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**Topics in This Report**

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IR contact:

Shirley Chu  
Senior Director  
Investor Relations  
shirleychu@taiwanmobile.com

Rosie Yu  
CFO  
rosieyu@taiwanmobile.com

13F, No. 88, Yan Chang Rd.,  
Taipei City 110, Taiwan, ROC  
Tel: 8862 6636 3159

ir@taiwanmobile.com  
<http://www.taiwanmobile.com>

| NT\$bn                       | <u>TWM Consolidated</u> |             |             |            |            |
|------------------------------|-------------------------|-------------|-------------|------------|------------|
|                              | <u>2Q15</u>             | <u>1Q15</u> | <u>2Q14</u> | <u>QoQ</u> | <u>YoY</u> |
| Revenue                      | 28.33                   | 29.72       | 26.94       | -5%        | 5%         |
| EBITDA                       | 8.31                    | 7.59        | 8.16        | 9%         | 2%         |
| Operating Income             | 4.95                    | 4.34        | 5.39        | 14%        | -8%        |
| Non-op. Income (Expense)     | (0.12)                  | (0.19)      | (0.20)      | -40%       | -41%       |
| Pre-tax Income               | 4.83                    | 4.15        | 5.19        | 17%        | -7%        |
| (Income Tax)                 | (0.76)                  | (0.21)      | (0.89)      | 261%       | -14%       |
| (Minority Interest & others) | (0.12)                  | (0.12)      | (0.17)      | -1%        | -29%       |
| Net Income                   | 3.95                    | 3.81        | 4.14        | 4%         | -5%        |
| EPS (NT\$)                   | 1.45                    | 1.40        | 1.54        | 4%         | -6%        |

Highlights of Operating Results
**2Q15**

Overall speaking, 2Q15 consolidated revenue increased by 5% YoY credited to revenue rises in all business lines, namely telecom, CATV and retail.

The 4G service take-up rate reached 29% of the postpaid installed base as of the end of 2Q15. In the view that 4G postpaid ARPU was 1.7x company's postpaid ARPU, a rising 4G postpaid subscriber number helped our mobile service revenue grow by 2% YoY in 2Q15, up from 0.2% a quarter ago, on the like-for-like basis with peers.

In contrast to a 2% YoY drop in 1Q15, 2Q consolidated EBITDA rose 2% YoY, aided by expanding EBITDAs in the telecom and CATV segments.

**1H15**

The continuous push on levelling up 4G penetration rate has paid off. Year to June, the consolidated EBITDA has caught up to the same level as it was prior to the 4G launch a year ago. 1H15 net income reached 56% of our full-year target.

2.6GHz Spectrum Auction

NCC scheduled a 2.5 / 2.6GHz spectrum auction in mid-to-late October 2015 to release a total bandwidth of 190MHz split into four paired and two unpaired spectrum blocks with an aggregate reserve price of NT\$14.4bn. TWM's board today (July 30, 2015) resolved to participate in the aforementioned auction.

THSR to Buy Back Its Preferred Shares

Taiwan High Speed Rail (THSR) announced on July 6, 2015 to buy back and cancel its issued preferred shares. Accordingly, TCC Investment, TWM's 100%-owned subsidiary, expects to receive NT\$500mn from its investment in THSR at cost.

Key Message

Deeper 4G penetration has enabled us to record a historical high postpaid ARPU and consolidated EBITDA. Should tiered-pricing be implemented, it will pave the way for a brighter industry outlook. We expect the growth momentum to continue and endeavor to deliver stronger shareholder value.

