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TWM Consolidated

NT\$bn	<u>2Q24</u>	<u>YoY</u>	<u>1H24</u>	<u>YoY</u>
Revenues	47.74	10%	96.02	11%
Operating Income	4.95	11%	9.61	10%
Non-op. Income (Expenses)	(0.39)	189%	(0.73)	99%
Pre-tax Income	4.56	5%	8.88	6%
(Income Tax)	(0.88)	6%	(1.72)	3%
(Minority Interest)	(0.44)	-7%	(0.96)	-2%
Net Income	3.23	7%	6.20	8%
EPS (NT\$)	1.07	-1%	2.05	0%

Highlights of Operating Results

2Q24

Consolidated revenue and EBITDA recorded 10% and 19% YoY growths respectively, mainly driven by the merger with T Star. Thanks to synergies from ahead-of-schedule network consolidation, telecom operating income growth accelerated to 17% YoY. As a result, consolidated operating income reached a new high since 1Q17, with an 11% YoY increase. Benefiting from the incremental EBITDA, Net Debt to EBITDA fell sequentially to 1.69x in 2Q24.

1H24

Bolstered by the merger with T Star and related synergies, consolidated revenue, EBITDA and operating income all saw double-digit YoY growths. Even with higher non-op expenses and dilution from new share issuance to T Star shareholders, EPS increased slightly YoY. Despite higher cash capex associated with network consolidation and momo's logistics expansions, free cash flow increased YoY, translating to 6.5% free cash flow yield.

Key Message

Taiwan Mobile delivered exceptional top-line and EBITDA performance in our core telecom business during the first half of 2024, driven by robust organic growth and seamless post-merger integration.

Building on this success, we are confident in our ability to unlock the full potential of the merger, introducing innovative products and services tailored to our broader customer base. Through this strategic approach, we will strive to further accelerate our growth trajectory in the years to come.

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I. Revenue Analysis

Table 1. Key Operational Data

Residual Value (NT\$bn)	2Q24	1Q24	2Q23	QoQ	YoY
Mobile Service Revenue	16.02	15.98	12.73	0%	26%
Postpaid ARPU (NT\$)	608	607	665	0%	-9%
09x Postpaid ARPU (NT\$)	655	653	700	0%	-6%
Blended ARPU (NT\$)	531	529	563	0%	-6%

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)	2Q24	1Q24	2Q23	QoQ	YoY
Telecom	20.43	20.72	16.41	-1%	25%
Service	15.19	15.08	12.29	1%	24%
Device Sales	5.24	5.64	4.12	-7%	27%
momo	26.66	26.88	26.21	-1%	2%
CATV revenue¹	1.48	1.47	1.57	0%	-6%
Others²	0.16	0.15	0.15	7%	6%

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.

	2Q24	1Q24	2Q23	QoQ	YoY
Mobile Subscribers (K)	10,061	10,049	7,554	0%	33%
- Postpaid	8,480	8,456	6,161	0%	38%
Monthly Churn	1.6%	1.9%	1.7%		
-Postpaid	0.7%	0.7%	0.8%		
MOU (bn)	0.81	0.78	0.66	3%	21%
Pay-TV Subs (K)	497	502	519	-1%	-4%
Cable Broadband Subs (K) ¹	311	308	301	1%	3%
DTV Subs (K)	295	296	300	0%	-2%

CATV ARPU (NT\$)	2Q24	1Q24	2Q23	QoQ	YoY
Pay-TV	499	498	499	0%	0%
Broadband	627	617	567	2%	11%
Blended ¹	888	874	826	2%	8%

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

Telecom

Taiwan Mobile and Taiwan Star's merger was effective on December 1, 2023. In 2Q24, mobile service revenue jumped by 26% YoY, on the back of 1) revenue contribution from T Star, 2) a 6.3% YoY ARPU increase in TWM's existing smartphone postpaid users, and 3) strong momentum in roaming and gaming-related revenues.

Continued 5G conversion (38% of smartphone postpaid user base as of 2Q24) and benign 4G pricing environment continued to provide tailwinds to our smartphone postpaid ARPU. For contract renewals in 2Q24, we saw a steady 8% overall uplift in monthly tariffs, with a 47% boost in 4G to 5G renewals. On a QoQ basis, ARPU and mobile service revenue rose slightly.

