First Quarter 2024 Results

for the period ending March 31, 2024

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TWM Consolidated

NT$bn	1Q24	1Q23	YoY
Revenues	**48.28**	**43.02**	**12%**
Operating Income	**4.66**	**4.29**	**9%**
Non-op. Income (Expenses)	**(0.33)**	**(0.23)**	**46%**
Pre-tax Income	**4.32**	**4.06**	**6%**
(Income Tax)	**(0.84)**	**(0.84)**	**0%**
(Minority Interest)	**(0.51)**	**(0.50)**	**2%**
Net Income	**2.97**	**2.71**	**9%**
EPS (NT$)	**0.98**	**0.96**	**2%**

Highlights of Operating Results

1Q24

Consolidated revenue and EBITDA recorded 12% and 22% YoY growths respectively, mainly driven by the merger with T Star. Despite the incremental D&A associated with the merger, telecom operating income grew YoY, as our efforts in network consolidation already started to pay off. As a result, consolidated operating income reached a new high since 2Q18, with a 9% YoY increase. Even with dilution from new share issuance, EPS still recorded a 2% increase YoY.

Benefiting from improving free cash flow and the incremental EBITDA, Net Debt to EBITDA improved QoQ to 1.80x. 1Q24 free cash flow calculated on a recurring pre-IFRS 16 basis reached a new high since 5G service launch in 2020, translating into an annualized FCF yield of 7.7%.

Key Message

In the first quarter of 2024, we delivered commendable financial results, marked by healthy EPS growth and robust free cash flow. Our core mobile business continued its strong growth trajectory, while we out-execute merger integration against already aggressive plans.

Looking ahead, we will relentlessly pursue the full potential of these flywheels by 1) further accelerating the realization of merger synergies, and 2) leveraging our expanded scale to seize more growth opportunities.

I. Revenue Analysis

Table 1. Key Operational Data

Residual Value (NT$bn)	1Q24	4Q23	1Q23	QoQ	YoY
Mobile Service Revenue	15.98	14.12	12.56	13%	27%
Postpaid ARPU (NT$)	607	653	664	-7%	-9%
09x Postpaid ARPU (NT$)	653	700	697	-7%	-6%
Blended ARPU (NT$)	529	556	560	-5%	-5%

Note: Operational data and reported financials from 4Q23 onwards reflect Taiwan Mobile's merger with T Star effective on December 1, 2023.

Revenue (NT$bn)	1Q24	4Q23	1Q23	QoQ	YoY
Telecom	**20.72**	**20.63**	**17.23**	**0%**	**20%**
Service	15.08	13.52	12.10	12%	25%
Device Sales	5.64	7.11	5.13	-21%	10%
momo	**26.88**	**32.84**	**25.12**	**-18%**	**7%**
E-commerce	25.80	31.73	24.08	-19%	7%
CATV revenue[1]	**1.47**	**1.57**	**1.56**	**-6%**	**-6%**
Others[2]	**0.15**	**0.16**	**0.15**	**-6%**	**2%**

1. CATV revenue includes broadband 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.

	1Q24	4Q23	1Q23	QoQ	YoY
Mobile Subscribers (K)	**10,049**	**10,132**	**7,517**	**-1%**	**34%**
- Postpaid	8,456	8,420	6,107	0%	38%
Monthly Churn	**1.9%**	**1.9%**	**1.6%**		
-Postpaid	0.7%	1.0%	0.7%		
MOU (bn)	**0.78**	**0.70**	**0.68**	**12%**	**16%**
Pay-TV Subs (K)	**502**	**507**	**523**	**-1%**	**-4%**
Cable Broadband Subs (K)[1]	308	305	297	1%	4%
DTV Subs (K)	296	297	301	0%	-2%

CATV ARPU (NT$)	1Q24	4Q23	1Q23	QoQ	YoY
Blended	874	848	810	3%	8%

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

Telecom

1Q24 marked the first complete quarter after TWM and T Star's merger, which was effective on December 1, 2023. While our postpaid ARPU took a dip as we took on T Star's 2mn postpaid users, mobile service revenue jumped by 13% QoQ and 27% YoY, on the back of 1) revenue contribution from T Star, 2) a 7.1% YoY ARPU increase in TWM's existing smartphone postpaid users, and 3) strong recovery in roaming revenue.