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## I. Revenue Analysis

**Table 1. Key Operational Data**

| Revenue (NT\$bn)          | 2Q15         | 1Q15         | 2Q14         | QoQ        | YoY        |
|---------------------------|--------------|--------------|--------------|------------|------------|
| <b>Telecom</b>            | <b>20.48</b> | <b>21.81</b> | <b>19.73</b> | <b>-6%</b> | <b>4%</b>  |
| Mobile Service            | 13.61        | 13.35        | 13.50        | 2%         | 1%         |
| Device Sales              | 5.07         | 6.74         | 4.46         | -25%       | 14%        |
| Fixed-line                | 0.81         | 0.80         | 0.84         | 2%         | -4%        |
| IDD/ISR/Others            | 0.99         | 0.93         | 0.94         | 7%         | 6%         |
| <b>CATV</b>               | <b>1.63</b>  | <b>1.62</b>  | <b>1.58</b>  | <b>0%</b>  | <b>3%</b>  |
| - Pay-TV related          | 1.12         | 1.11         | 1.09         | 0%         | 2%         |
| - Broadband               | 0.32         | 0.32         | 0.30         | 1%         | 5%         |
| - Content & others        | 0.19         | 0.19         | 0.18         | -1%        | 4%         |
| <b>momo</b>               | <b>6.20</b>  | <b>6.26</b>  | <b>5.62</b>  | <b>-1%</b> | <b>10%</b> |
| - Online shopping         | 4.10         | 4.07         | 3.52         | 1%         | 16%        |
| - TV shopping & others    | 2.10         | 2.19         | 2.10         | -4%        | 0%         |
| <b>Others<sup>1</sup></b> | <b>0.14</b>  | <b>0.14</b>  | <b>0.11</b>  | <b>4%</b>  | <b>31%</b> |

Note 1: Other revenue primarily consists of rental income related to leases on commercial space owned by our 49.9%-held Taipei New Horizon Co., Ltd., which became a consolidated entity on Feb 21, 2014.

|                               | 2Q15         | 1Q15         | 2Q14         | QoQ       | YoY         |
|-------------------------------|--------------|--------------|--------------|-----------|-------------|
| <b>Mobile Subscribers (K)</b> | <b>7,426</b> | <b>7,370</b> | <b>7,413</b> | <b>1%</b> | <b>0%</b>   |
| - Postpaid                    | 6,001        | 6,012        | 6,091        | 0%        | -1%         |
| <b>Monthly Churn</b>          | <b>2.1%</b>  | <b>2.6%</b>  | <b>1.8%</b>  |           |             |
| - Postpaid                    | 1.5%         | 1.7%         | 1.5%         |           |             |
| <b>MOU (bn)</b>               | <b>2.86</b>  | <b>2.76</b>  | <b>3.18</b>  | <b>3%</b> | <b>-10%</b> |
| <b>Pay-TV Subs (K)</b>        | <b>590</b>   | <b>589</b>   | <b>586</b>   | <b>0%</b> | <b>1%</b>   |
| Cable Broadband Subs (K)      | 195          | 193          | 185          | 1%        | 6%          |
| DTV Subs (K)                  | 185          | 180          | 152          | 3%        | 22%         |

| ARPU (NT\$)                      | 2Q15 | 1Q15 | 2Q14 | QoQ | YoY |
|----------------------------------|------|------|------|-----|-----|
| <b>Wireless (Residual Value)</b> |      |      |      |     |     |
| Postpaid                         | 861  | 835  | 838  | 3%  | 3%  |
| Blended                          | 739  | 724  | 731  | 2%  | 1%  |
| <b>Cable MSO</b>                 |      |      |      |     |     |
| Basic TV                         | 493  | 494  | 494  | 0%  | 0%  |
| Broadband                        | 545  | 545  | 546  | 0%  | 0%  |
| DTV                              | 133  | 133  | 133  | 0%  | 0%  |
| Blended <sup>1</sup>             | 812  | 810  | 796  | 0%  | 2%  |

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

### Telecom:

The 4G service take-up rate reached 29% of the postpaid installed base as of the end of 2Q15. In the view that 4G postpaid ARPU was 1.7x company's postpaid ARPU, rising 4G postpaid subscriber number helped mobile postpaid ARPU grow by 3% YoY in the quarter. This also accelerated our mobile service revenue YoY growth rate to 2% in 2Q15, up from 0.2% a quarter ago, on the like-for-like basis with peers.