Our unique bundles, such as momobile and Double Play helped with upsell and bode well for customer stickiness. Postpaid monthly churn rate remained at only 0.7% in 2Q24, reflecting a rational competitive environment and the effective promotion of our bundles.

On the enterprise side, information security, IoT and ICT services stood out and delivered strong YoY growths in 2Q24.

momo

momo's revenue growth decelerated to 2% YoY in 2Q24 amid lukewarm demand for online shopping vs. services and leisure activities. Other than its existing B2C 1P business, momo will also scale up its 3P, advertising and live commerce businesses.

Cable TV

The 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 3% YoY 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 46% YoY.

II. EBITDA Analysis

Table 2. EBITDA Breakdown

NT\$bn	2Q24	1Q24	2Q23	QoQ	YoY
EBITDA	10.59	10.59	8.91	0%	19%
- Telecom	8.35	8.18	6.75	2%	24%
- momo	1.26	1.46	1.29	-13%	-2%
- CATV	0.79	0.78	0.75	0%	4%

NT\$bn	2Q24	1Q24	2Q23	QoQ	YoY
D&A	5.64	5.93	4.43	-5%	27%
- Telecom	5.02	5.29	3.89	-5%	29%
- momo	0.34	0.34	0.29	-1%	16%
- CATV	0.20	0.20	0.20	1%	4%

NT\$bn	2Q24	1Q24	2Q23	QoQ	YoY
EBIT	4.95	4.66	4.48	6%	11%
- Telecom	3.33	2.90	2.85	15%	17%
- momo	0.92	1.12	1.00	-17%	-8%
- CATV	0.58	0.58	0.56	0%	5%

EBITDA Analysis

Underpinned by a larger scale and merger synergies from faster-than-expected network integration, telecom EBITDA and EBIT grew by 24% and 17% respectively in 2Q24.

momo's EBITDA margin fell slightly in 2Q24 mainly due to lower take rates amid softer demand.

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

D&A Analysis

In 2Q24, the inclusion of T Star's PP&E, spectrum holdings and site rentals led to a YoY hike in telecom D&A. Thanks to faster-than-expected consolidation of T Star's base stations, telecom D&A fell 5% QoQ, as we saved on depreciation expenses (i.e. legacy equipment depreciation and base station rental expenses). As a result, telecom EBIT increased 15% QoQ in 2Q24.

Table 3. Non-operating Items

NT\$bn	2Q24	1Q24	2Q23	QoQ	YoY
Non-Operating Revenue (Expense)	(0.39)	(0.33)	(0.14)	18%	189%
- Net Interest Expense	(0.26)	(0.28)	(0.16)	-10%	60%
- Write-off Loss	(0.08)	(0.13)	(0.02)	-40%	264%
- Other Revenue (Expense)	(0.06)	0.08	0.05	nm	nm

Non-Operating Item Analysis

The YoY surge in non-operating expenses was driven by 1) higher financing costs from inheriting and refinancing T Star's debt, and 2) equipment write-offs from network consolidation, which already peaked in 1Q24 thanks to our consolidation efforts.

III. Income Statement Analysis

Table 4. 2Q24 Consolidated Results

NT\$b	2Q24	QoQ	YoY
Revenue	47.74	-1%	10%
Cash Cost & Expense	(37.16)	-1%	7%
Operating Income	4.95	6%	11%
Non-op. Income (Expense)	(0.39)	18%	189%
Pre-tax Income	4.56	5%	5%
Net Income	3.23	9%	7%
EPS (NT\$)	1.07	9%	-1%
EBITDA	10.59	0%	19%

Income Statement Analysis

2Q24

Consolidated revenue and EBITDA recorded 10% and 19% YoY growths respectively, mainly driven by the merger with T Star. Thanks to synergies from ahead-of-schedule network consolidation, telecom operating income growth accelerated to 17% YoY. As a result, consolidated operating income reached a new high since 1Q17, with an 11% YoY increase.

