

April 30, 2020	<u>TWM Consolidated</u>				
	NT\$bn	<u>1Q20</u>	<u>1Q19</u>	<u>YoY</u>	<u>1Q20 Achievement Ratio</u>
	Revenues	31.85	29.87	7%	101%
	Operating Income	4.48	4.23	6%	112%
	Non-op. Income (Expenses)	(0.15)	(0.14)	11%	81%
	Pre-tax Income	4.33	4.09	6%	114%
	(Income Tax)	(0.77)	(0.79)	-3%	118%
	(Minority Interest)	(0.25)	(0.23)	10%	125%
	Net Income	3.31	3.07	8%	112%
	EPS (NT\$)	1.18	1.13	4%	112%
	<u>1Q20 Highlights of Operating Results</u>				
	<p>Consolidated revenue increased by 7% YoY, mainly driven by momo's robust e-commerce revenue growth. Telecom EBIT rose by 2% YoY, as we saved on dealer commissions and handset subsidies in SIM-only plans, in addition to D&A tapering off. Consolidated operating income grew for three quarters in a row. Operating income for all major businesses grew YoY and exceeded management expectations. Net income was 12% ahead of 1Q20 guidance and reached 30% of FY20 guidance. With capex falling YoY, free cash flow calculated with pre-IFRS 16 operating cash flow, excluding 5G licensing fees, reached NT\$6.56bn, up 20% YoY. Net debt to EBITDA only rose to 1.81x despite that we increased debt post 5G spectrum auction, while interest coverage ratio further improved given the favorable interest rate environment.</p>				
	<u>2019 Earnings Distribution</u>				
	<p>On April 30, 2020, TWM's Board approved the proposal to distribute NT\$13.4bn in cash dividends, translating into around 4.5% yield to shareholders. Dividend per share is NT\$4.75 on 2.81bn shares, excluding treasury shares held by 100%-owned subsidiaries. Post earnings distribution, there will be NT\$39.5bn excess reserves available.</p>				
	<u>Key Message</u>				
	<p>B2C e-commerce as well as subscription-based wireless, broadband and enterprise solutions are increasingly essential to everyday life under this new normal. As such, we are better poised for the extended stress on the economy caused by COVID-19.</p> <p>Investing in critical areas like 5G, broadband, and e-commerce remains our top priority as we accelerate growth and our transformation into a "Tech+Telco" group. At the same time, we will strive to resume FCF stability in a sound manner so that we could uphold our commitment to shareholders.</p>				
	<p>The information contained in this presentation, including all forward-looking information, is subject to change without notice, whether as a result of new information, future events or otherwise, and Taiwan Mobile Co., Ltd. (the "Company") undertakes no obligation to update or revise the information contained in this presentation. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is the information intended to be a complete statement of the Company, markets or developments referred to in this presentation.</p>				
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I. Revenue Analysis

Table 1. Key Operational Data

Residual Value (NT\$bn)	1Q20	4Q19	1Q19	QoQ	YoY
Mobile Service Revenue	11.98	12.43	13.13	-4%	-9%
Postpaid ARPU (NT\$)	670	695	745	-4%	-10%
Blended ARPU (NT\$)	558	574	603	-3%	-7%
Telecom Service Revenue	12.94	13.43	14.06	-4%	-8%

Revenue (NT\$bn)	1Q20	4Q19	1Q19	QoQ	YoY
Telecom	15.62	17.26	16.57	-10%	-6%
Service	11.37	11.81	12.27	-4%	-7%
Device Sales	4.25	5.45	4.30	-22%	-1%
CATV revenue	1.54	1.48	1.55	4%	-1%
Pay-TV	0.87	0.88	0.90	-1%	-3%
Broadband	0.37	0.37	0.35	2%	5%
Content & channel leasing	0.30	0.24	0.30	28%	1%
momo	15.11	15.91	11.74	-5%	29%
E-commerce	13.62	14.25	10.06	-4%	35%
TV shopping & others	1.48	1.66	1.68	-11%	-12%
Others¹	0.14	0.15	0.15	-11%	-7%

1. Other revenue primarily consists of operating revenue from our 49.9%-held Taipei New Horizon Co., Ltd., which became a consolidated entity on Feb 21, 2014.

