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TWM Consolidated

NT\$bn	<u>2Q22</u>	<u>YoY</u>	<u>1H22</u>	<u>YoY</u>
Revenues	41.35	8%	81.14	10%
Operating Income	4.39	3%	8.49	8%
Non-op. Income (Expenses)	(0.12)	-12%	(0.24)	87%
Pre-tax Income	4.27	4%	8.25	6%
(Income Tax)	(0.81)	3%	(1.60)	37%
(Minority Interest)	(0.47)	-5%	(0.94)	1%
Net Income	2.99	5%	5.72	1%
EPS (NT\$)	1.06	5%	2.03	0%

Highlights of Operating Results

2Q22

With solid momentum from our three growth engines – 5G, e-commerce and home broadband, consolidated revenue rose by 8% YoY in 2Q22. Consolidated operating income grew by 3% YoY as telecom's 8% EBIT growth more than offset momo's decline amid a high base. Benefiting from decent free cash flow generations, our net debt to EBITDA declined to 1.49x in 2Q22, a record low since 4Q19.

1H22

The gap between the YoY increases of operating income and net income stemmed from a high base in non-operating income and tax benefits. Excluding the one-off factors, 1H22 net income would have increased by 9% YoY, bolstered by telecom strength. Free cash flow calculated on a pre-IFRS 16 basis was NT\$6.22bn in 1H22, translating into an annualized FCF yield of 4.1%.

Key Message

As our growth engines, including 5G, momo and momobile, as well as home broadband and Double Play, continue to generate thrust, we have delivered steady growth and healthy returns to our shareholders. Post T-Star merger, we expect to leverage our advantages in spectrum holdings, equipment synergy, as well as system design and optimization, to deliver first-rate, if not superior, performance in 1) overall sub-6G 4G/5G experience, 2) 5G massive MIMO deployment, and 3) 5G peak speed.

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I. Revenue Analysis

Table 1. Key Operational Data

Residual Value (NT\$bn)	2Q22	1Q22	2Q21	QoQ	YoY
Mobile Service Revenue	12.07	11.92	11.78	1%	2%
Postpaid ARPU (NT\$)	655	652	650	0%	1%
09x Postpaid ARPU (NT\$)	681	675	667	1%	2%
Blended ARPU (NT\$)	548	545	540	1%	2%

Revenue (NT\$bn)	2Q22	1Q22	2Q21	QoQ	YoY
Telecom	15.36	15.95	15.06	-4%	2%
Service	11.57	11.39	11.23	2%	3%
Device Sales	3.79	4.56	3.84	-17%	-1%
momo	25.14	22.94	22.26	10%	13%
E-commerce	23.89	21.63	20.90	10%	14%
CATV revenue	1.57	1.55	1.55	1%	1%
Pay-TV	0.80	0.80	0.82	1%	-2%
Broadband ¹	0.48	0.47	0.43	2%	11%
Content & channel leasing	0.29	0.29	0.30	1%	-3%
Others²	0.14	0.14	0.13	-3%	3%

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.

	2Q22	1Q22	2Q21	QoQ	YoY
Mobile Subscribers (K)	7,348	7,324	7,293	0%	1%
- Postpaid	5,934	5,906	5,819	0%	2%
Monthly Churn	1.1%	1.1%	1.0%		
-Postpaid	0.8%	0.9%	0.8%		
MOU (bn)	0.83	0.77	0.90	8%	-8%
Pay-TV Subs (K)	532	534	542	0%	-2%
Cable Broadband Subs (K) ¹	287	283	272	1%	5%
DTV Subs (K)	299	297	290	1%	3%

CATV ARPU (NT\$)	2Q22	1Q22	2Q21	QoQ	YoY
Pay-TV	501	495	504	1%	-1%
Broadband	560	556	532	1%	5%
Blended ²	801	788	769	2%	4%

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 2Q22, mobile service revenue YoY growth accelerated and grew YoY for the 5th consecutive quarter, attributable to solid ARPU enhancement via 5G upselling and improving 4G pricing environment. After two years of 5G service launch, 5G postpaid penetration is well over 20% with about 25% monthly fee uplift from the renewals in the quarter.