Further 5G conversion (37% of smartphone postpaid user base as of 1Q24) and benign 4G pricing environment continued to provide tailwind to smartphone postpaid ARPU. For contract renewals in 1Q24, we saw a 9% overall uplift in monthly tariffs, with over 40% boost in 4G to 5G renewals.

Our unique bundles such as momobile and Double Play helped with upsell and bode well for customer stickiness. Low postpaid churn rate in 1Q24, reflected a rational competitive environment and successful promotion of our bundles.

On the enterprise side, cloud, data & access and IoT services maintained healthy growths in 1Q24.

momo

momo generated 7% YoY growth in its e-commerce revenue in 1Q24, outpacing local peers. Other than its existing B2C 1P business, momo will also scale up its 3P, advertising and live commerce businesses in 2024.

Cable TV

The QoQ and YoY decline in CATV revenue was primarily related to content reduction after Disney shut down its cable TV channels in Taiwan. Broadband business growth continued, with subs rising by 4% on the back of steady demand for faster connectivity and our cross-selling bundles which include cable TV, broadband and OTT services. Broadband subs (incl. Double Play) on speeds of 300Mbps or higher surged by 51% YoY.

II. EBITDA Analysis

Table 2. EBITDA Breakdown

NT$bn	1Q24	4Q23	1Q23	QoQ	YoY
EBITDA	**10.59**	**9.45**	**8.68**	**12%**	**22%**
- Telecom	8.18	6.90	6.45	19%	27%
- momo	1.46	1.70	1.38	-15%	6%
- CATV	0.78	0.73	0.74	8%	5%

NT$bn	1Q24	4Q23	1Q23	QoQ	YoY
D&A	**5.93**	**4.97**	**4.39**	**19%**	**35%**
- Telecom	5.29	4.41	3.87	20%	37%
- momo	0.34	0.33	0.28	4%	19%
- CATV	0.20	0.20	0.19	2%	4%

NT$bn	1Q24	4Q23	1Q23	QoQ	YoY
EBIT	**4.66**	**4.48**	**4.29**	**4%**	**9%**
- Telecom	2.90	2.49	2.58	16%	12%
- momo	1.12	1.38	1.09	-19%	2%
- CATV	0.58	0.53	0.55	10%	6%

<u>EBITDA Analysis</u>

With an expanded scale and the gradual realization of merger synergies, telecom EBITDA and EBIT grew by 27% and 12% respectively in 1Q24.

momo’s e-commerce EBITDA margin remained resilient YoY in 1Q24 thanks to ongoing cost-efficient measures.

Growing broadband subs, good traction in our service bundles as well as an adjustment in content strategy underscored the YoY growth in CATV EBITDA.

<u>D&A Analysis</u>

In 1Q24, the inclusion of T Star’s PP&E, spectrum holdings and site rentals led to a YoY hike in telecom D&A. However, ongoing network consolidation will gradually reduce depreciation expenses (i.e. legacy equipment depreciation and base station rental expenses) over time.

momo's D&A also grew YoY as it continued its logistics investment, but is expected to be offset by reduction of rented space over time.

Table 3. Non-operating Items

NT$bn	1Q24	4Q23	1Q23	QoQ	YoY
Non-Operating Income (Expense)	**(0.33)**	**0.46**	**(0.23)**	**nm**	**46%**
- Net Interest Expense	(0.28)	(0.24)	(0.19)	17%	51%
- Write-off Loss	(0.13)	(0.06)	(0.03)	107%	319%
- Other Income (Expense)	0.08	0.76	(0.01)	-90%	nm

<u>Non-Operating Item Analysis</u>

The YoY surge in non-operating expenses was driven by 1) higher financing costs as we took on T Star’s debt and refinanced it, 2) equipment write-offs from network consolidation, and 3) foreign exchange translation gains amid USD appreciation. As for the QoQ change in other income, one-off proceeds from the sale of our music streaming business in 4Q23 was the primary reason.

