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TWM Consolidated

NT\$bn	<u>2Q23</u>	<u>YoY</u>	<u>1H23</u>	<u>YoY</u>
Revenues	43.55	5%	86.56	7%
Operating Income	4.48	2%	8.77	3%
Non-op. Income (Expenses)	(0.14)	12%	(0.36)	52%
Pre-tax Income	4.34	2%	8.41	2%
(Income Tax)	(0.83)	3%	(1.67)	5%
(Minority Interest)	(0.48)	2%	(0.98)	5%
Net Income	3.04	1%	5.75	1%
EPS (NT\$)	1.08	2%	2.04	0%

Highlights of Operating Results
2Q23

With healthy performances in our three growth engines – 5G, e-commerce and home broadband, consolidated revenue rose by 5% YoY in 2Q23. Consolidated operating income grew by 2% YoY, hitting a new high since 1Q20, thanks to a 4% growth in telecom EBIT. The YoY increase in non-operating expense was mainly driven by a high base in momo's overseas equity investment disposal gain. Benefiting from decent free cash flow generations, net debt to EBITDA fell to 1.47x in 2Q23, the lowest since 4Q19.

1H23

Our cash costs and expenses increased YoY in 1H23, due to solid demand for our unique bundle plans, which accounted for 21% of our postpaid smartphone subscribers by the end of 1H23. Consolidated operating income recorded a 3% YoY uptick in 1H23, driven by healthy EBITDA growth and a muted rise in D&A expenses. Net income remained stable YoY as higher interest rates drove up our interest expenses. Benefiting from improving operating cash inflow and decreasing cash capex, 1H23 free cash flow calculated on a pre-IFRS 16 basis increased by 10% YoY to NT\$6.81bn, translating into an annualized FCF yield of 5.1%.

2023 Capex Budget Additions

On August 4, 2023, the Board approved network related capex budget additions for 2023. Total capex budget will be NT\$15.653bn, with actual cash payments subject to the actual progress of the network deployment.

Key Message

TWM continues to fire on all cylinders, with our unique bundles momobile, Double Play, Disney+ and OP Life propelling our telecom service revenue. Coupled with steady growth in e-commerce and home broadband, our 2Q23 consolidated EBITDA reached an all-time high. Free cash flow also went up by 10% YoY during the first half of this year, reflecting our strong fundamentals. Meanwhile, we are one step closer toward establishing a sustainable foundation for long-term growth.

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I. Revenue Analysis

Table 1. Key Operational Data

Residual Value (NT\$bn)	2Q23	1Q23	2Q22	QoQ	YoY
Mobile Service Revenue	12.73	12.56	12.07	1%	5%
Postpaid ARPU (NT\$)	665	664	655	0%	2%
09x Postpaid ARPU (NT\$)	700	697	681	1%	3%
Blended ARPU (NT\$)	563	560	548	1%	3%

Revenue (NT\$bn)	2Q23	1Q23	2Q22	QoQ	YoY
Telecom	16.41	17.23	15.36	-5%	7%
Service	12.29	12.10	11.57	2%	6%
Device Sales	4.12	5.13	3.79	-20%	9%
momo	26.21	25.12	25.14	4%	4%
E-commerce	25.23	24.08	23.89	5%	6%
CATV revenue	1.57	1.56	1.57	1%	0%
Pay-TV	0.78	0.77	0.80	1%	-3%
Broadband ¹	0.51	0.50	0.48	1%	6%
Content & channel leasing	0.28	0.28	0.29	0%	-2%
Others²	0.15	0.15	0.14	3%	9%

1. Cable broadband revenue includes costs borne by TWM for its Double Play customers which is eliminated in consolidated revenue.

2. 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.

	2Q23	1Q23	2Q22	QoQ	YoY
Mobile Subscribers (K)	7,554	7,517	7,348	1%	3%
- Postpaid	6,161	6,107	5,934	1%	4%
Monthly Churn	1.7%	1.6%	1.1%		
-Postpaid	0.8%	0.7%	0.8%		
MOU (bn)	0.66	0.68	0.83	-2%	-20%
Pay-TV Subs (K)	519	523	532	-1%	-2%
Cable Broadband Subs (K) ¹	301	297	287	1%	5%
DTV Subs (K)	300	301	299	0%	0%

CATV ARPU (NT\$)	2Q23	1Q23	2Q22	QoQ	YoY
Pay-TV	499	491	501	2%	0%
Broadband	567	567	560	0%	1%
Blended ²	826	810	801	2%	3%

1. Cable broadband customers signed via TWM Double Play bundles are not included.

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

Telecom

In 2Q23, mobile service revenue YoY growth accelerated to 5.5%, the highest quarterly YoY increase since 5G service launch in 3Q20. This was driven by continued 5G conversion (>30% penetration in smartphone postpaid subscriber base), improving 4G pricing environment, and robust momentum in roaming and gaming-related revenues. Coupled with a healthy expansion of fixed-line service revenue, telecom service revenue reached the highest level since 4Q18.

