

Statements of Comprehensive Income Analysis

Consolidated statements of comprehensive income

Explanation of significant changes in the past two years' operating revenue, operating income and income before tax:

1. Increase in operating costs: Mainly due to an increase in COGS from growth in e-commerce and rising depreciation of 5G assets and amortization of 5G spectrum.
2. Decrease in non-operating expenses: Mainly due to a decrease in losses on disposal of property, plant and equipment.

2020 - 2021 Consolidated Statements of Comprehensive Income

Unit: NT\$'000, %

	2020	2021	YoY change	
			Amount	%
Operating revenue	132,860,984	156,109,533	23,248,549	17.50
Operating costs	101,415,248	124,734,936	23,319,688	22.99
Gross profit	31,445,736	31,374,597	(71,139)	(0.23)
Operating expenses	15,722,141	16,005,557	283,416	1.80
Operating income	16,056,160	16,053,041	(3,119)	(0.02)
Non-operating income (expenses)	(598,369)	(471,466)	126,903	(21.21)
Income before tax	15,457,791	15,581,575	123,784	0.80
Net income	12,393,778	12,825,209	431,431	3.48

Stand-alone statements of comprehensive income

Explanation of significant changes in the past two years' operating revenue, operating income and income before tax:

Decrease in operating income: Mainly due to rising depreciation of 5G assets and amortization of 5G spectrum.

2020 - 2021 Stand-alone Statements of Comprehensive Income

Unit: NT\$'000, %

	2020	2021	YoY change	
			Amount	%
Operating revenue	56,890,204	59,844,804	2,954,600	5.19
Operating costs	39,229,257	44,797,460	5,568,203	14.19
Net gross profit	17,661,456	15,047,344	(2,614,112)	(14.80)
Operating expenses	10,286,702	9,812,496	(474,206)	(4.61)
Operating income	7,598,398	5,820,790	(1,777,608)	(23.39)
Non-operating income (expenses)	5,043,606	5,849,627	806,021	15.98
Income before tax	12,642,004	11,670,417	(971,587)	(7.69)
Net income	11,286,553	10,988,165	(298,388)	(2.64)

Revenue outlook, key assumptions, potential impact on the Company's business and corresponding proposal:

As the peak of 5G network construction has passed, depreciation and amortization have gradually slowed. Increasing demand for 5G mid-range smartphones is expected to reduce the pressure on subsidies. After the National Communications Commission approves the merger of Taiwan Mobile and Taiwan Star, the Company should benefit from better economies of scale and increased revenue and profit.

Cash Flow Analysis

Consolidated cash flow analysis

1. Decrease in cash outflow from investment activities: Cash outflow decreased mainly due to the payment of 5G spectrum in 2020.
2. Decrease in cash inflow from financing activities: Cash inflow decreased mainly due to the issuance of bonds and an increase in short-term notes and bills payable in 2020.

2020 - 2021 Consolidated Cash Flow Statement

Unit: NT\$'000, %

	2020	2021	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	31,742,522	30,195,542	(1,546,980)	(4.87)
Cash inflow (outflow) from investment activities	(39,320,539)	(9,638,497)	29,682,042	(75.49)
Cash inflow (outflow) from financing activities	9,690,785	(15,932,014)	(25,622,799)	NM
Impact from changes in exchange rate	1,653	(797)	(2,450)	NM
Net cash increase (decrease)	2,114,421	4,624,234	2,509,813	118.70

Stand-alone cash flow analysis:

1. Decrease in cash inflow from operating activities: Cash inflow decreased mainly due to the increase in contract assets from business expansion.
2. Decrease in cash outflow from investment activities: Cash outflow decreased mainly due to the payment of 5G spectrum in 2020.
3. Decrease in cash inflow from financing activities: Cash inflow decreased mainly due to the issuance of bonds and increase in short-term notes and bills payable in 2020.

2020 - 2021 Stand-alone Cash Flow Statement

Unit: NT\$'000, %

	2020	2021	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	20,658,925	16,451,660	(4,207,265)	(20.37)
Cash inflow (outflow) from investment activities	(35,107,734)	783,540	35,891,274	NM
Cash inflow (outflow) from financing activities	14,718,248	(17,151,183)	(31,869,431)	NM
Net cash increase (decrease)	269,439	84,017	(185,422)	(68.82)

Plans to improve negative liquidity: Not applicable