

Chapter 5 Financial Highlights

Condensed Balance Sheets and Statements of Comprehensive Income

Consolidated condensed balance sheet (2012-2013) – Based on IFRS

Unit: NT\$'000

		2012	2013
Current assets		23,772,918	29,493,868
Investments		3,057,545	4,194,570
Property, plant and equipment (PP&E)		40,737,678	42,985,801
Intangible assets		26,654,154	54,837,271
Other assets		6,167,930	6,840,869
Total assets		100,390,225	138,352,379
Current liabilities	Before appropriation	29,930,393	58,605,638
	After appropriation	44,725,981	(Note1)
Non-current liabilities		12,816,539	21,226,100
Total liabilities	Before appropriation	42,746,932	79,831,738
	After appropriation	57,542,520	(Note1)
Equity attributable to owners of parent company		56,571,089	57,433,894
Paid-in capital		34,208,328	34,208,328
Capital surplus		12,431,851	12,456,891
Retained earnings	Before appropriation	40,668,067	41,433,176
	After appropriation	25,872,479	(Note1)
Other equity interest		340,026	412,682
Treasury shares		(31,077,183)	(31,077,183)
Non-controlling interest		1,072,204	1,086,747
Total equity	Before appropriation	57,643,293	58,520,641
	After appropriation	42,847,705	(Note1)

Note 1: The appropriation amount for the 2013 earnings has not yet been approved by the AGM.

Note 2: The 2012-2013 financial data have been duly audited by independent auditors.

Stand-alone condensed balance sheet (2012-2013) – Based on IFRS

Unit: NT\$'000

		2012	2013
Current assets		16,467,066	19,819,698
Investments		33,717,978	39,563,373
Property, plant and equipment (PP&E)		29,799,766	28,975,365
Intangible assets		11,932,848	40,247,043
Other assets		6,647,558	5,571,753
Total assets		98,565,216	134,177,232
Current liabilities	Before appropriation	30,377,402	57,236,700
	After appropriation	45,172,990	(Note1)
Non-current liabilities		11,616,725	19,506,638
Total liabilities	Before appropriation	41,994,127	76,743,338
	After appropriation	56,789,715	(Note1)
Paid-in capital		34,208,328	34,208,328
Capital surplus		12,431,851	12,456,891
Retained earnings	Before appropriation	40,668,067	41,433,176
	After appropriation	25,872,479	(Note1)
Other equity interest		340,026	412,682
Treasury shares		(31,077,183)	(31,077,183)
Total shareholders' equity	Before appropriation	56,571,089	57,433,894
	After appropriation	41,775,501	(Note1)

Note 1: The appropriation amount for the 2013 earnings has not yet been approved by the AGM.

Note 2: The 2012-2013 financial data have been duly audited by independent auditors.

Consolidated condensed balance sheet (2009-2012) – Based on ROC GAAP

Unit: NT\$'000

		2009	2010	2011	2012
Current assets		11,564,180	15,242,392	18,126,033	19,884,936
Investments		3,210,954	3,196,711	2,161,551	2,842,353
Fixed assets		46,543,617	43,613,993	40,801,447	39,978,686
Intangible assets		21,213,738	20,347,050	27,760,674	26,781,024
Other assets		3,353,626	3,084,054	2,944,663	2,865,019
Total assets		85,886,115	85,484,200	91,794,368	92,352,018
Current liabilities	Before appropriation	24,747,402	23,231,653	36,105,959	30,726,480
	After appropriation	39,775,637	35,671,620	49,986,911	45,522,068
Long-term liabilities		8,000,000	10,300,000	4,000,000	8,995,180
Other liabilities		1,055,604	1,053,129	1,624,524	1,824,538
Total liabilities	Before appropriation	33,803,006	34,584,782	41,730,483	41,546,198
	After appropriation	48,831,241	47,024,749	55,611,435	56,341,786
Paid-in capital		38,009,254	38,009,254	34,208,328	34,208,328
Capital surplus		12,431,704	12,432,489	12,432,446	12,432,446
Retained earnings	Before appropriation	33,449,530	32,243,481	33,272,277	34,082,930
	After appropriation	18,421,295	19,803,514	19,391,325	19,287,342
Unrealized valuation loss on financial instruments		63,624	89,842	111,306	99,351
Translation adjustments		12,011	(5,716)	17,612	2,115
Net loss not recognized as pension cost		(3,797)	(10,695)	(16,775)	(24,050)
Treasury shares		(31,889,100)	(31,889,100)	(31,077,183)	(31,077,183)
Minority interest		9,883	29,863	1,115,874	1,081,883
Total shareholders' equity	Before appropriation	52,083,109	50,899,418	50,063,885	50,805,820
	After appropriation	37,054,874	38,459,451	36,182,933	36,010,232

Note: The 2009-2012 financial data have been duly audited by independent auditors.