Mobile MOU (minutes of use) decline in 2Q15 decelerated to 10%, aided by the voice roaming business.

Fixed-line revenue was negatively affected by a YoY drop in legacy voice business.

Device sales rose YoY due to a fast migration to 4G service, which boosted 4G bundled handsets sales. However, sales declined sequentially from 1Q15 as demand switched to lower-end phones.

### Cable:

Benefitting from continual increases in digital TV service adoption and organic growth in basic TV subscriptions, 2Q15 pay-TV related revenue was up by 2% from a year ago.

Broadband revenue maintained a mid-single digit YoY growth on the back of a steady increase in the cable internet subscriber base. We have been successful upselling our cable internet service, migrating customers from the mainstream speed of 24Mbps to 60Mbps. As a result, customer mix on the high-speed service, i.e. above 50Mbps, rose to 33% from only 22% a year ago. Furthermore, we launched the 300Mbps cable broadband service in 2Q15, the fastest speed offered by MSOs.

### momo

In 2Q15, momo derived around 66% of its revenue from the online shopping business which registered a healthy 16% YoY growth. The TV home shopping businesses in Taiwan and China remained lackluster.

## II. EBITDA Analysis

**Table 2. EBITDA Breakdown**

| NT\$bnn       | 2Q15         | 1Q15         | 2Q14         | QoQ         | YoY          |
|---------------|--------------|--------------|--------------|-------------|--------------|
| <b>EBITDA</b> | <b>8.31</b>  | <b>7.59</b>  | <b>8.16</b>  | <b>9%</b>   | <b>2%</b>    |
| - Telecom     | 7.05         | 6.33         | 6.85         | 11%         | 3%           |
| - CATV        | 0.89         | 0.89         | 0.86         | 1%          | 4%           |
| - momo        | 0.30         | 0.33         | 0.40         | -7%         | -24%         |
| - others      | 0.05         | 0.05         | 0.06         | 8%          | -9%          |
| <b>Margin</b> | <b>29.3%</b> | <b>25.6%</b> | <b>30.3%</b> | <b>3.8%</b> | <b>-1.0%</b> |
| - Telecom     | 34.4%        | 29.0%        | 34.7%        | 5.4ppts     | -0.3ppts     |
| - CATV        | 54.9%        | 54.7%        | 54.3%        | 0.2ppts     | 0.6ppts      |
| - momo        | 4.9%         | 5.2%         | 7.1%         | -0.3ppts    | -2.2ppts     |
| - others      | 37.3%        | 35.8%        | 53.9%        | 1.5ppts     | -16.6ppts    |

|                |             |             |             |            |            |
|----------------|-------------|-------------|-------------|------------|------------|
| <b>D&amp;A</b> | <b>3.36</b> | <b>3.25</b> | <b>2.77</b> | <b>3%</b>  | <b>21%</b> |
| - Telecom      | 3.01        | 2.90        | 2.46        | 4%         | 22%        |
| - CATV         | 0.23        | 0.23        | 0.20        | 1%         | 18%        |
| - momo         | 0.03        | 0.03        | 0.03        | 2%         | 5%         |
| - others       | 0.05        | 0.05        | 0.04        | 4%         | 32%        |
| <b>EBIT</b>    | <b>4.95</b> | <b>4.34</b> | <b>5.39</b> | <b>14%</b> | <b>-8%</b> |
| - Telecom      | 4.04        | 3.42        | 4.39        | 18%        | -8%        |
| - CATV         | 0.66        | 0.66        | 0.66        | 1%         | 0%         |
| - momo         | 0.27        | 0.29        | 0.37        | -8%        | -26%       |
| - others       | 0.00        | (0.00)      | 0.02        | NM         | -96%       |

Note: The combined total of telecom, CATV, momo and others does not equal the consolidated total of each account due to minor adjustments and eliminations.