III. Income Statement Analysis

Table 4. 1Q24 Consolidated Results

NT$bn	1Q24	QoQ	YoY
Revenue	**48.28**	**-10%**	**12%**
Cash Cost & Expense	(37.69)	**-15%**	**10%**
Operating Income	**4.66**	**4%**	**9%**
Non-op. Income (Expense)	(0.33)	nm	46%
Pre-tax Income	4.32	-12%	6%
Net Income	**2.97**	**-17%**	**9%**
EPS (NT$)	0.98	-22%	2%
EBITDA	**10.59**	**12%**	**22%**

Income Statement Analysis

1Q24

Consolidated revenue and EBITDA recorded 12% and 22% YoY growths respectively, mainly driven by the merger with T Star. Despite the incremental D&A associated with the merger, telecom operating income grew YoY, as our efforts in network consolidation already started to pay off. As a result, consolidated operating income reached a new high since 2Q18, with a 9% YoY increase. Even with dilution from new share issuance, EPS still recorded a 2% increase YoY.

On a QoQ basis, the drop in revenue was within momo's seasonal pattern, while the fall in net income stemmed from one-off divestment gains in 4Q23.

IV. Cash Flow Analysis

Table 5. Cash Flow

NT$bn	1Q24	4Q23	1Q23
Operating	**10.32**	**7.69**	**4.81**
Pre-tax Income	4.32	4.93	4.06
Non-cash Add-backs	6.49	5.46	4.79
--Depreciation[1]	2.65	2.36	2.15
--Amortization	1.69	1.34	1.19
--Others[1]	2.16	1.77	1.44
Changes in Working Capital & Income Taxes	(0.68)	(2.07)	(4.14)
Others	0.18	(0.64)	0.10
Investing	**(2.85)**	**0.51**	**(2.61)**
Capex[2]	(2.77)	(1.43)	(2.37)
Divestment (Acquisition)	(0.02)	(0.62)	(0.01)
Other Financial Assets (Increase)	(0.02)	(0.10)	(0.05)
Refundable Deposits (Increase)	(0.01)	0.07	(0.02)
Others	(0.04)	2.59	(0.15)
Financing	**(6.75)**	**(6.14)**	**(2.88)**
Short-term Borrowings	(6.74)	(12.38)	(2.05)
Proceeds from Issuance of Bonds	0.00	0.00	0.00
Long-term Bank Loan	1.96	7.62	0.45
Repayment of The Principal Portion of Lease Liabilities[3]	(1.54)	(1.21)	(1.11)
Dividends Payments	0.00	0.00	0.00
Repayments of Bonds Payable	0.00	0.00	0.00
Interest (Payment) & Others	(0.43)	(0.17)	(0.17)
Net Cash Position Chg.	**0.71**	**2.05**	**(0.67)**

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 6. Capex & FCF

NT$bn	1Q24	4Q23	1Q23
Cash Capex	**2.77**	**1.43**	**2.37**
- Mobile	1.78	0.38	1.53
- Fixed-line	0.30	0.37	0.38
- Cable	0.19	0.16	0.17
- momo & others	0.49	0.52	0.30
% of Revenue	**6%**	**3%**	**6%**
Free Cash Flow[1]	**5.96**	**5.01**	**1.29**

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

Cash Flow Analysis

1Q24

Cash earnings rose by 22% YoY on the back of solid EBITDA growth across telecom, e-commerce and broadband businesses, along with contribution from T Star.

1Q24 operating cash flow also benefited from a favorable working capital change, in contrast to a year ago when payable balance was low.

Despite a budgeted capex decrease in 2024, investing cash outflow has not come off, which is explained in the Capex and FCF section below.

Our strong FCF generations enabled us to pay down more bank borrowings in 1Q24, leading to a higher financing cash outflow in the quarter.

Capex and Free Cash Flow Analysis

1Q24 cash capex reflected capex associated with network consolidation post T Star acquisition and momo's logistics capacity expansions.

1Q24 free cash flow calculated on a recurring pre-IFRS 16 basis reached a new high since 5G service launch in 2020, translating into an annualized FCF yield of 7.7%.