Table 5. 1H24 Consolidated Results

NT\$b	1H24	1H23	YoY
Revenue	96.02	86.56	11%
Cash Cost & Expense	(74.85)	(68.97)	9%
Operating Income	9.61	8.77	10%
Non-op. Income (Expense)	(0.73)	(0.36)	99%
Pre-tax Income	8.88	8.41	6%
Net Income	6.20	5.75	8%
EPS (NT\$)	2.05	2.04	0%
EBITDA	21.17	17.59	20%

1H24

Bolstered by the merger with T Star and related synergies, consolidated revenue, EBITDA and operating income all saw double-digit YoY growths. Even with higher non-op expenses and dilution from new share issuance to T Star shareholders, EPS increased slightly YoY.

IV. Cash Flow Analysis

Table 6. Cash Flow

NT\$bn	2Q24	1Q24	2Q23
Operating	8.43	10.32	8.71
Pre-tax Income	4.56	4.32	4.34
Non-cash Add-backs	6.18	6.49	4.81
--Depreciation ¹	2.58	2.65	2.18
--Amortization	1.66	1.69	1.20
--Others ¹	1.95	2.16	1.43
Changes in Working Capital & Income Taxes	(2.52)	(0.68)	(0.44)
Others	0.21	0.18	0.00
Investing	(3.16)	(2.85)	(2.06)
Capex ²	(2.63)	(2.77)	(2.12)
Divestment (Acquisition)	(0.78)	(0.02)	(0.23)
Other Financial Assets (Increase)	0.05	(0.02)	0.04
Refundable Deposits (Increase)	0.05	(0.01)	0.04
Others	0.16	(0.04)	0.22
Financing	(3.99)	(6.75)	(9.67)
Short-term Borrowings	(2.09)	(6.74)	(6.82)
Proceeds from Issuance of Bonds	0.00	0.00	6.49
Long-term Bank Loan	(0.10)	1.96	(0.05)
Repayment of The Principal Portion of Lease Liabilities ³	(1.28)	(1.54)	(1.04)
Dividends Payments	(0.06)	0.00	(1.84)
Repayments of Bonds Payable	0.00	0.00	(6.00)
Interest (Payment) & Others	(0.46)	(0.43)	(0.42)
Net Cash Position Chg.	1.29	0.71	(3.03)

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	2Q24	1Q24	2Q23
Cash Capex	2.63	2.77	2.12
- Mobile	1.76	1.78	1.40
- Fixed-line	0.30	0.30	0.31
- Cable	0.22	0.19	0.17
- momo & others	0.35	0.49	0.24
% of Revenue	5%	6%	5%
Free Cash Flow¹	4.49	5.96	5.52

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

Cash Flow Analysis

2Q24

Cash earnings rose by 17% YoY, thanks to telecom EBITDA growth, which was mainly attributed to both the merger with T Star and steady growth of TWM's existing telecom business.

The slight decline in 2Q24 operating cash flow was due to changes in working capital, as inventory faced a low base in 2Q23 amid iPhone supply tightness. However, 1H24 operating cash flow still increased by 39% YoY.

Investing cash outflow mainly reflected capex associated with network consolidation post T Star acquisition and an investment in Fubon Green Power.

In 2Q24, financing cash outflow declined 59% YoY, due to a high base of repayments in 2Q23. Cash outflow from dividend payments also decreased YoY due to the timing difference in momo's cash dividend distribution (3Q in 2024 vs. 2Q in 2023).

Capex and Free Cash Flow Analysis

2Q24 cash capex increased YoY due to the network consolidation and momo's logistics capacity expansions.

With higher cash capex, free cash flow for 2Q24 came in at NT\$4.49bn, translating into an annualized FCF yield of 5.5%. However, 1H24 FCF still increased compared to the same period in 2023.