Smartphone postpaid ARPU increased by 2.8% YoY in 2Q23 and hit the NT\$700 mark, as our unique bundles (momobile, Double Play, Disney+ and OP Life) continued to drive rate plan mix improvement. Accumulated users of these unique bundles rose further and accounted for 21% of our smartphone postpaid user base in 2Q23. momobile bundles continued to gain traction with users, while 60% of the Double Play user base are on for \$999 or higher rate plans, notably higher than company average.

These bundles also helped enhance our customer stickiness, evidenced by a postpaid monthly churn rate of 0.76% in 2Q23.

On the enterprise side, data & access and IoT services maintained healthy growths in 2Q23.

momo

momo's e-commerce revenue growth decelerated to 6% YoY in 2Q23 as consumers continued to allocate their discretionary spending toward leisure activities. That said, its e-commerce take rate remained relatively stable.

Cable TV

We continued to expand our footprint via Double Play bundles, while broadband subs (Double Play included) on speeds of 300Mbps or higher surged by 65% YoY. As a result, broadband revenue in 2Q23 rose by 6% YoY.

II. EBITDA Analysis

Table 2. EBITDA Breakdown

NT\$bn	2Q23	1Q23	2Q22	QoQ	YoY
EBITDA	8.91	8.68	8.79	3%	1%
- Telecom	6.75	6.45	6.61	5%	2%
- momo	1.29	1.38	1.31	-6%	-2%
- CATV	0.75	0.74	0.74	1%	1%

NT\$bn	2Q23	1Q23	2Q22	QoQ	YoY
D&A	4.43	4.39	4.39	1%	1%
- Telecom	3.89	3.87	3.86	1%	1%
- momo	0.29	0.28	0.30	2%	-2%
- CATV	0.20	0.19	0.20	1%	-1%

NT\$bn	2Q23	1Q23	2Q22	QoQ	YoY
EBIT	4.48	4.29	4.39	4%	2%
- Telecom	2.85	2.58	2.75	11%	4%
- momo	1.00	1.09	1.02	-8%	-2%
- CATV	0.56	0.55	0.55	2%	2%

Table 3. Non-operating Items

NT\$bn	2Q23	1Q22	2Q22	QoQ	YoY
Non-Operating Income (Expense)	(0.14)	(0.23)	(0.12)	-41%	12%
- Net Interest Expense	(0.16)	(0.19)	(0.14)	-15%	14%
- Write-off Loss	(0.02)	(0.03)	(0.05)	-30%	-61%
- Other Income (Expense)	0.05	(0.01)	0.07	nm	-38%

EBITDA Analysis

With telecom service revenue growing another 6% YoY, telecom EBITDA went up by 2% YoY in 2Q23 and hit the highest level since 4Q19. As a result, our 2Q23 consolidated EBITDA reached a record high.

The fall in momo's EBITDA was attributable to slower e-commerce revenue growth and weaker legacy businesses.

Broadband growth offset the drop in pay-TV subscriptions and kept CATV EBITDA steady YoY in 2Q23. Lower depreciation costs also contributed to CATV EBIT growth in the same period.

D&A Analysis

momo's D&A turned to a YoY decline in 2Q23, due to slower-than-expected logistics expansion amid a more challenging operating environment. Overall D&A remained stable.

Non-Operating Item Analysis

The YoY increase in non-operating expense was driven by higher interest rates, in addition to momo's overseas equity investment disposal gain a year ago, reflected under other income.

III. Income Statement Analysis

Table 4. 2Q23 Consolidated Results

NT\$bn	2Q23	QoQ	YoY
Revenue	43.55	1%	5%
Cash Cost & Expense	(34.64)	1%	6%
Operating Income	4.48	4%	2%
Non-op. Income (Expense)	(0.14)	-41%	12%
Pre-tax Income	4.34	7%	2%
Net Income	3.04	12%	1%
EPS (NT\$)	1.08	13%	2%
EBITDA	8.91	3%	1%

Table 5. 1H23 Consolidated Results

NT\$bn	1H23	1H22	YoY
Revenue	86.56	81.14	7%
Cash Cost & Expense	(68.97)	(63.90)	8%
Operating Income	8.77	8.49	3%
Non-op. Income (Expense)	(0.36)	(0.24)	52%
Pre-tax Income	8.41	8.25	2%
Net Income	5.75	5.72	1%
EPS (NT\$)	2.04	2.03	0%
EBITDA	17.59	17.24	2%

Income Statement Analysis

2Q23

With healthy performances in our three main growth engines – 5G, e-commerce and home broadband, consolidated revenue rose by 5% YoY in 2Q23. Consolidated operating income grew by 2% YoY, hitting a new high since 1Q20, thanks to a 4% growth in telecom EBIT.