Taiwan Mobile

V. Balance Sheet Analysis

Table 7. Balance Sheet

NT$bn	1Q24	4Q23	1Q23
Total Assets	**239.02**	**242.96**	**191.46**
Current Assets	42.98	44.16	40.43
- Cash & Cash Equivalents	13.96	13.24	14.26
- Receivable & Contract Assets	19.77	20.28	16.37
- Inventories	6.52	8.19	7.89
- Short-term Investment	0.28	0.27	0.26
- Other Current Assets	2.45	2.17	1.65
Non-current Assets	196.04	198.81	151.03
- Long-term Investment	9.54	9.38	7.83
- Property and Equipment	52.09	52.86	46.76
- Right-of-use Assets	12.82	13.75	9.76
- Concession	70.77	72.24	55.10
- Other Non-current & Contract Assets	50.83	50.58	31.59
Liabilities	**142.03**	**149.58**	**115.34**
Current Liabilities	72.32	75.73	64.24
- ST Borrowings	33.80	35.05	31.37
- Accounts & Notes Payable	13.68	13.61	12.48
- Current Lease Liabilities	5.08	5.79	3.66
- Other Current Liabilities	19.76	21.28	16.72
Non-current Liabilities	69.71	73.85	51.10
- Long-term Borrowings	54.56	58.10	38.21
- Non-current Lease Liabilities	7.79	7.98	6.08
- Other Non-current Liabilities	7.36	7.77	6.81
Shareholders' Equity	**97.00**	**93.38**	**76.13**
-Paid-in Capital	37.23	37.23	35.19
-Capital Surplus	31.33	31.30	15.37
-Legal Reserve	33.50	33.50	32.60
-Treasury Shares	(29.72)	(29.72)	(29.72)
-Un-appropriated Earnings	0.00	0.00	0.00
-Non-controlling Interest	9.16	8.56	8.85
-Retained Earnings & Others[1]	15.49	12.51	13.82

1: Including YTD profits and other equity items

Table 8. Ratios

	1Q24	4Q23	1Q23
Current Ratio	59%	58%	63%
Interest Coverage (x)	15.2	18.0	20.2
Net Debt (Cash) to Equity	77%	86%	73%
Net Debt (Cash) to EBITDA (x)	1.80	2.23	1.57
ROE (annualized)[1]	12%	15%	15%
ROA (annualized)[2]	5%	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 and contract assets rose YoY, driven by the growth in postpaid subscribers (including T Star users) and monthly fee contributions from our mobile bundle plans.

In 1Q24, the YoY decrease in inventory level was due to faster turnover of mobile related devices.

Long-term investment climbed YoY, mainly on the back of additional NT$1.3bn investments in new economy businesses, including KKCompany in the past year.

PP&E increased YoY primarily resulted from mobile equipment of T Star. Concessions also rose as we added NT$20bn worth of spectrum holdings, specifically the 3.5GHz band for 5G service, from T Star.

Right-of-use assets rose YoY because of momo's warehouse additions and the merger with T Star. The QoQ decline was mainly attributable to the consolidation of our base stations and direct stores.

Liabilities & Shareholders' Equity

Gross debt increased YoY to NT$88.4bn owing to borrowings inherited from T Star but decreased QoQ as we paid down some bank borrowings.

Paid-in capital and capital surplus recorded a YoY uptick given the issuance of 204mn common shares to T Star shareholders in 4Q23.

Ratio Analysis

Benefiting from improving free cash flow and the incremental EBITDA, Net Debt to EBITDA fell sequentially to 1.80x in 1Q24.

VI. Management Remarks

Key Message

In the first quarter of 2024, we delivered commendable financial results, marked by healthy EPS growth and robust free cash flow. Our core mobile business continued its strong growth trajectory, while we out-execute merger integration against already aggressive plans.

Looking ahead, we will relentlessly pursue the full potential of these flywheels by 1) further accelerating the realization of merger synergies, and 2) leveraging our expanded scale to seize more growth opportunities.

Awards and ESG Recognitions

- Made it to CDP's Climate Change A list for the 4th time, the best among Taiwanese telcos. Only 17% of the participating companies globally received this top score. In the 11 assessment categories, we received top scores in 6 areas, including Targets, Scope 1 & 2 Emissions, Scope 3 Emissions, Opportunity Disclosure, Business Strategy, Financial Planning & Scenario Analysis, and Emission Reduction Initiatives.
- Honored with the highest grade of "A" for 3 consecutive years in CDP’s Supplier Engagement Rating, standing among the top 12% of evaluated companies. Received the highest scores in 3 key rating categories: Supplier Engagement, Scope 3 Emissions, and Overall CDP Climate Change Performance.
- Validated for our adoption of the ISO 20400 Sustainable Procurement Guidance and worked with 15 high-carbon-emitting suppliers in establishing SBT (Science-Based Targets) carbon reduction pathways.