**Table 3. Non-operating Item**

| NT\$bnn                  | 2Q15          | 1Q15          | 2Q14          | QoQ         | YoY         |
|--------------------------|---------------|---------------|---------------|-------------|-------------|
| <b>Non-Operating</b>     | <b>(0.12)</b> | <b>(0.19)</b> | <b>(0.20)</b> | <b>-40%</b> | <b>-41%</b> |
| -Net Interest Expense    | (0.14)        | (0.14)        | (0.12)        | -4%         | 14%         |
| - Write-off Loss         | (0.04)        | (0.04)        | (0.09)        | 18%         | -50%        |
| -Other revenue (Expense) | 0.06          | (0.02)        | 0.01          | NM          | 6.8x        |

### EBITDA Analysis

The YoY change in telecom EBITDA turned positive to 3% in 2Q15 from -4% in 1Q15, continuously benefitting from accelerated mobile service revenue growth and better operating leverage.

Rising revenues in HBG's broadband and DTV businesses coupled with effective cost controls supported a YoY increase to its EBITDA in 2Q15.

momo's EBITDA margin contraction in 2Q15 was due to 1) higher start-up cost associated with its new B2B2C business, 2) higher channel costs for its TV home shopping business and 3) lower revenue mix from its higher-margin TV home shopping business.

### D&A Analysis

In 2Q15, despite a continuous drop in 2/3G D&A, telecom D&A expense still increased YoY as a reflection of an expanding 4G network rollout and the amortization of the 4G spectrum, which started since June and September of 2014 for the 700 frequency band and the 1800 frequency band, respectively. The QoQ increase mainly resulted from the deployment of more 4G spectrum for LTE services.

An increase in CATV D&A expense was due to a rising depreciation expense from a growing installed base for the digital set-top-boxes.

### Non-Operating Item Analysis

The YoY decrease in non-operating expense was mainly credited to lower asset write-off losses and a one-off gain from the disposal of an unused property in 2Q15.

Compared to a quarter ago, momo booked higher equity investment income from Thailand and China in 2Q15.

### III. Income Statement Analysis

**Table 4. 2Q15 Consolidated Results vs. Forecast**

| NT\$b                    | 2Q15         | QoQ        | YoY        | % of 2Q15 Forecast |
|--------------------------|--------------|------------|------------|--------------------|
| <b>Revenue</b>           | <b>28.33</b> | <b>-5%</b> | <b>5%</b>  | <b>93%</b>         |
| <b>Operating Cost</b>    | <b>19.06</b> | <b>-9%</b> | <b>10%</b> | <b>91%</b>         |
| Operating Expense        | 4.32         | -2%        | 3%         | 90%                |
| <b>Operating Income</b>  | <b>4.95</b>  | <b>14%</b> | <b>-8%</b> | <b>102%</b>        |
| Non-op. Income (Expense) | (0.12)       | -40%       | -41%       | 17%                |
| Pre-tax Income           | 4.83         | 17%        | -7%        | 116%               |
| <b>Net Income</b>        | <b>3.95</b>  | <b>4%</b>  | <b>-5%</b> | <b>121%</b>        |
| EPS (NT\$)               | 1.45         | 4%         | -6%        | 124%               |
| <b>EBITDA</b>            | <b>8.31</b>  | <b>9%</b>  | <b>2%</b>  | <b>101%</b>        |
| EBITDA margin            | 29.3%        |            |            |                    |

**Table 5. 1H15 Consolidated Results vs. Forecast**

| NT\$b                    | 1H15         | YoY         | % of 2015 Forecast |
|--------------------------|--------------|-------------|--------------------|
| <b>Revenue</b>           | <b>58.04</b> | <b>6%</b>   | <b>46%</b>         |
| <b>Operating Cost</b>    | <b>40.04</b> | <b>13%</b>  | <b>46%</b>         |
| Operating Expense        | 8.72         | -1%         | 44%                |
| <b>Operating Income</b>  | <b>9.29</b>  | <b>-12%</b> | <b>49%</b>         |
| Non-op. Income (Expense) | (0.31)       | 35%         | 21%                |
| Pre-tax Income           | 8.98         | -13%        | 51%                |
| <b>Net Income</b>        | <b>7.76</b>  | <b>-6%</b>  | <b>56%</b>         |
| EPS (NT\$)               | 2.85         | -7%         | 56%                |
| <b>EBITDA</b>            | <b>15.91</b> | <b>0%</b>   | <b>48%</b>         |
| EBITDA margin            | 27.4%        |             |                    |

