

## **Analysis of Major Capex and its Impact on Finance and Operations**

With operating cash inflows, the Company funds its major capex with internally generated cash flows.

## **Investment Policies, Reasons for Profit/Loss, Plans for Improvement, and Future Investment Plan**

Taiwan Mobile focuses on making long-term and strategic investments. To become a leader in digital convergence, the Company has positioned itself as an "Internet Technology Company," with diverse investments in the telecom, internet, media & entertainment, and e-commerce industries.

In 2018, on a consolidated basis, TWM's investment income from long-term investments under the equity method amounted to NT\$27,128 thousand as the operations of said investments stabilized. For future investments, TWM will continue to make decisions based on prudent strategic assessments.

## **Risk Management**

### **Impact of inflation, interest and exchange rate fluctuations, and preventive measures:**

#### **1. Impact of interest rate fluctuations**

Interest rate fluctuations had a minimal impact on TWM's 2018 short-term bank borrowings, as interest rates remained low and stable. The Company has straight bond issuances and mid-term loan facilities with banks to lock in mid-to-long-term interest rates and minimize impacts from interest rate fluctuations.

#### **2. Impact of exchange rate fluctuations**

Only some of the Company's payments are denominated in euros and US dollars. To minimize the impact from foreign exchange rate fluctuations, the Company hedges risks through foreign exchange spot market transactions. Overall, exchange rate fluctuations had an insignificant impact on the Company.

#### **3. Impact of inflation**

Inflation had a minor impact on the Company's operating performance in 2018 up to the publication date in 2019.

### **Investment policy and reasons for gains & losses for high-risk/high-leverage financial products, derivatives, loans to others and guarantees of debts:**

1. The Company was not involved in any high-risk, high-leverage financial investment.
2. The Company passed the Rules and Procedures on Lending and Making Endorsement/Guarantees to supervise its financing and endorsement activities. As the counterparties in its loans and guarantees are all its subsidiaries, there is minimal operating risk.
3. Derivatives transaction: None.

### **Expected benefits and risks from mergers in 2018 up to publication date in 2019:** None.