1H23

Our cash costs and expenses increased YoY in 1H23, due to solid demand for our unique bundle plans, which accounted for 21% of our postpaid smartphone subscribers by the end of 1H23.

Consolidated operating income recorded a 3% YoY uptick in 1H23, driven by healthy EBITDA growth and a muted rise in D&A expenses.

Net income remained stable YoY as higher interest rates drove up our interest expenses.

IV. Cash Flow Analysis

Table 6. Cash Flow

NT\$bn	2Q23	1Q23	2Q22
Operating	8.71	4.81	7.73
Pre-tax Income	4.34	4.06	4.27
Non-cash Add-backs	4.81	4.79	4.81
--Depreciation ¹	2.18	2.15	2.15
--Amortization	1.20	1.19	1.19
--Others ¹	1.43	1.44	1.47
Changes in Working Capital & Income Taxes	(0.44)	(4.14)	(1.38)
Others	0.00	0.10	0.04
Investing	(2.06)	(2.61)	(4.67)
Capex ²	(2.12)	(2.37)	(3.73)
Divestment (Acquisition)	(0.23)	(0.01)	(0.98)
Other Financial Assets (Increase)	0.04	(0.05)	(0.14)
Refundable Deposits (Increase)	0.04	(0.02)	0.02
Others	0.22	(0.15)	0.16
Financing	(9.67)	(2.88)	(2.44)
Short-term Borrowings	(6.82)	(2.05)	(2.66)
Proceeds from Issuance of Bonds	6.49	0.00	0.00
Long-term Bank Loan	(0.05)	0.45	1.45
Repayment of The Principal Portion of Lease Liabilities ³	(1.04)	(1.11)	(1.01)
Dividends Payments	(1.84)	0.00	(0.00)
Repayments of Bonds Payable	(6.00)	0.00	0.00
Interest (Payment) & Others	(0.42)	(0.17)	(0.21)
Net Cash Position Chg.	(3.03)	(0.67)	0.63

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

2. Inclusive of prepayments for equipment, the acquisition of computer software & other intangible assets. Cash capex is net of government subsidies.

3. An operating cash outflow item prior to 2019.

Table 7. Capex & FCF

NT\$bn	2Q23	1Q23	2Q22
Cash Capex¹	2.12	2.37	3.73
- Mobile	1.40	1.53	1.82
- Fixed-line	0.31	0.38	0.33
- Cable	0.17	0.17	0.10
- momo & others	0.24	0.30	1.48
% of Revenue	5%	6%	9%
Free Cash Flow¹	5.52	1.29	2.97

1. Free cash flow was on a pre-IFRS 16 basis.

Cash Flow Analysis

2Q23 operating cash inflow rose by 13% YoY, thanks to steady telecom EBITDA growth, as well as good handset inventory turnover.

Investing cash outflow decreased YoY in 2Q23, as both capex and investments came off from a high base in 2Q22 which was associated with momo's distribution center and our participation in Line Bank's rights issue.

On the financing front, we managed to reduce our reliance on short-term borrowings given we repaid 1) our NT\$6bn bond due in 2Q23, defrayed by the straight bond issued in the same quarter, and 2) NT\$6.8bn of our short-term borrowings, thanks to our healthy free cash flow. Cash outflow from dividend payments increased YoY since momo distributed cash dividends in 2Q instead of 3Q this year.

Capex and Free Cash Flow Analysis

2Q23 cash capex declined 43% YoY, because 1) majority of the expenditures for the construction of momo's southern distribution center had already occurred, 2) momo acquired land for its central distribution center in 2Q22, and 3) telecom capex decreased by 20% YoY.

Benefiting from improving operating cash inflow and decreasing cash capex, 1H23 free cash flow calculated on a pre-IFRS 16 basis increased by 10% YoY to NT\$6.81bn, translating into an annualized FCF yield of 5.1%.