#### Income Statement Analysis

##### 2Q15

Compared to a quarter ago, device sales did not grow sequentially from 1Q15 as demand switched to lower-end phones. Mobile service revenue, on the other hand, registered a healthy QoQ increase. This, coupled with lesser handset subsidies in 2Q15, led to a 9% sequential increase in consolidated EBITDA.

On a YoY basis, 2Q15 consolidated revenue increased by 5% credited to revenue rises in all business lines, namely telecom, CATV and retail. In contrast to a 2% YoY drop in 1Q15, 2Q consolidated EBITDA rose 2% YoY, aided by expanding EBITDAs in the telecom and CATV segments.

We missed our revenue target due largely to lower-than-expected handset sales and retail revenue in the quarter. However, with strict expense discipline and lower-than-expected non-operating expenses, we still managed to beat our EBITDA and EPS targets by 1% and 21%, respectively, in 2Q15.

##### 1H15

The continuous push on levelling up 4G penetration rate has paid off. Year to June, the consolidated EBITDA has caught up to the same level as it was prior to the 4G launch a year ago. 1H15 net income reached 56% of our full-year target.

## IV. Cash Flow Analysis

**Table 6. Cash Flow**

| NT\$bn                                    | 2Q15          | 1Q15          | 2Q14          |
|-------------------------------------------|---------------|---------------|---------------|
| <b>Total Op Sources/(Uses)</b>            | <b>5.44</b>   | <b>5.38</b>   | <b>6.68</b>   |
| Pre-tax Income                            | 4.83          | 4.15          | 5.15          |
| Depreciation                              | 2.63          | 2.62          | 2.37          |
| Amortization                              | 0.73          | 0.63          | 0.40          |
| Changes in Working Capital                | (2.96)        | (2.29)        | (1.54)        |
| Asset Write-off Add-backs                 | 0.03          | 0.04          | 0.09          |
| Other Add-backs                           | 0.18          | 0.23          | 0.21          |
| <b>Net Investing Sources/(Uses)</b>       | <b>(2.30)</b> | <b>(6.68)</b> | <b>(4.79)</b> |
| Capex <sup>1</sup>                        | (3.57)        | (3.29)        | (4.78)        |
| 4G spectrum fee-(5HMz on 700Mhz)          | -             | (3.43)        | -             |
| Divestment (Acquisition)                  | (0.08)        | 0.00          | 0.04          |
| Other Financial Assets (Increase)         | 1.33          | 0.03          | (0.07)        |
| Cash from the consolidation of Subsidiary | 0.02          | 0.01          | 0.02          |
| Others                                    |               |               |               |
| <b>Net Financing Sources/(Uses)</b>       | <b>(2.56)</b> | <b>1.62</b>   | <b>(4.07)</b> |
| Short-Term Borrowings                     | (1.15)        | (5.10)        | (11.47)       |
| Commercial Paper Payable Increase         | (4.59)        | 6.39          | 0.80          |
| Long-Term Bank Loan                       | 4.02          | 0.45          | 7.00          |
| Dividends Paid to Minority Shareholders   | (0.67)        | -             | (0.22)        |
| Others                                    | (0.17)        | (0.11)        | (0.17)        |
| <b>Net Cash Position Chg.</b>             | <b>0.57</b>   | <b>0.31</b>   | <b>(2.18)</b> |

