Projected consolidated cash flow for 2025

1. Projected cash inflow from operating activities: Expected to remain relatively stable.

2. Projected cash outflow from investment activities: For capital expenditure.

3. Projected cash outflow from financing activities: For cash dividend distribution.

Projected Consolidated Cash Flow in 2025

Unit: NT$'000

Cash balance, beginning of the year (1)	Forecast net cash inflow from operations (2)	Forecast cash outflow from investment and financing activities (3)	Cash balance, end of the year (1) + (2) - (3)	Source of funding for negative cash balance	
				Cash inflow from investment activities	Cash inflow from financing activities
11,945,684	36,698,579	36,266,026	12,378,237	—	—

Source of Funding for Negative Cash Flow in 2025:

Not applicable.

Analysis of Major Capex and its Impact on Finance and Operations

The Company funds its major capex with internally generated cash flows.

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

Taiwan Mobile focuses on making long-term and strategic investments. The objective is to strengthen and diversify its core business and expand into new fields to create synergies.

In 2024, on a consolidated basis, TWM posted losses of NT$25.785 million from long-term investments under the equity method as most were still in their development stage. Going forward, TWM will continue to make prudent strategic investments.

Risk Management

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

1. Impact of interest rate fluctuations

The Company has mid-term loan facilities with financial institutions and mid-to-long-term straight bond issuances on partial current outstanding liabilities to lock in mid-to-long-term interest rates and minimize risks from interest rate fluctuations. Overall, interest rate fluctuations had an insignificant impact on the Company.

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 2024 up to February 28, 2025.

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 Endorsements/ 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. The Company did not engage in any derivatives transactions.

Future research and development plans

Project name	Objective
Intelligent assistant and post-call summary	Support real-time verbatim transcription of audio calls; automatically identify keywords to search for information and initiate follow-up work; and generate summaries and service classifications upon completion of calls.
AI customer service voicebot	Develop an advanced version of AI voice customer service to offer users high-quality, personalized self-service.
Smart debt collection notifier	Boost collection efficiency and reduce labor costs by using AI technology.
Digital Identity Verification(eKYC)	Enhance identity verification by integrating the Ministry of the Interior's database to support the dual authentication mechanism and expand their service applications.
Anti-fraud Service	Expand app's ability to detect fake social media posts by enhancing image recognition models, caller recognition and high-risk website identification, and encouraging the public to download and use it.
Telecom wisdom maximization (TWMax)	Develop a user-friendly user interface by deploying AI and large language models to facilitate product recommendations. This would help sales personnel better grasp user preferences and deliver accurate personalized recommendations, effectively promoting the company's diverse services and products to users.
GenAIus	Optimize functionalities and develop advanced features to improve response accuracy and address diverse applications.
Brand e-commerce service	Expand the service scope of partners and enhance operational efficiency and quality through AI technology.
MyCharge	Develop an energy management system to improve overall energy efficiency.
Virtual asset management system	Implement a virtual asset management system to achieve asset security control and enhance system compliance design.
OPBiz	Integrate services with Technology Customer Relationship Management platform and build up e-commerce platform.
M+/M+ Meet	Provide M+ desktop with VoIP, M+ PBX, M+ Lite Version; expand EIM / M+ meet function and on-premise product deployment options.

Project name	Objective
OPPay BNPL (Buy Now Pay Later)	Develop a QR code offline payment feature and expand usage scenarios; establish a discount voucher marketing mechanism to enhance collaboration between merchants and the platform by distributing coupons.
MyVideo	Support wearable devices and diverse TV platforms; deploy AI-powered transcoding to enhance streaming quality.
New messaging platform	Provide users with an integrated SMS and MMS sending interface, AI messaging mechanisms, and comprehensive data visualization features.
Smarter Home	Enhance Smart Home services using the Matter standard, integrating AI and third-party collaborations to offer diverse solutions for homes and communities.
momo personalized search and recommendation system	Leverage customer and product data, interactions and behavioral insights to create a personalized model to deliver customized search and recommendation services. This is to create a truly individual shopping experience by meeting customers' unique preferences, helping them discover products that they love faster and more efficiently.

Forecast research and development expenses

The projected research and development expense for 2025 is NT$ 936.990million.

Regulatory changes and developments

1. The 3G Cellular Network Decommissioning on June 30, 2024

(1) Status

To align with technological development trends, enhance the efficiency of frequency resource utilization, and promote environmental sustainability, the NCC approved the company's plan on April 8, 2024, to decommission the 3G cellular network by June 30, 2024. The NCC also required the company to implement the "Action Plan for Protecting User Rights in Response to the 3G Network Decommission" to safeguard user rights.