Our unique bundles continued to be instrumental to ARPU improvement. momo users' contribution to momo's e-commerce revenue already reached 4.9% in June. The ratio of Double Play subs that were on \$999 or higher rate plans increased sequentially to close to 60%, while Disney+ contributed to better customer engagement and stickiness. Amid a better overall pricing environment, non-handset bundles/SIM-only plans recorded a 7% YoY monthly fee growth in 2Q22. With a wide variety of rate plans and services available to our customers, postpaid churn rate further declined to 0.8% in 2Q22.

Our game publishing business also had a strong quarter, with 42% YoY revenue growth. On the enterprise side, data & access, cloud and IoT services all saw solid YoY growths in 2Q22.

momo

momo had an ultra-strong 2Q21 as Taiwan entered level III alert amid the COVID outbreak in May '21. Despite this high base, momo managed to grow its e-commerce revenue by 14% YoY in 2Q22, far better than the overall market, albeit a deceleration from the previous quarter. In 2Q22, momo expanded its total warehouse space by 25% YoY and about 20% of deliveries were done by in-house fleet.

Cable TV

Steady demand for faster home broadband led to sequential increases in broadband subs and ARPU. Broadband subs (including Double Play) that signed up for speeds of 500Mbps or higher rose by 43% YoY. As a result, broadband revenue grew by 11% YoY in 2Q22, where Double Play packages remained a solid contributor to growth.

II. EBITDA Analysis

Table 2. EBITDA Breakdown

NT\$bn	2Q22	1Q22	2Q21	QoQ	YoY
EBITDA	8.79	8.46	8.49	4%	3%
- Telecom	6.61	6.28	6.31	5%	5%
- momo	1.31	1.30	1.34	1%	-2%
- CATV	0.74	0.75	0.73	0%	2%

NT\$bn	2Q22	1Q22	2Q21	QoQ	YoY
D&A	4.39	4.35	4.24	1%	4%
- Telecom	3.86	3.84	3.75	1%	3%
- momo	0.30	0.26	0.23	12%	27%
- CATV	0.20	0.20	0.19	-2%	5%

NT\$bn	2Q22	1Q22	2Q21	QoQ	YoY
EBIT	4.39	4.10	4.26	7%	3%
- Telecom	2.75	2.44	2.56	13%	8%
- momo	1.02	1.04	1.10	-2%	-8%
- CATV	0.55	0.55	0.54	0%	0%

EBITDA Analysis

In 2Q22, telecom EBITDA grew YoY for the 5th consecutive quarter, underpinned by further service revenue increase, 5G government subsidies, and savings in channel commissions. Coupled with stabilizing rises in telecom D&A, telecom EBIT grew QoQ and YoY for two quarters in a row.

momo's EBITDA declined YoY, also due to a high base as the marketing costs/expenses normalized vs. 2Q21.

Thanks to steady broadband revenue momentum, CATV EBITDA grew by 2% YoY in 2Q22.

D&A Analysis

Overall D&A rose YoY in 2Q22 because of 5G infrastructure roll-out, followed by the increase in momo's satellite warehouse rentals (2 more QoQ and 10 more YoY to 33) and continued investments in broadband.

Table 3. Non-operating Items

NT\$bn	2Q22	1Q22	2Q21	QoQ	YoY
Non-Operating Income (Expense)	(0.12)	(0.12)	(0.14)	1%	-12%
- Net Interest Expense	(0.14)	(0.14)	(0.14)	-1%	2%
- Write-off Loss	(0.05)	(0.06)	(0.03)	-9%	87%
- Other Income (Expense)	0.07	0.08	0.03	-11%	149%

Non-Operating Item Analysis

The YoY decline in non-operating expense was mainly driven by momo's overseas equity investment disposal gain, reflected under other income.

III. Income Statement Analysis

Income Statement Analysis

2Q22

With solid momentum from our three main growth engines – 5G, e-commerce and home broadband, consolidated revenue rose by 8% YoY in 2Q22. Consolidated operating income grew by 3% YoY as telecom's 8% EBIT growth more than offset momo's decline amid a high base.

1H22

The gap between the YoY increases of operating income and net income stemmed from a high base in non-operating income and tax benefits. Excluding the one-off factors, 1H22 net income would have increased by about 9% YoY, bolstered by telecom strength.