Stand-alone condensed balance sheet (2009-2012) – Based on ROC GAAP

Unit: NT\$'000

		2009	2010	2011	2012
Current assets		13,530,729	23,819,685	10,307,087	12,702,556
Investments		9,808,833	11,359,143	26,670,657	34,466,074
Fixed assets		39,033,012	35,014,385	31,268,171	29,131,007
Intangible assets		13,567,671	12,818,208	12,816,185	12,014,914
Other assets		4,823,691	4,144,036	3,665,604	3,650,151
Total assets		80,763,936	87,155,457	84,727,704	91,964,702
Current liabilities	Before appropriation	18,833,732	25,621,285	29,800,200	31,158,254
	After appropriation	33,861,967	38,061,252	43,681,152	45,953,842
Long-term liabilities		8,000,000	8,800,000	4,000,000	8,995,180
Other liabilities		1,856,978	1,864,617	1,979,493	2,087,331
Total liabilities	Before appropriation	28,690,710	36,285,902	35,779,693	42,240,765
	After appropriation	43,718,945	48,725,869	49,660,645	57,036,353
Paid-in capital		38,009,254	38,009,254	34,208,328	34,208,328
Capital surplus		12,431,704	12,432,489	12,432,446	12,432,446
Retained earnings	Before appropriation	33,449,530	32,243,481	33,272,277	34,082,930
	After appropriation	18,421,295	19,803,514	19,391,325	19,287,342
Unrealized valuation loss on financial instruments		63,624	89,842	111,306	99,351
Translation adjustments		12,011	(5,716)	17,612	2,115
Net loss not recognized as pension cost		(3,797)	(10,695)	(16,775)	(24,050)
Treasury shares		(31,889,100)	(31,889,100)	(31,077,183)	(31,077,183)
Total shareholders' equity	Before appropriation	52,073,226	50,869,555	48,948,011	49,723,937
	After appropriation	37,044,991	38,429,588	35,067,059	34,928,349

Note: The 2009-2012 financial data have been duly audited by independent auditors.

Consolidated statements of comprehensive income (2012-2013) – Based on IFRS

Unit: NT\$'000

	2012	2013
Revenue	99,740,256	109,143,367
Gross profit	38,114,612	39,110,048
Operating income	20,782,210	20,794,837
Non-operating income and expenses	(840,885)	(1,676,296)
Pre-tax income	19,941,325	19,118,541
Net income	16,550,199	15,817,781
Other comprehensive income (after tax)	(57,035)	53,691
Comprehensive income	16,493,164	15,871,472
Profit attributable to owners of parent company	16,326,013	15,583,447
Profit attributable to non-controlling interest	224,186	234,334
Comprehensive income attributable to owners of parent company	16,274,624	15,655,368
Comprehensive income attributable to non-controlling interest	218,540	216,104
EPS (NT\$)	6.07	5.79

Note: The 2012-2013 financial data have been duly audited by independent auditors.

Stand-alone statements of comprehensive income (2012-2013) – Based on IFRS

Unit: NT\$'000

	2012	2013
Revenue	69,867,814	78,928,492
Gross profit	27,460,813	27,629,638
Operating income	13,063,580	8,258,017
Non-operating income and expenses	5,244,610	8,329,636
Pre-tax income	18,308,190	16,587,653
Net income	16,326,013	15,583,447
Other comprehensive income (after tax)	(51,389)	71,921
Comprehensive income	16,274,624	15,655,368
EPS (NT\$)	6.07	5.79

Note: The 2012-2013 financial data have been duly audited by independent auditors.

Consolidated condensed income statement (2009-2012) – Based on ROC GAAP

Unit: NT\$'000

	2009	2010	2011	2012
Revenue	68,470,232	70,146,004	81,369,183	98,250,353
Gross profit	35,260,771	31,983,641	32,727,673	35,972,109
Operating income	20,448,134	18,307,711	17,589,805	18,734,841
Non-operating income	596,131	739,516	672,876	200,288
Non-operating expenses	2,397,934	1,945,905	2,134,112	963,707
Pre-tax income	18,646,331	17,101,322	16,128,569	17,971,422
Net income	13,890,516	13,817,778	13,626,180	14,916,282
EPS (NT\$)	4.66	4.62	4.70	5.46

Note: The 2009-2012 financial data have been duly audited by independent auditors.