	1Q20	4Q19	1Q19	QoQ	YoY
Mobile Subscribers (K)	7,159	7,178	7,274	0%	-2%
- Postpaid	5,718	5,687	5,624	1%	2%
Monthly Churn	2.2%	3.2%	2.4%		
-Postpaid	1.0%	1.2%	1.2%		
MOU (bn)	0.95	1.01	1.12	-6%	-15%
Pay-TV Subs (K)	553	554	562	0%	-2%
Cable Broadband Subs (K)	256	252	242	2%	6%
DTV Subs (K)	264	259	246	2%	7%

CATV ARPU (NT\$)	1Q20	4Q19	1Q19	QoQ	YoY
Pay-TV	523	526	531	-1%	-2%
Broadband	486	485	488	0%	-1%
Blended ¹	747	746	741	0%	1%

1. Cable TV & broadband related revenue (excluding content agency) divided by CATV subscriber number

Telecom

The lack of good high-end phone line-up in the market coupled with COVID-19 related supply constraint hindered both handset sales revenue and handset bundle plan take-ups in 1Q20.

That said, we strived to lift our ARPU through our “Double Play” and 5G early bird packages. The average monthly tariff for both bundle and SIM-only new sign-ups increased nicely in 1Q20.

Steady demand for IoT connectivity also led to a 36% YoY climb in M2M (machine to machine) connections for the quarter.

In 1Q20, the enterprise fixed revenue, representing close to 10% of telecom service revenue, delivered a healthy 4% YoY growth, wherein cloud solutions had a double-digit YoY rise in revenue.

Cable TV

Aided by growing demand for home broadband access amid office/school closures, the QoQ and YoY growth in cable broadband subs expanded meaningfully. In addition, the percentage of customers subscribed to plans with speeds of 100Mbps and higher rose by 6ppts from a year ago.

momo

1Q20 marked another stellar quarter for momo, boosted by the “Stay-at-Home Economy” demand. The number of transactions climbed by 14% YoY in the quarter.

II. EBIT Analysis

Table 2. EBITDA Breakdown

NT\$bn	1Q20	4Q19	1Q19	QoQ	YoY
EBITDA	8.10	8.25	8.41	-2%	-4%
- Telecom	6.49	6.76	6.91	-4%	-6%
- CATV	0.74	0.71	0.80	5%	-8%
- momo	0.75	0.71	0.60	7%	25%

NT\$bn	1Q20	4Q19	1Q19	QoQ	YoY
D&A	3.62	3.89	4.18	-7%	-13%
- Telecom	3.20	3.46	3.69	-7%	-13%
- CATV	0.18	0.20	0.29	-9%	-38%
- momo	0.19	0.19	0.15	2%	28%

NT\$bn	1Q20	4Q19	1Q19	QoQ	YoY
EBIT	4.48	4.36	4.23	3%	6%
- Telecom	3.29	3.30	3.22	0%	2%
- CATV	0.56	0.51	0.51	10%	10%
- momo	0.56	0.52	0.45	8%	24%

Table 3. Non-operating Item

NT\$bn	1Q20	4Q19	1Q19	QoQ	YoY
Non-Operating Revenue (Expense)	(0.15)	(0.35)	(0.14)	-56%	11%
- Net Interest Expense	(0.13)	(0.08)	(0.14)	64%	-8%
- Write-off Loss	(0.02)	(0.23)	(0.02)	-93%	-8%
- Other Revenue (Expense)	(0.01)	(0.04)	0.02	-78%	nm

EBIT Analysis

Now that it has been a year since IFRS 16 was implemented, we are able to compare EBITDA on a reported basis from 1Q20 onwards.

Despite consumers' preference for SIM-only plans where ARPU is typically lower, we saved on dealer commissions and handset subsidies for these plans. Coupled with a 13% YoY reduction in D&A, our telecom EBIT rose by 2% YoY in 1Q20.

1Q20 CATV EBITDA declined YoY, mainly attributable to competition in basic TV business. On the other hand, its EBIT increased by 10% YoY in the quarter, aided by the falling depreciation of set-top boxes.

Benefiting from people stocking up on essential items amid the pandemic, momo's e-commerce EBITDA rose by 45% YoY in 1Q20. By the same token, its 1Q20 EBITDA margin and EBITDA both expanded from 4Q19.

D&A Analysis

In 1Q20, only momo saw a YoY uptick in D&A as a result of adding ten satellite warehouses.

Non-Operating Item Analysis

The sequential plunge in non-operating expense in 1Q20 was due to one-off legacy mobile equipment write-offs in 4Q19.

