio (%)	5,099.46	6,314.20	4,343.60	
Operations	Accounts receivable turnover (x)	9.17	9.76	10.22	
	Average collection days	39.80	37.39	35.71	
	Inventory turnover (x)	10.76	10.37	10.09	
	Accounts payable turnover (x)	13.68	12.26	10.28	
	Average days sales	33.92	35.19	36.17	
	Fixed asset turnover (x)	1.67	1.98	2.34	
	Total asset turnover (x)	0.67	0.73	0.74	
Profitability	Return on assets (%)	16.79	15.90	16.99	
	Return on equity (%)	26.85	26.99	29.78	
	% of paid-in capital	Operating income	36.05	32.65	33.06
		Pre-tax income	43.14	43.39	47.90
	Net profit margin (%)	23.61	21.75	21.60	
Cash flow	EPS (NT\$)	4.62	4.70	5.46	
	Cash flow ratio (%)	91.01	74.40	67.31	
	Cash flow adequacy ratio (%)	131.99	148.99	133.23	
Leverage	Cash reinvestment rate (%)	9.89	9.70	6.38	
	Operating leverage	1.94	2.16	2.18	
Others	Financial leverage	1.02	1.02	1.04	
	EBITDA (NT\$'000)	21,763,237	19,239,530	19,294,158	
	EBITDA margin (%)	37.17	31.07	28.36	
	ARPU (NT\$)	718	719	735	
	MOU (in thousand minutes)	14,399,713	15,305,902	16,496,235	

Note: All financial data have been duly audited by independent auditors.

Formulas for the above tables:

Financial structure

- (1) Debt to asset ratio = Total liabilities / Total assets
- (2) Long-term fund to fixed asset ratio = (Shareholders' equity + Long-term liabilities) / Net fixed assets

Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities
- (3) Interest coverage ratio = Income before interest and tax / Interest expense

Operations

- (1) Accounts receivable turnover = Net revenue / Average accounts receivable
- (2) Average collection days = 365 / AR turnover
- (3) Inventory turnover = COGS / Average inventory
- (4) Accounts payable turnover = COGS / Average accounts payable
- (5) Average days sales = 365 / Inventory turnover
- (6) Fixed asset turnover = Net revenue / Average net fixed assets
- (7) Total asset turnover = Net revenue / Average total assets

Profitability

- (1) Return on assets = [Net income + Interest expense * (1 – Tax rate)] / Average assets
- (2) Return on equity = Net income / Average equity
- (3) Net income margin = Net income / Net sales
- (4) EPS = (Net income – Preferred stock dividend) / Weighted average outstanding shares

Cash flow

- (1) Cash flow ratio = Cash flow from operating activities / Current liabilities
- (2) Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years / (Capital expenditures + Increases in inventory + Cash dividend) for the past 5 years
- (3) Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross fixed assets + Long-term investments + Other assets + Working capital) (Note: Use zero if working capital value is negative)

Leverage

- (1) Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income
- (2) Financial leverage = Operating income / (Operating income – Interest expense)

Others

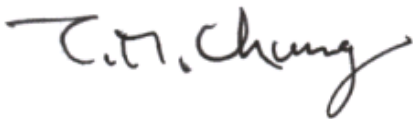
- (1) $\text{EBITDA} = \text{Operating income} + \text{Depreciation} + \text{Amortization}$
- (2) $\text{EBITDA margin} = \text{EBITDA} / \text{Net revenue}$
- (3) $\text{ARPU} = \text{Net telecom service revenue} / \text{Average number of subscribers}$
- (4) $\text{MOU} = \text{Outgoing and incoming minutes}$

Audit Committee Report

Date: January 28, 2015

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's 2014 financial statements to the Audit Committee. The CPA firm, KPMG, was retained by the Board to audit TWM's financial statements and has issued an audit report relating to the financial statements. The financial statements have been reviewed and determined to be correct and accurate by the Audit Committee of TWM. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this report on behalf of all members of the committee to the 2015 Annual General Meeting for ratifications.

Taiwan Mobile Co., Ltd.



Tsung-Ming Chung
Chairman of the Audit Committee

The 2014 Consolidated Financial Statements:

Refer to the attachment.

The 2014 Stand-alone Financial Statements:

Refer to the attachment.

Financial Difficulties for the Company and its Affiliates:

None