



Taiwan Mobile
台湾大哥大

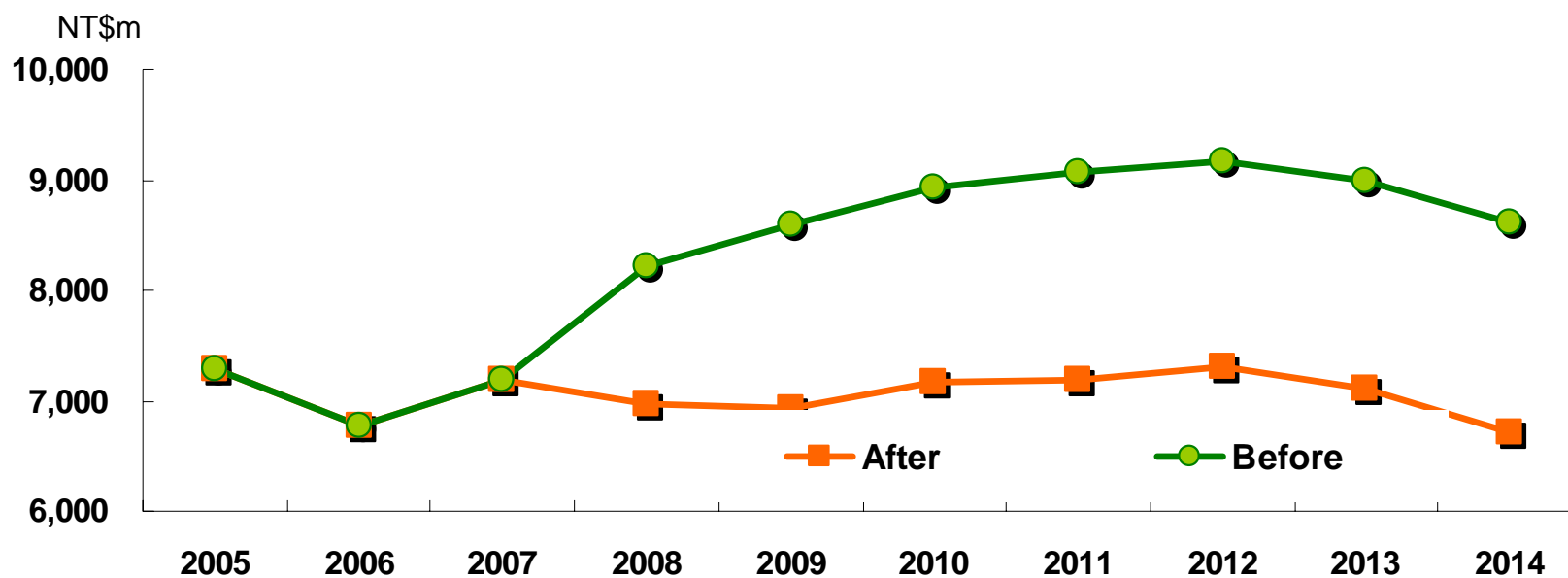
Taiwan Mobile Co., Ltd.
Non-deal roadshow

June 2007

- Removal of earnings uncertainty
- Improved capital structure
- Benefits of TFN acquisition
- Sustainability of shareholder return

Low Earnings Uncertainty

- **Removal of earnings uncertainty:**
Following the N\$14.7bn 2G asset write-off in 2007, no major write-off loss is expected going forward.
- **Lowered 2G depreciation:**
As 2G asset book value will be written down by NT\$14.7bn, 2G depreciation will be around NT\$1.5bn lower next year, compared to this year's level.



