



Taiwan Mobile  
台湾大哥大

**Taiwan Mobile Co., Ltd.**

**2Q Results Summary**

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- Post TFN acquisition
  - 2Q P&L summary
  - Mobile operational analysis
  - 2Q balance sheet and cash flow analysis
  - Benefits of TFN acquisition
  - Financial progress
  - Recap of 2007 full-year forecast & implications to 2008 shareholder return
  
- Event update
  
- Key message

## 2Q Result Summary

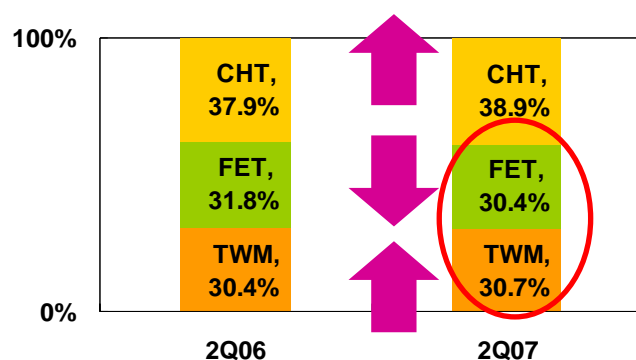
NT\$bn	2Q07 Actual	2Q07 Forecast	% of Forecast Achieved
Revenue	16.69	16.40	102%
Operating Income	5.62	4.95	114%
EBITDA	7.82	7.24	108%
<i>EBITDA Margin</i>	<b>46.88%</b>	<b>44.17%</b>	
Pre-Tax Income	5.59	4.71	119%
(Less Tax)	(1.39)	(1.10)	126%
(Less Minority Interest)	(0.01)	0.00	NM
Net Income	4.19	3.62	116%
EPS (NT\$)	1.05	1.01	104%

2Q07 P&L (NT\$ m)	Mobile	Fixed-line	Cable TV	Others and inter-company transaction adjustments	Total
Total revenue	14,805	1,920	1,007	(1,042)	16,690
Operating cost	6,295	1,710	425	(1,056)	7,374
Gross profit	8,510	210	582	15	9,316
Marketing	2,307	153	49	(71)	2,438
G&A	1,071	125	118	(53)	1,261
Operating expense	3,378	278	167	(124)	3,699
EBIT	5,132	(69)	415	138	5,617
EBITDA	7,130	292	534	(131)	7,825
EBITDA MARGIN	48.16%	15.21%	53.01%		46.88%

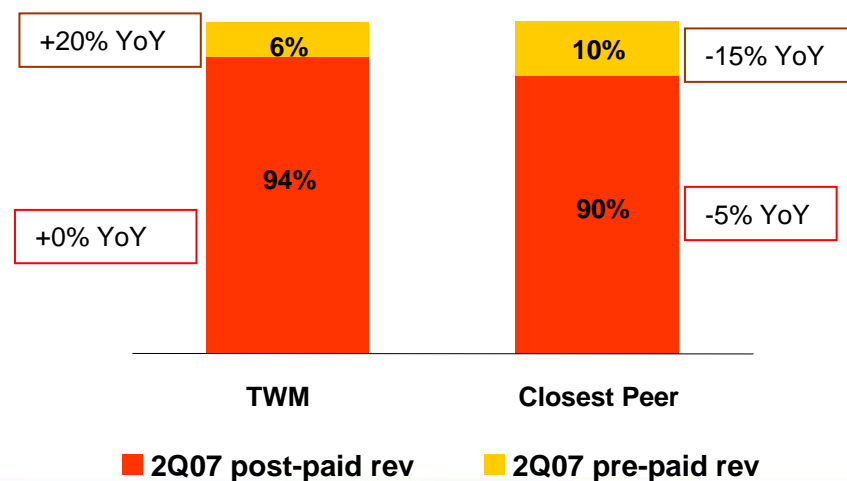
# Wireless Peer Comparison

Service rev. (NT\$m)	CHT	FET	TWM	Total
2Q07	18,657	14,605	14,731	47,994
2Q06	18,250	15,307	14,640	48,197
2Q YoY	2%	-5%	1%	0%
1Q YoY	1%	-6%	0%	-2%