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

**Table 7. Capex & FCF**

| NT\$bn                | 2Q15        | 1Q15        | 2Q14        |
|-----------------------|-------------|-------------|-------------|
| <b>Cash Capex</b>     | <b>3.57</b> | <b>3.29</b> | <b>4.78</b> |
| - Mobile              | 2.47        | 2.33        | 2.02        |
| - Fixed-line          | 0.48        | 0.46        | 0.44        |
| - Cable MSO           | 0.16        | 0.25        | 0.14        |
| - momo & others       | 0.46        | 0.25        | 2.18        |
| <b>% of Revenue</b>   | <b>13%</b>  | <b>11%</b>  | <b>18%</b>  |
| <b>Free Cash Flow</b> | <b>1.87</b> | <b>2.09</b> | <b>1.90</b> |

### Cash Flow Analysis

In 2Q15, cash outflow of working capital increased QoQ and YoY mainly due to a corporate income tax payment made and more handset payable paid in the quarter, respectively. Nonetheless, the operating cash inflow rose sequentially bolstered by a higher cash earning.

The 2Q15 net investing cash outflow was mainly for a NT\$3.57bn cash capex. Other investment activities included 1) TFNM's investment of HK\$130mn in Media Asia Group Holdings Limited convertible notes and 2) momo's NT\$0.67bn investment of 20% stake in Global Home Shopping (Beijing). The source of funds came from 1) momo's liquidation of its time deposits & money market funds with a net proceed of NT\$2.3bn and 2) NT\$37mn in proceeds from TFN's sale of an unused property in the quarter.

On the financing front, we managed to pay down NT\$1.72bn in short-term debts in the quarter. Other financing cash outflows were largely the NT\$0.67bn dividends paid to momo's minority shareholders.

### Capex and Free Cash Flow Analysis

2Q cash capex came off from a year ago, due mainly to momo's spending in 2014 on its new warehousing and logistic center.

## V. Balance Sheet Analysis

**Table 8. Balance Sheet**

| NT\$bn                          | 2Q15          | 1Q15          | 2Q14          |
|---------------------------------|---------------|---------------|---------------|
| <b>Total Assets</b>             | <b>156.51</b> | <b>157.23</b> | <b>143.08</b> |
| Current Assets                  | 32.15         | 33.29         | 26.81         |
| - Cash & Cash Equivalents       | 8.79          | 8.22          | 6.00          |
| - Accounts Receivable           | 15.28         | 15.03         | 14.33         |
| - Inventories                   | 2.92          | 3.25          | 3.06          |
| - Short-Term Investment         | 1.70          | 2.22          | 0.98          |
| - Other Current Assets          | 3.46          | 4.57          | 2.44          |
| Non- current Assets             | 124.36        | 123.94        | 116.28        |
| - Long-Term Investment          | 5.18          | 4.77          | 2.57          |
| - Property and Equipment        | 48.05         | 47.18         | 45.27         |
| - Concession                    | 41.71         | 42.30         | 39.70         |
| - Other Non-current Assets      | 29.42         | 29.69         | 28.73         |
| <b>Liabilities</b>              | <b>98.53</b>  | <b>87.10</b>  | <b>89.72</b>  |
| Current Liabilities             | 69.51         | 56.12         | 55.39         |
| - ST Debt                       | 12.65         | 13.80         | 12.37         |
| - Commercial Paper Payable      | 7.39          | 11.98         | 1.30          |
| - LT Borrowings due in one year | 11.21         | 5.21          | 2.21          |
| - Other Current Liabilities     | 38.26         | 25.13         | 39.51         |
| Non-current Liabilities         | 29.02         | 30.98         | 34.33         |
| - Long-Term Borrowings          | 23.44         | 25.42         | 29.08         |
| - Other Non-current Liabilities | 5.58          | 5.55          | 5.25          |
| <b>Shareholders' Equity</b>     | <b>57.98</b>  | <b>70.13</b>  | <b>53.36</b>  |
| -Paid-in Capital                | 34.21         | 34.21         | 34.21         |
| -Capital Surplus                | 14.72         | 14.72         | 12.48         |
| -Legal Reserve                  | 23.04         | 21.54         | 21.54         |
| -Un-appropriated Earnings       | 2.77          | 4.83          | 4.83          |
| -Treasury Shares                | (29.72)       | (29.72)       | (31.08)       |
| -Non-controlling Interest       | 5.80          | 6.36          | 2.96          |
| -Retained Earnings & Others*    | 7.17          | 18.20         | 8.43          |