Stand-alone condensed income statement (2009-2012) – Based on ROC GAAP

Unit: NT\$'000

	2009	2010	2011	2012
Revenue	57,015,452	58,547,285	61,919,273	68,025,875
Gross profit	29,849,527	25,738,573	24,125,399	25,616,164
Operating income	16,632,797	13,700,566	11,169,724	11,310,743
Non-operating income	3,730,713	4,465,716	4,506,462	6,068,970
Non-operating expenses	2,231,019	1,768,138	833,190	994,871
Pre-tax income	18,132,491	16,398,144	14,842,996	16,384,842
Net income	13,888,862	13,822,186	13,468,763	14,691,605
EPS (NT\$)	4.66	4.62	4.70	5.46

Note: The 2009-2012 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
2009	Deloitte & Touche	Peter Fan, S. C. Huang	Unqualified 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

Financial Analysis

Consolidated financial analysis (2012-2013) – Based on IFRS

		2012	2013
Financial structure	Liability to asset ratio (%)	42.58	57.70
	Long-term fund to PP&E ratio (%)	170.33	182.99
Solvency	Current ratio (%)	79.43	50.33
	Quick ratio (%)	68.95	42.98
	Interest coverage ratio (%)	6,104.36	4,911.23
Operations	Accounts receivable turnover (x)	6.72	6.14
	Average collection days	54.31	59.44
	Inventory turnover (x)	13.05	12.00
	Accounts payable turnover (x)	9.01	9.53
	Average days sales	27.96	30.41
	Property, plant and equipment turnover (x)	2.45	2.54
	Total asset turnover (x)	0.99	0.79
Profitability	Return on assets (%)	16.99	13.53
	Return on equity (%)	29.48	27.34
	Pre-tax income as a % of paid-in capital	58.29	55.89
	Net income margin (%)	16.59	14.49
	EPS (NT\$)	6.07	5.79
Cash flow	Cash flow ratio (%)	86.82	42.37
	Cash flow adequacy ratio (%)	129.18	111.11
	Cash reinvestment rate (%)	11.86	9.08
Leverage	Operating leverage	2.07	2.13
	Financial leverage	1.02	1.02
Others	EBITDA (NT\$'000)	30,529,287	30,796,504
	EBITDA margin (%)	30.61	28.22

Explanation of significant changes in 2013 compared with the previous year:

- (1) Bank borrowings and corporate bonds payable increased to finance the acquisition of a 4G license. The increase in total assets led to decreases in total assets turnover and return on assets. The increases in the ratios of liabilities to assets and long-term fund to property, plant and equipment and the declines in the current ratio, quick ratio and cash flow ratio were all due to the increases in liabilities mentioned above.
- (2) The resultant rise in interest expense led to a lower interest coverage ratio.
- (3) The cash flow adequacy ratio and cash reinvestment rate dropped due to higher cash dividend distribution and capital expenditure in 2013.

Stand-alone financial analysis (2012-2013) – Based on IFRS

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

Explanation of significant changes in 2013 compared with the previous year:

- (1) Bank borrowings and corporate bonds payable increased to finance the acquisition of a 4G license. The increase in total assets led to decreases in total assets turnover and return on assets. The increases in the ratios of liabilities to assets and long-term fund to property, plant and equipment and the declines in the current ratio, quick ratio and cash flow ratio were all due to the increases in liabilities mentioned above.
- (2) The resultant rise in interest expense led to a lower interest coverage ratio.
- (3) The cash reinvestment rate dropped due to higher cash dividend distribution and investments in subsidiaries in 2013.

Note: The 2012-2013 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 / Net PP&E
- (7) Total asset turnover = Net revenue / 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 (2009-2012) – Based on ROC GAAP