Improved Capital Structure

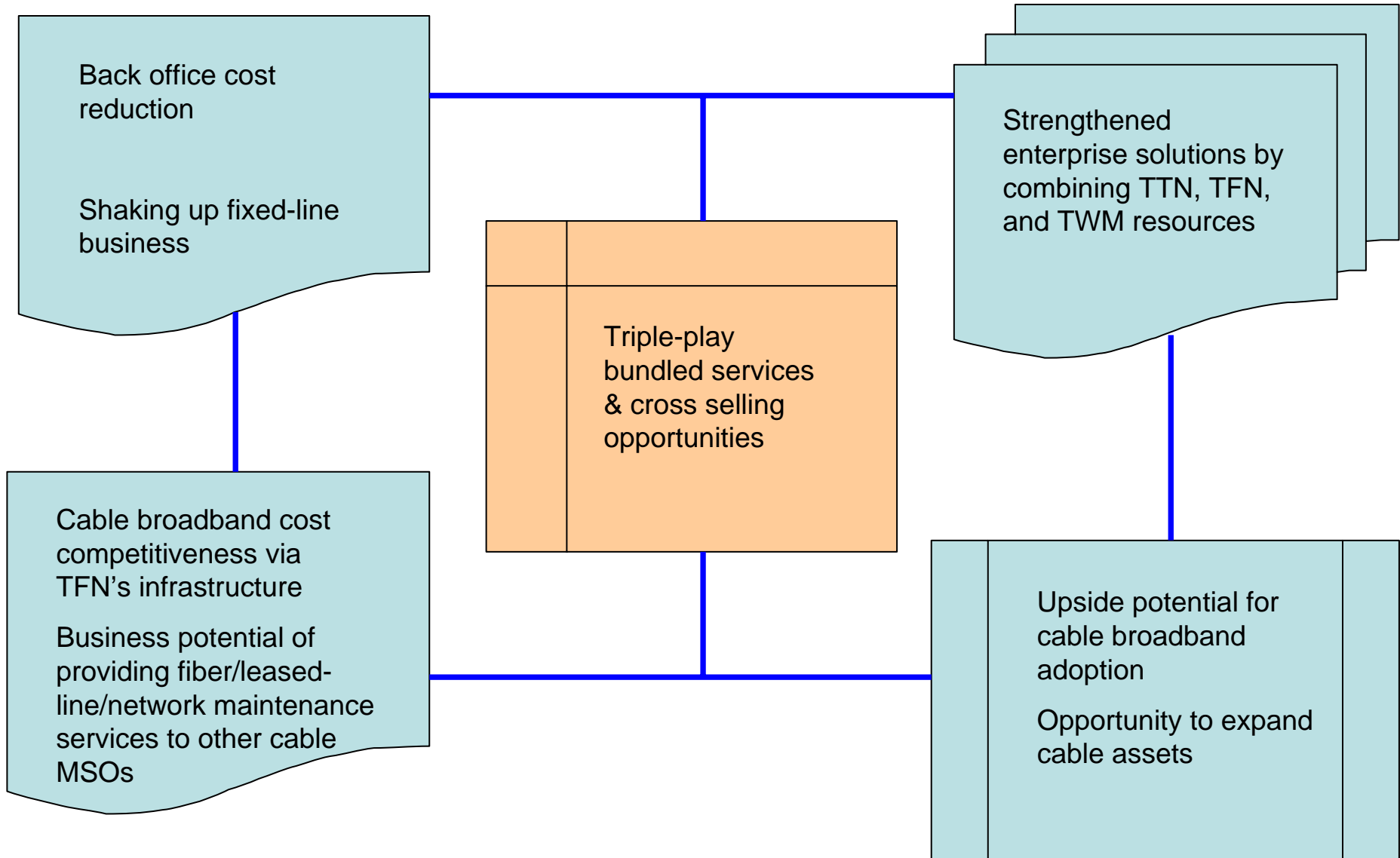
- TWM turns into a net debt position in contrast to the net cash position in the past
- The increased leverage lowers the company's WACC
- 24% paid-in capital reduction should result in a higher ROE ahead

	w/o TFN	w/ TFN	
NT\$ m	2006 (A)	2007 (E)	2008 (E)
Equity	89,892	35,858	35,946
Debt	13,792	58,456	40,212
Cash	26,131	11,426	3,514
Net Debt (Cash)	(12,339)	47,030	36,698
Net Debt/Equity ¹	-14%	131%	102%
Net Debt/Equity ²	----	57%	45%
Net Debt / EBITDA	-45%	169%	132%

Manageable Interest Expense

- **The geared capital structure is estimated to reduce our recurring PBT by around 2.9%**
- Average bank borrowing will be NT\$14.6bn higher in 2008, leading to an estimate of NT\$335m increase in interest expense.
- Cash reduction will result in NT\$190m of decrease in interest income in 2008.

Benefits of TFN Acquisition



Benefits of TFN Acquisition

- TWM acquires 84% of TFN at a price NT\$14bn lower than its net worth.
- The amortization of NT\$14bn negative goodwill over TFN's remaining equipment useful life translates into NT\$1bn p.a. depreciation savings to TWM.

(NT\$ bn)	Net worth	Acquisition cost	Negative goodwill
84% stake in TFN	57	43	14

TFN asset FY06 year-end	Net worth	Negative goodwill	Net worth adjusted for negative goodwill
Cable MSO	8.8	(4.1)	4.7
Fixed asset	13.5	(9.9)	3.6

EBIT by Division

- TWM starts consolidating TFN contributions from April 17 and increased total EBIT by NT\$85m for April.
- Year to April, mobile EBIT was up 10%; fixed-line business had 73% reduction in operating loss; cable MSO showed 17% growth in EBIT.

April P&L	Mobile	Fixed-line (half month)	Cable TV (half month)	Others & Inter- company transaction adjustments	Total
Total revenue	4,860	297	155	(95)	5,217
Operating cost	2,079	268	70	(127)	2,290
Gross profit	2,781	29	85	33	2,927
Marketing	705	28	5	(4)	734
G&A	361	17	18	(3)	393
Operating expense	1,066	45	23	(7)	1,127
EBIT	1,715	(16)	61	40	1,800
EBITDA	2,371	40	80	(0)	2,490
EBITDA MARGIN	48.79%	13.33%	51.46%		47.74%

- The aforementioned measures could help to provide upside potential to our future cash dividend.
- Additionally, we still have NT\$7.6bn unappropriated earnings can be used to pay dividend.

	Cash return per share in the next 18 months (based on current O/S)	Yield
TWM	2.6+2.4+0.7 (e)	16.5%
CHT	3.58+0.909+4.18 (e)	13.9%
FET	3.10+2.0+2.8 (e)	19.8%