V. Balance Sheet Analysis

Table 8. Balance Sheet

NT\$bn	2Q24	1Q24	2Q23
Total Assets	240.52	239.02	186.39
Current Assets	44.71	42.98	36.29
- Cash & Cash Equivalents	15.24	13.96	11.23
- Receivable & Contract Assets	20.07	19.77	16.56
- Inventories	6.71	6.52	6.63
- Short-term Investment	0.28	0.28	0.25
- Other Current Assets	2.41	2.45	1.61
Non-current Assets	195.81	196.04	150.11
- Long-term Investment	10.25	9.54	8.38
- Property and Equipment	53.25	52.09	46.54
- Right-of-use Assets	11.69	12.82	9.72
- Concession	69.29	70.77	54.02
- Other Non-current & Contract Assets	51.33	50.83	31.44
Liabilities	154.88	142.03	120.51
Current Liabilities	96.84	72.32	63.15
- ST Borrowings	42.81	33.80	18.55
- Accounts & Notes Payable	14.29	13.68	12.87
- Current Lease Liabilities	4.38	5.08	3.64
- Other Current Liabilities	35.36	19.76	28.10
Non-current Liabilities	58.04	69.71	57.36
- Long-term Borrowings	43.37	54.56	44.66
- Non-current Lease Liabilities	7.49	7.79	6.08
- Other Non-current Liabilities	7.19	7.36	6.61
Shareholders' Equity	85.64	97.00	65.89
-Paid-in Capital	37.23	37.23	35.19
-Capital Surplus	29.32	31.33	13.11
-Legal Reserve	34.72	33.50	33.50
-Treasury Shares	(29.72)	(29.72)	(29.72)
-Un-appropriated Earnings	0.00	0.00	0.00
-Non-controlling Interest	7.57	9.16	7.49
-Retained Earnings & Others ¹	6.52	15.49	6.32

1: Including YTD profits and other equity items

Table 9. Ratios

	2Q24	1Q24	2Q23
Current Ratio	46%	59%	57%
Interest Coverage (x)	15.5	15.2	21.8
Net Debt (Cash) to Equity	83%	77%	79%
Net Debt (Cash) to EBITDA (x)	1.69	1.80	1.47
ROE (annualized)¹	14%	12%	17%
ROA (annualized)²	6%	5%	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

Both long and short-term contract assets rose YoY, driven by higher monthly fee contributions from our mobile bundle plans and the growth in postpaid subscribers, including T Star users.

Long-term investment climbed QoQ and YoY due to the ESG-related investment in Fubon Green Power this quarter and KKCompany in 4Q23, respectively.

PP&E increased YoY primarily from the acquisition of mobile equipment from T Star and momo's distribution center.

The QoQ decline in right-of-use assets was mainly driven by the consolidation of T Star's base stations.

Liabilities & Shareholders' Equity

Gross debt increased YoY to NT\$86.2bn primarily due to inheriting T Star's borrowings but decreased QoQ as we paid down some bank borrowings.

In 2Q24, shareholder's equity fell QoQ following AGM's approval of dividends, which became a dividend payable in other current liabilities. Dividend payable increased YoY mainly on the back of new share issuance and an unchanged dividend per share of NT\$4.30.

Ratio Analysis

The decrease in the current ratio was due to the conversion of long-term bonds nearing maturity into current liabilities. Benefiting from the incremental EBITDA, Net Debt to EBITDA fell sequentially to 1.69x in 2Q24.

VI. Management Remarks

Key Message

Taiwan Mobile delivered exceptional top-line and EBITDA performance in our core telecom business during the first half of 2024, driven by robust organic growth and seamless post-merger integration.

Building on this success, we are confident in our ability to unlock the full potential of the merger, introducing innovative products and services tailored to our broader customer base. Through this strategic approach, we will strive to further accelerate our growth trajectory in the years to come.

Awards and ESG Recognitions

- *Institutional Investor* announced its “2024 Asia (ex-Japan) Executive Team rankings.”
 - In the Overall Asia rankings, TWM was the only Taiwanese telecom company to obtain the “Most Honored Company” status in this highly competitive region. We also received top rankings in the telecom sector for Best CEO, Best CFO and Best ESG, while placing highly in the Best IR team and Best Board of Directors categories for two consecutive years.
 - In the Rest of Asia (ex-China) region, Taiwan Mobile has been rated as the #1 telecom company for 3 consecutive years. We are also honored to have received first place rankings for the categories of Best CEO, Best CFO, Best IR program, Best Board of Directors, and Best ESG in the telecom sector.
- Honored as one of the 8 listed companies to achieve a top 5% ranking in the “Corporate Governance Evaluation” by the Taiwan Stock Exchange and Taipei Exchange for 10 consecutive years.
- Selected for *Global Views Monthly Magazine’s* 2024 ESG Awards “Annual Honor Roll” for the 3rd consecutive year; won 1st place in the “Social Innovation” and “Charity Initiative” categories and received a “Model Award” in the “Education Promotion” category. Won 14 first prizes since

the establishment of the awards, leading among Taiwanese telcos.

- Selected as a constituent of the Taiwan Sustainability Index for the 7th consecutive year.