Market share by service revenue



Post-paid vs. Pre-paid



NT\$m	CHT		FET		TWM	
	VAS	VAS %	VAS	VAS %	VAS	VAS %
<b>2Q07</b>	<b>1,215</b>	<b>6.5%</b>	<b>1,502</b>	<b>10.3%</b>	<b>1,112</b>	<b>7.6%</b>
<b>2Q06</b>	<b>996</b>	<b>5.5%</b>	<b>1,429</b>	<b>9.3%</b>	<b>924</b>	<b>6.3%</b>
<b>2Q07 YoY</b>	<b>22%</b>		<b>5%</b>		<b>20%</b>	
<b>1Q07 YoY</b>	<b>15%</b>		<b>2%</b>		<b>18%</b>	

### 3G

2Q07	3G Service
<b>3G SIM number</b>	<b>968K up 1.2x YoY</b>
<b>3G handset adoption</b>	<b>12% of 3G SIMs up 4.5x YoY</b>
<b>3G data revenue</b>	<b>up 1.9x YoY</b>

### Main VAS drivers

2Q07	YoY Growth
<b>IVR</b>	<b>14%</b>
<b>Mobile Internet</b>	<b>35%</b>
<b>SMS</b>	<b>14%</b>

## Balance Sheet Analysis

NT\$bn	2Q07	1Q07		2Q07	1Q07
<b>Total Assets</b>	<b>119.85</b>	<b>134.97</b>	<b>Current Ratio</b>	51%	170%
Current Assets	26.5	52.06	<b>Interest Coverage (x)</b>	31.0	63.9
- Cash & Cash Equivalents	14.65	24.14	<b>Net Debt (Cash) to Equity</b>	51%	-6%
- Available-for-Sale Financial Assets	3.31	0.36	<b>ROE (annualized)</b>	23%	17%
- Financial assets at fair value	0.00	7.91	<b>ROA (annualized)</b>	14%	12%
- Other Current Assets	8.55	19.65			
Long-Term Investment	2.89	3.88			
Property and Equipment	65.69	58.74			
Intangible Assets	22.16	15.62			
Other Assets	2.62	4.67			
<b>Liabilities</b>	<b>67.77</b>	<b>41.24</b>			
Current Liabilities	52.43	30.71			
- ST Debts	26.78	16.30			
- Other Current Liabilities	25.65	14.41			
Long-Term Borrowings	14.58	10.00			
Other Liabilities	0.76	0.53			
<b>Shareholders' Equity</b>	<b>52.09</b>	<b>93.73</b>			



## Cash Flow Analysis

NT\$bn	2Q07	1Q07	2Q06
<b>Operating Cash Flow</b>	<b>11.78</b>	<b>13.51</b>	<b>(3.00)</b>
<b>Investing Cash Flow<sup>1</sup></b>	<b>(14.55)</b>	<b>(14.29)</b>	<b>(1.64)</b>
<b>Financing Cash Flow</b>	<b>(6.73)</b>	<b>12.51</b>	<b>(2.82)</b>
<b>Cash CAPEX</b>	<b>(1.37)</b>	<b>(1.76)</b>	<b>(1.41)</b>
<b>Free Cash Flow</b>	<b>10.41</b>	<b>11.75</b>	<b>(4.41)</b>

1. Inclusive of NT\$3.92bn cash assumed from TFN

## Benefits of TFN Acquisition

- TWM acquired 84.6% of TFN at a cost NT\$14bn lower than its book value
- The amortization of NT\$14bn negative goodwill over TFN's remaining equipment useful life translates into NT\$1bn p.a. of depreciation savings for TWM.