(2) Countermeasures

In accordance with the aforementioned action plan, the company utilized various communication channels to notify users about the 3G network shutdown. Simultaneously, it implemented diverse incentive programs to encourage users to upgrade their mobile phones or SIM cards. The company initiated the shutdown as scheduled, completed the process before June 30, 2024, and finalized the decommissioning of all 3G base stations by October 2024.

2. The NCC approves reduction of IP Peering fees of Chunghwa Telecom Co., Ltd. starting from April 1, 2024

(1) Status

The NCC announced the price adjustment coefficient to be applied to fixed communication services, which factors in changes in the consumer price index. Based on the price adjustment coefficient and the consumer price index, the NCC approved a reduction in the wholesale IP Peering prices for Chunghwa Telecom Co., Ltd. from NT$37/Mbps to NT$32/Mbps, starting on April 1, 2024, a decrease of approximately 13.5%, which should help lower the Company's internet interconnection costs.

(2) Countermeasures

The Company will continue to strengthen global internet service, provide diversified internet access routes, and ensure stable broadband internet access quality.

3. The NCC announced the "Regulations Governing the Use of Subscriber Numbers on Telecommunications Enterprises" on April 26, 2024

(1) Status

To combat telecommunications fraud, the NCC codified existing guidelines by enacting the "Regulations Governing Telecommunications Enterprises' Use of Subscriber Numbers." The regulations require operators to strengthen number management and customer risk management mechanisms. Entities engaged in the wholesale resale of subscriber numbers are mandated to register in accordance with the law. Mobile network operators collaborating with such entities must conduct pre-cooperation reviews, including verifying registration status and assessing the scope and intended use of services. Operators must also ensure the entities' capability to implement KYC mechanisms and perform periodic inspections. Non-compliance will result in monetary penalties.

(2) Countermeasures

The Company is committed to complying with the new regulations by enhancing identity verification and risk management mechanisms for both individual and corporate customers.

4. The Office of the President promulgated "Fraud Crime Hazard Prevention Act" on July 31, 2024

(1) Status

To prevent and combat fraud, the Legislative Yuan on July 12, 2024, passed the "Fraud Crime Hazard Prevention Act," which was promulgated by the Presidential Office on July 31, 2024. The Act imposes new obligations on telecommunications operators. When processing service applications, operators must interface with databases designated by the competent authority for identity verification. High-risk users are limited to applying for one phone number within three years. Additionally, operators must verify identity and entry status for specific international roaming and prepaid card services, as required by law, and conduct regular checks to ensure compliance. Non-compliance will lead to substantial penalties.

(2) Countermeasures

The company integrated the "165 Anti-Fraud Joint Risk Database" and the "Immigration Agency Database" on November 1, 2024. The company is committed to adhering to regulatory requirements and fulfilling its responsibilities in fraud prevention as a telecommunications operator.

5. The Office of the President announced amendments of "The Communication Security and Surveillance Act" on July 31, 2024

(1) Status

To combat crime, the Legislative Yuan on July 12, 2024, passed amendments to "The Communication Security and Surveillance Act," which were promulgated by the Presidential Office on July 31, 2024. The amendments include a definition for "internet traffic records," procedures for retrieving such records, and obligations for telecommunications operators to store and cooperate in retrieving the records.

(2) Countermeasures

The Company is committed to complying with the amended regulations by ensuring data retention and cooperating in the retrieval processes as required.

6. The NCC amends the "Guidelines for the Risk Management Mechanism in the Application and Provision of Telecommunication Services" on September 11, 2024

(1) Status

To enhance fraud prevention, the NCC established the "Guidelines for the Risk Management Mechanism in the Application and Provision of Telecommunication Services" on June 16, 2023, requiring operators to strengthen customer risk management mechanisms (KYC). Subsequently, the NCC revised the guidelines on September 11, 2024, in response to the "Regulations Governing the Use of Subscriber Numbers on Telecommunications Enterprises" and the "Fraud Crime Hazard Prevention Act." The revisions expanded the guidelines to encompass all telecommunications services and further enhanced KYC mechanisms.

(2) Countermeasures

The Company is committed to implementing the customer risk management mechanism in accordance with the revised guidelines and collaborating with the NCC and law enforcement agencies to jointly combat telecommunications fraud.

Technology changes and development

1.Mobile network

(1) Status

In view of rising geopolitical risks and emergency service needs in the face of natural disasters, the regulatory authority is actively promoting network resilience. Aside from utilizing non-terrestrial network (NTN) technologies to enhance network resilience, it is planning to release spectrums and modify relevant regulations to facilitate NTN applications to cope with future uncertainties.

With the continuous development of the AI industry and its expanding application scope, AI technologies are helping telecommunications companies improve network efficiency and user experience. Telecommunications enterprises also need to study how network infrastructure can support AI applications to enhance service quality for consumers using AI-related applications on mobile communication networks.