III. Income Statement Analysis

Table 4. 1Q20 Consolidated Results vs. Forecast

NT\$bn	1Q20	YoY	% of 1Q20 Forecast
Revenue	31.85	7%	101%
Cash Cost & Expense	(23.75)	11%	99%
Operating Income	4.48	6%	112%
Non-op. Income (Expense)	(0.15)	11%	81%
Pre-tax Income	4.33	6%	114%
Net Income	3.31	8%	112%
EPS (NT\$)	1.18	4%	112%
EBITDA	8.10	-4%	105%

Income Statement Analysis

In 1Q20, TWM recorded the best YoY growth in revenue, EBIT, and net income among the Big 3. Quarterly consolidated EBIT has shown a steady YoY increase for three quarters in a row.

Overall, operating income for all major businesses exceeded guidance in 1Q20. Non-operating expenses in the quarter came in lower-than-expected on account of lower interest expenses. As a result, net income exceeded our 1Q20 guidance by 12%.

EPS in 1Q20 has achieved 30% of our FY20 target.

IV. Cash Flow Analysis

Table 5. Cash Flow

NT\$bn	1Q20	4Q19	1Q19
Operating	9.24	2.88	8.44
Pre-tax Income	4.33	4.02	4.09
Non-cash Add-backs	4.14	4.47	4.94
--Depreciation ¹	1.78	2.05	2.36
--Amortization	0.85	0.86	0.86
--Others ¹	1.50	1.56	1.72
Changes in Working Capital & Income Taxes	0.60	(5.99)	(0.74)
Others	0.16	0.38	0.15
Investing	(31.79)	(2.88)	(2.09)
Capex ²	(1.65)	(1.62)	(2.02)
Divestment (Acquisition)	(0.37)	(0.23)	0.00
5G License Fees	(29.66)	0.00	0.00
Other Financial Assets (Increase)	(0.10)	(0.05)	(0.01)
Refundable Deposits (Increase)	(0.03)	(1.00)	(0.01)
Others	0.00	0.02	(0.05)
Financing	22.99	(4.36)	(6.02)
Short-term Borrowings	8.16	1.30	(2.97)
Repayments of Bonds Payable	0.00	(4.50)	0.00
Proceeds from Issuance of Bonds	19.98	0.00	0.00
Long-term Bank Loan	(4.05)	(0.05)	(2.05)
Repayment of The Principal Portion of Lease Liabilities ³	(1.00)	(0.95)	(0.93)
Interest (Payment) & Others	(0.09)	(0.15)	(0.07)
Net Cash Position Chg.	0.44	(4.36)	0.34

1. Depreciation of right-of-use assets shown separately under "Others" instead of "Depreciation" in this table.

2. Inclusive of prepayments for equipment and the acquisition of computer software & other intangible assets

3. An operating cash outflow item prior to 2019

Table 6. Capex & FCF

NT\$bn	1Q20	4Q19	1Q19
Cash Capex¹	1.65	1.62	2.02
- Mobile	1.03	0.84	1.56
- Fixed-line	0.22	0.47	0.26
- Cable	0.15	0.14	0.11
- momo & others	0.25	0.16	0.09
% of Revenue	5%	5%	7%
Free Cash Flow¹	6.56	0.28	5.46

1. Excluding 5G License Fees. Free cash flow was on pre-IFRS 16 basis.

Cash Flow Analysis

In 1Q20, operating cash inflow grew by 9% YoY. This was due mainly to the undersupply of iPhone 11 amid COVID-19 pandemic, which resulted in the decrease in mobile handset inventory.

The QoQ rise in operating cash inflow came from higher outflows in 4Q19 as momo's 3Q payables were deferred until 4Q.

Investing cash outflow surged as we paid NT\$30.66bn for 5G license fees, with NT\$29.66bn paid in 1Q20 and a NT\$1bn deposit paid in 4Q19.

The investment of a 5% stake in LINE Bank was the reason for a NT\$400mn YoY increase in investing cash outflow in 1Q20.

On the financing front, to pay for the 5G license fees, NT\$24.09bn was raised in the quarter through short-term bank borrowings and new corporate bond issuance.

Capex and Free Cash Flow Analysis

In 1Q20, cash capex came off YoY, as 4G approached the tail-end of the investment cycle. The increase in momo's capex was due to the expansion of its logistic capabilities.

1Q20 free cash flow calculated with pre-IFRS 16 operating cash flow reached NT\$6.56bn, up 20% YoY.