		2009	2010	2011	2012	
Financial structure	Liability to asset ratio (%)	39.36	40.46	45.46	44.99	
	Long-term fund to fixed asset ratio (%)	129.07	140.25	131.98	146.88	
Solvency	Current ratio (%)	46.73	65.61	50.20	64.72	
	Quick ratio (%)	42.06	57.83	42.04	53.21	
	Interest coverage ratio (%)	3,421.61	5,452.51	6,796.94	5,511.22	
Operations	Accounts receivable turnover (x)	8.81	9.25	10.35	11.81	
	Average collection days	41.43	39.46	35.27	30.91	
	Inventory turnover (x)	7.48	10.31	11.39	13.24	
	Accounts payable turnover (x)	11.33	11.68	9.73	8.96	
	Average days sales	48.80	35.40	32.05	27.57	
	Fixed asset turnover (x)	1.47	1.61	1.99	2.46	
	Total asset turnover (x)	0.80	0.82	0.89	1.06	
Profitability	Return on assets (%)	16.10	16.44	15.60	16.50	
	Return on equity (%)	26.97	26.85	26.99	29.78	
	% of paid-in capital	Operating income	53.80	48.17	51.42	54.77
		Pre-tax income	49.06	44.99	47.15	52.54
	Net profit margin (%)	20.29	19.70	16.75	15.18	
Cash flow	EPS (NT\$)	4.66	4.62	4.70	5.46	
	Cash flow ratio (%)	96.78	111.89	69.93	84.16	
	Cash flow adequacy ratio (%)	157.94	140.61	154.74	130.24	
Leverage	Cash reinvestment rate (%)	11.64	12.87	14.50	12.40	
	Operating leverage	1.83	1.91	1.97	2.14	
Others	Financial leverage	1.03	1.02	1.01	1.02	
	EBITDA (NT\$'000)	29,291,707	27,464,723	27,086,632	26,985,307	
	EBITDA margin (%)	42.78	39.15	33.29	27.47	

Stand-alone financial analysis (2009-2012) – Based on ROC GAAP

		2009	2010	2011	2012	
Financial structure	Liability to asset ratio (%)	35.52	41.63	42.23	45.93	
	Long-term fund to fixed asset ratio (%)	153.90	170.41	169.34	201.57	
Solvency	Current ratio (%)	71.84	92.97	34.59	40.77	
	Quick ratio (%)	67.00	87.00	28.47	32.04	
	Interest coverage ratio (%)	3,316.61	5,099.46	6,314.20	4,343.60	
Operations	Accounts receivable turnover (x)	8.56	9.17	9.76	10.22	
	Average collection days	42.64	39.80	37.39	35.71	
	Inventory turnover (x)	7.85	10.76	10.37	10.09	
	Accounts payable turnover (x)	12.71	13.68	12.26	10.28	
	Average days sales	46.50	33.92	35.19	36.17	
	Fixed asset turnover (x)	1.46	1.67	1.98	2.34	
	Total asset turnover (x)	0.71	0.67	0.73	0.74	
Profitability	Return on assets (%)	16.80	16.79	15.90	16.99	
	Return on equity (%)	26.97	26.85	26.99	29.78	
	% of paid-in capital	Operating income	43.76	36.05	32.65	33.06
		Pre-tax income	47.71	43.14	43.39	47.90
	Net profit margin (%)	24.36	23.61	21.75	21.60	
EPS (NT\$)	4.66	4.62	4.70	5.46		
Cash flow	Cash flow ratio (%)	139.10	91.01	74.40	67.31	
	Cash flow adequacy ratio (%)	143.32	131.99	148.99	133.23	
	Cash reinvestment rate (%)	14.54	9.89	9.70	6.38	
Leverage	Operating leverage	1.77	1.94	2.16	2.18	
	Financial leverage	1.04	1.02	1.02	1.04	
Others	EBITDA (NT\$'000)	24,519,524	21,763,237	19,239,530	19,294,158	
	EBITDA margin (%)	43.01	37.17	31.07	28.36	
	ARPU (NT\$)	721	718	719	735	
	MOU (in thousand minutes)	15,797,024	14,399,713	15,305,902	16,496,235	

Note: The 2009-2012 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 / Net fixed assets
- (7) Total asset turnover = Net revenue / 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

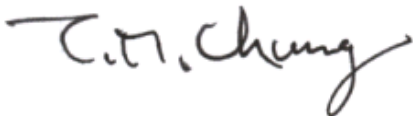
- (1) $\text{EBITDA} = \text{Operating income} + \text{Depreciation} + \text{Amortization}$
- (2) $\text{EBITDA margin} = \text{EBITDA} / \text{Net revenue}$
- (3) $\text{ARPU} = \text{Net telecom service revenue} / \text{Average number of subscribers}$
- (4) $\text{MOU} = \text{Outgoing \& incoming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

Audit Committee Report

Date: January 27, 2014

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's 2013 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 2014 Annual General Meeting for ratifications.

Taiwan Mobile Co., Ltd.



Tsung-Ming Chung
Chairman of the Audit Committee

2013 Consolidated Financial Statements:

Refer to the attachment.

2013 Stand-alone Financial Statements:

Refer to the attachment.

Financial Difficulties for the Company and its Affiliates:

None