Table 4. 2Q22 Consolidated Results

NT\$bn	2Q22	QoQ	YoY
Revenue	41.35	4%	8%
Cash Cost & Expense	(32.56)	4%	9%
Operating Income	4.39	7%	3%
Non-op. Income (Expense)	(0.12)	1%	-12%
Pre-tax Income	4.27	7%	4%
Net Income	2.99	10%	5%
EPS (NT\$)	1.06	9%	5%
EBITDA	8.79	4%	3%

Table 5. 1H22 Consolidated Results

NT\$bn	1H22	1H21	YoY
Revenue	81.14	73.73	10%
Cash Cost & Expense	(63.90)	(57.39)	11%
Operating Income	8.49	7.90	8%
Non-op. Income (Expense)	(0.24)	(0.13)	87%
Pre-tax Income	8.25	7.77	6%
Net Income	5.72	5.67	1%
EPS (NT\$)	2.03	2.02	0%
EBITDA	17.24	16.34	5%

IV. Cash Flow Analysis

Table 6. Cash Flow

NT\$bn	2Q22	1Q22	2Q21
Operating	7.73	6.62	10.03
Pre-tax Income	4.27	3.98	4.12
Non-cash Add-backs	4.81	4.74	4.65
--Depreciation ¹	2.15	2.13	2.04
--Amortization	1.19	1.19	1.19
--Others ¹	1.47	1.42	1.42
Changes in Working Capital & Income Taxes	(1.38)	(2.15)	1.11
Others	0.04	0.04	0.14
Investing	(4.67)	(3.02)	(3.40)
Capex ²	(3.73)	(2.30)	(3.39)
Divestment (Acquisition)	(0.98)	(0.62)	(0.01)
Other Financial Assets (Increase)	(0.14)	(0.03)	(0.00)
Refundable Deposits (Increase)	0.02	(0.06)	0.00
Others	0.16	(0.02)	0.01
Financing	(2.44)	(4.35)	(2.23)
Short-term Borrowings	(2.66)	(3.04)	(1.00)
Proceeds from Issuance of Bonds	0.00	0.00	0.00
Long-term Bank Loan	1.45	(0.05)	(0.05)
Repayment of The Principal Portion of Lease Liabilities ³	(1.01)	(1.04)	(0.97)
Dividends Payments	(0.00)	0.00	(0.00)
Repayments of Bonds Payable	0.00	0.00	0.00
Interest (Payment) & Others	(0.21)	(0.22)	(0.21)
Net Cash Position Chg.	0.63	(0.75)	4.40

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, 4Q21's cash capex was net of government subsidies.

3. An operating cash outflow item prior to 2019.

Table 7. Capex & FCF

NT\$bn	2Q22	1Q22	2Q21
Cash Capex¹	3.73	2.30	3.39
- Mobile	1.82	1.20	2.75
- Fixed-line	0.33	0.24	0.45
- Cable	0.10	0.18	0.15
- momo & others	1.48	0.68	0.04
% of Revenue	9%	6%	9%
Free Cash Flow¹	2.97	3.25	5.65

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

Cash Flow Analysis

Cash earnings in 2Q22 showed steady QoQ and YoY increase. The level III COVID alert in 2Q21 significantly shortened momo's days in inventory and as a result, 2Q22 operating cash flow declined YoY off a high base.

Investing cash outflow rose YoY in 2Q22, as we 1) had higher capex for momo's distribution centers, 2) participated in Line Bank's rights issue, and 3) invested in cloud computing-related ventures.

On the financing front, we managed to reduce our reliance on short-term borrowings.

Capex and Free Cash Flow Analysis

In light of 5G network readiness, telecom capex declined 39% YoY in 1H22. momo's 1H22 capex surged YoY due to payments for its southern distribution center construction and central distribution center land acquisition, which are scheduled to be operational by 2023 and 2025, respectively. 1H22 cash capex declined 5% YoY and only reached 40% of our full-year capex guidance. This is in-line with our expectations as the payments for TST network consolidation and part of momo's new distribution centers will not be made in 2022.

1H22 free cash flow calculated on a pre-IFRS 16 basis was NT\$6.22bn, translating into an annualized FCF yield of 4.1%.