V. Balance Sheet Analysis

Table 7. Balance Sheet

NT\$bn	1Q20	4Q19	1Q19
Total Assets	178.73	153.92	155.21
Current Assets	30.69	29.91	28.60
- Cash & Cash Equivalents	9.10	8.66	7.84
- Receivable & Contract Assets	13.49	14.07	14.43
- Inventories	3.77	5.67	3.96
- Short-term Investment	2.83	0.25	0.34
- Other Current Assets	1.49	1.26	2.04
Non-current Assets	148.05	124.01	126.60
- Long-term Investment	3.00	6.72	6.43
- Property and Equipment	38.35	39.17	40.66
- Right-of-use Assets	9.54	9.66	9.87
- Concession	67.66	37.71	39.82
- Other Non-current & Contract Assets	29.50	30.76	29.82
Liabilities	102.56	79.74	82.53
Current Liabilities	51.60	44.52	39.41
- ST Borrowings	26.63	18.47	13.60
- Accounts & Notes Payable	7.70	7.80	7.03
- Current Lease Liabilities	3.58	3.53	3.41
- Other Current Liabilities	13.69	14.72	15.37
Non-current Liabilities	50.96	35.22	43.12
- Long-term Borrowings	40.42	24.49	32.29
- Non-current Lease Liabilities	5.93	6.12	6.37
- Other Non-current Liabilities	4.61	4.61	4.46
Shareholders' Equity	76.18	74.18	72.68
-Paid-in Capital	35.09	35.09	34.34
-Capital Surplus	20.28	20.27	13.47
-Legal Reserve	28.92	28.92	27.56
-Treasury Shares	(29.72)	(29.72)	(29.72)
-Un-appropriated Earnings	0.49	0.49	3.39
-Non-controlling Interest	6.40	6.16	6.37
-Retained Earnings & Others ¹	14.71	12.95	17.27

¹: Including YTD profits and other equity items

Table 8. Ratios

	1Q20	4Q19	1Q19
Current Ratio	59%	67%	73%
Interest Coverage (x)	36.6	35.2	32.8
Net Debt (Cash) to Equity	76%	46%	52%
Net Debt (Cash) to EBITDA (x)	1.81	1.03	1.13
ROE (annualized)¹	18%	18%	17%
ROA (annualized)²	8%	9%	8%

¹. ROE = Accumulated Net Income (Annualized) / Average Shareholders' Equity

². ROA = Accumulated Net Income + Interest Expenses * (1 - Tax Rate) (Annualized) / Average Total Assets

Assets

The Taiwan High Speed Rail shares we own were moved from long-term investment to short-term investment in 1Q20, following the Board's resolution to dispose of our entire holding 90mn shares.

Among non-current assets, concessions bloated following the completion of 5G spectrum auction in January, where TWM obtained 60MHz of 3.5GHz spectrum and 200MHz of 28GHz spectrum for NT\$30.66bn.

Liabilities & Shareholders' Equity

Gross debt saw a sharp YoY increase to NT\$67bn in 1Q20 due mainly to the corporate bond issuance of NT\$20bn (\$5bn for 5 years @0.64%; \$10bn for 7 years @0.66%; \$5bn for 10 years @0.72%).

The YoY climb in accounts payable was primarily due to momo's business expansion.

As for shareholders' equity, the YoY increase in paid-in capital and capital surplus reflected the conversion of our convertible bond, which had an outstanding balance of NT\$0.93bn at the end of 1Q20.

Ratio Analysis

Despite taking on more debt after the 5G spectrum auction, net debt to EBITDA only rose to 1.81x while interest coverage ratio further improved thanks to the favorable interest rate environment.

VII. Management Remarks

Key Message

B2C e-commerce as well as subscription-based wireless, broadband and enterprise solutions are increasingly essential to everyday life under this new normal. As such, we are better poised for the extended stress on the economy caused by COVID-19.

Investing in critical areas like 5G, broadband, and e-commerce remains our top priority as we accelerate growth and our transformation into a “Tech+Telco” group. At the same time, we will strive to resume FCF stability in a sound manner so that we could uphold our commitment to shareholders.

2019 Earnings Distribution

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Awards and Recognition

- The only telecommunications company in Taiwan that received the top grade “ A ” from the CDP in its “Climate Change 2019 Program”.
- Received a Silver Class award in SAM’s “2020 Sustainability Yearbook” for three consecutive years.
- The only telecommunications company in Taiwan that was honored with “ 2019 Critical Infrastructure Protection Award ”.