(NT\$ bn)	Book value	Acquisition cost	Negative goodwill
84.6% stake in TFN	58	44	14
TFN consolidated as of 1H07	Asset book value	Negative goodwill	Book value adjusted
L-T Investment	57.9	(2.0)	55.9
Fixed Asset	14.7	(9.3)	5.4
Intangible Asset	9.4	(2.5)	7.0

TFN Early Repayment of  
Syndicate Loan  
(originally due on 9/13)

- 5/31 repaid NT\$5bn
- 6/30 repaid NT\$6.5bn

Interest savings of  
NT\$95m in 2007

FuYang Loan Refinancing  
(NT\$5.3bn due by 2012)

Lowering rate  
by 73-91bps

Interest savings of  
NT\$129m in five years

TIT New Loan  
(S-T loan NT\$16.37bn)

To change into mid-term  
loan by yr-end

Interest expense  
NT\$270m in 2007

NT\$bn	3Q07	4Q07	2007 <sup>1</sup>
<b>Revenue</b>	<b>17.23</b>	<b>17.00</b>	<b>65.40</b>
<b>- Telecom Service Revenue</b>	<b>15.98</b>	<b>15.80</b>	<b>61.98</b>
<b>Operating Income</b>	<b>5.20</b>	<b>4.97</b>	<b>20.77</b>
<b>EBITDA</b>	<b>7.55</b>	<b>7.37</b>	<b>29.68</b>
<b><i>EBITDA Margin</i></b>	<b>43.78%</b>	<b>43.37%</b>	<b>45.37%</b>
<b>Pre-Tax Income</b>	<b>4.77</b>	<b>(9.48)</b>	<b>5.87</b>
<b>(Less Tax)</b>	<b>(1.13)</b>	<b>2.42</b>	<b>(1.26)</b>
<b>Net Income</b>	<b>3.60</b>	<b>(7.08)</b>	<b>4.52</b>
<b>EPS (NT\$)<sup>2</sup></b>	<b>0.99</b>	<b>-1.68</b>	<b>1.13</b>

1. 2007 forecast equals to 1H actual plus 2H forecast.

2. Note 2: EPS calculation in 3&4Q is based on 4.1bn and 4.0bn shares outstanding, respectively.

- On top of positive EBIT contributions from fixed-line and cable TV business combined, depreciation savings from asset write-off and negative goodwill from TFN acquisition could provide upside potential to our future reported profits and thus cash dividend.
- Additionally, we still have NT\$7.6bn unappropriated earnings which could be used to pay dividend.

Estimated cash return per share in 2008 (based on 5bn shares)	Yield
2.4 (capital reduction ) + 0.8 (pending board's approval) = 3.2 (estimation)	8.6%

 TFN Integration

- A merger resolution with TIT by TFN's AGM was passed on June 29 which is expected to be consummated by end of this year .
- The acquisition cost for 84.6% of TFN is NT\$14.2bn lower than its net worth as of June 30, 2007. The amortization of the negative goodwill over TFN's remaining equipment useful life translates into NT\$1bn p.a. of depreciation savings for TWM.
- In terms of balance sheet management, we have raised NT\$16.37bn of new debts at TIT. In addition, we are in the process of refinancing borrowings for TFN Media to realize interest savings on its NT\$5.33bn loans. We estimate to have a healthy balance sheet with gross debts of around NT\$51bn at the end of this year .

### WiMAX Licensing

Taiwan Mobile was not awarded the WiMAX license as a result of our prudent approach toward the bidding given its immature technology and business model. This outcome will not have any impact on the current operations and future developments of our wireless broadband business. We will evaluate different business models for wireless broadband and all available technologies including 3G, 3.5G, WiMAX, Long-term Evolution (LTE), among others to provide comparably convenient and stable services to our customers.

- TWM consummated the tender offer of TFN in 2Q, opening the door for providing a more diverse platform of services to our customers through quadruple play. Access to growth from various avenues other than mobile services to pre-empt future competition has become accessible. Despite the time-consuming process of integration of various entities, we expect to see positive developments continuously and look forward to delivering the results in due course.





# Q & A