V. Balance Sheet Analysis

Table 8. Balance Sheet

NT\$bn	2Q22	1Q22	2Q21
Total Assets	191.30	189.42	188.93
Current Assets	38.95	37.42	35.79
- Cash & Cash Equivalents	15.28	14.65	15.75
- Receivable & Contract Assets	16.00	14.91	14.28
- Inventories	5.60	6.02	3.92
- Short-term Investment	0.27	0.29	0.27
- Other Current Assets	1.80	1.55	1.56
Non-current Assets	152.34	152.00	153.14
- Long-term Investment	6.08	6.41	4.61
- Property and Equipment	47.14	45.79	46.36
- Right-of-use Assets	9.98	9.30	9.39
- Concession	58.34	59.41	62.65
- Other Non-current & Contract Assets	30.81	31.09	30.13
Liabilities	125.35	113.08	122.63
Current Liabilities	71.16	54.89	68.35
- ST Borrowings	25.67	22.34	24.14
- Accounts & Notes Payable	12.43	11.54	11.64
- Current Lease Liabilities	3.72	3.63	3.65
- Other Current Liabilities	29.33	17.38	28.93
Non-current Liabilities	54.20	58.19	54.28
- Long-term Borrowings	41.43	45.98	43.65
- Non-current Lease Liabilities	6.31	5.68	5.77
- Other Non-current Liabilities	6.45	6.53	4.85
Shareholders' Equity	65.95	76.34	66.30
-Paid-in Capital	35.19	35.19	35.12
-Capital Surplus	15.33	16.90	16.34
-Legal Reserve	32.60	31.50	31.50
-Treasury Shares	(29.72)	(29.72)	(29.72)
-Un-appropriated Earnings	0.00	0.00	0.00
-Non-controlling Interest	7.38	8.22	6.77
-Retained Earnings & Others ¹	5.16	14.24	6.28

1: Including YTD profits and other equity items

Table 9. Ratios

	2Q22	1Q22	2Q21
Current Ratio	55%	68%	52%
Interest Coverage (x)	30.8	29.7	32.2
Net Debt (Cash) to Equity	79%	70%	78%
Net Debt (Cash) to EBITDA (x)	1.49	1.56	1.62
ROE (annualized)¹	16%	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 increased QoQ and YoY in 2Q22, owing to 1) improving mobile business, 2) momo's business expansion, and 3) exercising our appraisal rights and requesting APT to buy back its shares.

Long-term investment climbed YoY, due to ventures into e-commerce, marketplace, media, fintech, and cloud services.

PP&E grew YoY as momo acquired land for its central distribution center in the quarter. Right-of-use assets also rose YoY, along with momo's increasing warehouses.

Liabilities & Shareholders' Equity

Aided by sound operating cash flow generations, net debt as of 2Q22 was NT\$51.8bn, down QoQ and YoY.

As for other current liabilities, AGM approved dividend payments to both TWM and momo shareholders, which led to a NT\$13.4bn dividend payable in 2Q22 and a subsequent QoQ reduction in shareholders' equity. NT\$38.6bn, from legal reserve and capital surplus, is available to top up future dividends.

Government subsidies we received in 2H21 for 5G roll-out led to a YoY increase in other non-current liabilities.

Ratio Analysis

Benefiting from decent free cash flow generations, our net debt to EBITDA declined to 1.49x in 2Q22, a record low since 4Q19.

VI. Management Remarks

Key Message

As our growth engines, including 5G, momo and momobile, as well as home broadband and Double Play, continue to generate thrust, we have delivered steady growth and healthy returns to our shareholders. Post T-Star merger, we expect to leverage our advantages in spectrum holdings, equipment synergy, as well as system design and optimization, to deliver first-rate, if not superior, performance in 1) overall sub-6G 4G/5G experience, 2) 5G massive MIMO deployment, and 3) 5G peak speed.

Awards and Recognition

- Ranked No.1 by Institutional Investor in Asia (ex-China) telecommunications sector and recognized as a “Most Honored Company”; won the “Best CEO” and “Best CFO” awards and ranked in the top 3 for “Best IR Program,” “Best IR Professional” and “Best ESG.”
- Selected for Global Views Monthly Magazine’s 2022 ESG Awards “Annual Honor Roll” and won the “Excellent Project: Human Resource Development Award.”
- Ranked in the top 5% in the “Corporate Governance Evaluation” conducted by the Taiwan Stock Exchange and Taipei Exchange for the 8th consecutive year; placed in the top 10% of electronic companies with market values of over 10 billion, for the 4th time.