V. Balance Sheet Analysis

Table 8. Balance Sheet

NT\$bn	2Q23	1Q23	2Q22
Total Assets	186.39	191.46	191.30
Current Assets	36.29	40.43	38.95
- Cash & Cash Equivalents	11.23	14.26	15.28
- Receivable & Contract Assets	16.56	16.37	16.00
- Inventories	6.63	7.89	5.60
- Short-term Investment	0.25	0.26	0.27
- Other Current Assets	1.61	1.65	1.80
Non-current Assets	150.11	151.03	152.34
- Long-term Investment	8.38	7.83	6.08
- Property and Equipment	46.54	46.76	47.14
- Right-of-use Assets	9.72	9.76	9.98
- Concession	54.02	55.10	58.34
- Other Non-current & Contract Assets	31.44	31.59	30.81
Liabilities	120.51	115.34	125.35
Current Liabilities	63.15	64.24	71.16
- ST Borrowings	18.55	31.37	25.67
- Accounts & Notes Payable	12.87	12.48	12.43
- Current Lease Liabilities	3.64	3.66	3.72
- Other Current Liabilities	28.10	16.72	29.33
Non-current Liabilities	57.36	51.10	54.20
- Long-term Borrowings	44.66	38.21	41.43
- Non-current Lease Liabilities	6.08	6.08	6.31
- Other Non-current Liabilities	6.61	6.81	6.45
Shareholders' Equity	65.89	76.13	65.95
-Paid-in Capital	35.19	35.19	35.19
-Capital Surplus	13.11	15.37	15.33
-Legal Reserve	33.50	32.60	32.60
-Treasury Shares	(29.72)	(29.72)	(29.72)
-Un-appropriated Earnings	0.00	0.00	0.00
-Non-controlling Interest	7.49	8.85	7.38
-Retained Earnings & Others ¹	6.32	13.82	5.16

1: Including YTD profits and other equity items

Table 9. Ratios

	2Q23	1Q23	2Q22
Current Ratio	57%	63%	55%
Interest Coverage (x)	21.8	20.2	30.8
Net Debt (Cash) to Equity	79%	73%	79%
Net Debt (Cash) to EBITDA (x)	1.47	1.57	1.49
ROE (annualized)¹	17%	15%	16%
ROA (annualized)²	6%	6%	6%

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

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

Assets

Receivables grew YoY in 2Q23 owing to higher monthly fees and more postpaid subscribers from our unique bundles, as well as a climb in game publishing revenue.

Inventory rose YoY mainly due to an increase in momo's inventory as it expanded its business scale.

Long-term investment went up YoY, on the back of 1) value accretions in our investments, and 2) ventures into cloud services, and new economy businesses.

Liabilities & Shareholders' Equity

In 2Q23, shareholder's equity decreased QoQ following AGM's approval of dividends, which became a dividend payable in other current liabilities. A NT\$37.2bn legal reserve and capital surplus is available for future dividend top up.

Despite a bond issuance of NT\$6.5bn (for 5 years @1.537%), gross debt declined by 6% YoY to NT\$63.21bn, as we repaid short-term borrowings. Therefore, we increased the proportion of long-term borrowings from 62% a year ago to over 70% in the quarter.

Ratio Analysis

Benefiting from decent free cash flow generations, our net debt to EBITDA fell to 1.47x in 2Q23, the lowest since 4Q19.

VI. Capex Guidance

2023 Capex Budget Additions

On August 4, 2023, the Board approved network related capex budget additions for 2023. Total capex budget will be NT\$15.653bn, with actual cash payments subject to the actual progress of the network deployment.

VII. Management Remarks

Key Message

TWM continues to fire on all cylinders, with our unique bundles momobile, Double Play, Disney+ and OP Life propelling our telecom service revenue. Coupled with steady growth in e-commerce and home broadband, our 2Q23 consolidated EBITDA reached an all-time high. Free cash flow also went up by 10% YoY during the first half of this year, reflecting our strong fundamentals. Meanwhile, we are one step closer toward establishing a sustainable foundation for long-term growth.

Awards and Recognition

- Ranked No.1 by *Institutional Investor* in the Overall Asia telecommunications sector and recognized as a “Most Honored Company”; placed 1st in “Best CEO,” “Best CFO,” “Best IR Program,” “Best IR Team,” “Best ESG” and “Best Company Board.” Topped all categories in the Asia (ex-China) telecommunications sector, becoming the only telecommunications company to reach “All-Star status.”
- Selected for *Global Views Monthly Magazine’s* 2023 ESG Awards “Annual Honor Roll” for the second year; won 1st place in the Human Resources Development category and a “Model Award” in the Education Promotion category.
- Ranked in the top 5% in the “Corporate Governance Evaluation” conducted by the Taiwan Stock Exchange and Taipei Exchange for the 9th consecutive year.