\* Including YTD profits and other equity items

**Table 9. Ratios**

|                                      | 2Q15 | 1Q15 | 2Q14 |
|--------------------------------------|------|------|------|
| <b>Current Ratio</b>                 | 46%  | 59%  | 48%  |
| <b>Interest Coverage (x)</b>         | 29.0 | 25.3 | 36.9 |
| <b>Net Debt (Cash) to Equity</b>     | 79%  | 69%  | 73%  |
| <b>Net Debt (Cash) to EBITDA (x)</b> | 1.40 | 1.47 | 1.22 |
| <b>ROE (annualized)</b>              | 30%  | 24%  | 33%  |
| <b>ROA (annualized)</b>              | 10%  | 10%  | 12%  |

### Assets

Cash balance increased QoQ due to a steady rise in operating cash inflows.

The QoQ decrease in short-term investment & other current assets was a function of 1) momo's redemption of a NT\$2.3bn time deposit & money market investment and 2) the reclassification of a NT\$0.5bn worth of Taiwan High Speed Rail Corporation (THSR) preferred shares from long-term investment into the short-term as the shares will be redeemed in 3Q15.

Long-term investment increased sequentially as a result of investments in Global Home Shopping (Beijing) and convertible notes of Media Asia Group Holdings Limited. Apart from the aforementioned, the YoY increase in long-term investment also arose from TWM's acquisition of a 14.9% stake in Ambit in 4Q14.

PP&E's increase mainly came from the continuous addition of 4G equipment.

The YoY increase in concession was due to TWM's purchase of the 5MHz spectrum from Ambit in 1Q15.

### Liabilities & Shareholders' Equity

Gross debt balance fell to NT\$54.7bn with a NT\$1.72bn repayment made in the quarter. But debt level increased by NT\$9.73bn from a year ago to finance TWM's recent purchase of additional 4G spectrum and equity investments.

The QoQ increase in other current liabilities was due to the \$15.2bn cash dividends payable which was paid on July 17, 2015.

### Ratio Analysis

Both interest coverage and net debt to EBITDA improved, due to a lower debt level in 2Q15. Separately, we are in the process of refinancing some of the short-term borrowings with mid-term debts. We expect current ratio to improve then.

ROE improved from 1Q15 on the back of our high dividend payouts.

## **VI. Management Remarks**

### Key Message

Deeper 4G penetration has enabled us to record a historical high postpaid ARPU and consolidated EBITDA. Should tiered-pricing be implemented, it will pave the way for a brighter industry outlook. We expect the growth momentum to continue and endeavor to deliver stronger shareholder value.

### 2.6GHz Spectrum Auction

NCC scheduled a 2.5 / 2.6GHz spectrum auction in mid-to-late October 2015 to release a total bandwidth of 190MHz split into four paired and two unpaired spectrum blocks with an aggregate reserve price of NT\$14.4bn. TWM's board today (July 30, 2015) resolved to participate in the aforementioned auction.

### THSR to Buy Back Its Preferred Shares

Taiwan High Speed Rail (THSR) announced on July 6, 2015 to buy back and cancel its issued preferred shares. Accordingly, TCC Investment, TWM's 100%-owned subsidiary, expects to receive NT\$500mn from its investment in THSR at cost.

### New Mobile Rate Plans

Launched two new 4G rate plans, 298 and 698, offering a respective fixed 1.5GB and 5GB data allowance per month plus the choice of one value-added service from online books, music, and videos, to target the lower-end segment.

### Awards and Recognition

- Ranked within top 5 percent of listed companies in the first Corporate Governance Evaluation conducted jointly by the Taiwan Stock Exchange and Taipei Exchange (GreTai Securities Market).
- Received the “Corporate Social Responsibility Award” in the category of service and telecom industries from Global Views Monthly, the sole recipient from the telecom field.