(2) Countermeasures

Integration of mobile communications and NTN technology:
TWM supports the regulatory authority's resilience program by utilizing medium Earth orbit (MEO) and low Earth orbit (LEO) satellites to serve as backup transmission circuits for mobile base stations. In November 2024, the Company successfully completed a conceptual proof-of-concept trial by using existing cellular phones to directly connect to Lynk's LEO satellites. The technology allows smartphones to connect to satellites using a mobile operator's existing frequency bands without having to change or replace their handsets or using satellite transceivers. This facilitates emergency communication in remote areas without mobile coverage or during mobile service disruptions, ensuring access to emergency services when traditional base station signals are unavailable.

Leveraging AI to enhance network efficiency and support user access to AI services via the network:
The Company has applied AI in network analysis and management encompassing various initiatives, such as deploying AI to analyze network data and user demands to plan a network infrastructure that aligns with the needs of the Company's users. Additionally, the Company uses historical patterns to forecast future demand, enabling adjustments to base station energy management and automated execution of energy-saving initiatives, thereby improving network operational efficiency. Simultaneously, the Company's technical teams conduct testing and quality monitoring of AI-related services on smartphone devices, dynamically optimizing the network to enhance the user experience of accessing AI services via mobile network. The Company is also planning network upgrades to accommodate potential increases in demand for future AI service applications.

2. Mobile voice services

(1) Status

From July 2024, telecommunications operators started shutting down 3G network services, while assisting users in migrating from 3G to 4G voice-over LTE (VoLTE) networks. This transition marked the arrival of a fully 4G service era. In response to this communication technology evolution, TWM has been continuously expanding and optimizing its VoLTE core networks to enhance users' experience.

(2) Countermeasures

With the proliferation of 4G voice services, the Company has adopted the following proactive measures:

Continuously expand VoLTE core network capacity and establish geographically redundant backup mechanisms to improve network reliability and resilience, thereby meeting the growing demand for VoLTE.

Focus on improving basic service coverage for voice and messaging in remote areas and indoor environments to ensure that users enjoy high-quality communication across various scenarios.

Refarm 3G spectrum to 4G/5G networks to provide users with superior mobile service quality and user experience.

Through these strategies, Taiwan Mobile is committed to delivering more premium and reliable mobile communication services to users in the new communication era.

3. ICT security risks

(1) Risks associated with changes in mobile broadband technology

As mobile technology evolves and 5G develops, ICT security threats, risks and impacts have become more complex and significant. With 5G services expanding the scope of users and applications and increasing the importance of information carried on the network, there are risks of leakage or improper use of private and personal data, such as digital footprints. Meanwhile, 5G's larger capacity to support more IoT devices also opens it to risks of devices being infected with a virus and attacking the system. Challenges to the resilience of the 5G system will increase from a personal level to the wider issue of information security of an enterprise, society and the nation.

In addition, as telecommunications services gradually move toward an open architecture, there is also the enhanced information security risk that software might generate.

(2) Countermeasures

In the face of these threats to information security, the Company has adopted a consistent all-round thinking, planning and deploying information security equipment, improving network strength, identifying possible types of threats, and taking corresponding protective and control measures through system implementation, standard operating procedures, personnel training and reinforcement. The Company has also maintained a prudent attitude toward new architecture, software and functions, and will not blindly pursue innovation and speed, but will carefully evaluate, verify and implement measures.

Impact of changes in brand image on the Company's risk management policies in 2024 up to the publication date in 2025:

No changes have been observed. The Company has consistently upheld strong corporate governance, actively optimized network communication quality and customer service, and leveraged its core operational capabilities to fulfill corporate sustainability. Over the years, these efforts have established a trustworthy image among consumers and investors. In 2024, TWM received numerous awards and recognitions (please refer to TMW's website: About Us/ Awards& Recognitions), which have significantly contributed to mitigating, controlling, and managing potential risks while maintaining the Company's favorable corporate image.

Expected benefits and risks from mergers in 2024 up to the publication date in 2025:

None.

Expected benefits and risks related to plant facility expansions in 2024 up to the publication date in 2025:

Not applicable as the Company is not a manufacturer.

Risks from supplier and buyer concentration in 2024 up to the publication date in 2025:

The Company has minimal risks from supplier and buyer concentration (please refer to Chapter 4).

Significant changes in shareholdings of directors and major shareholders in 2024 up to the publication date in 2025:

TFN Union Investment Co., Ltd., the major shareholder of TWM, was merged into Taiwan Fixed Network Co., Ltd. on November 1, 2024, which resulted in the transfer of 11.03% of the company's shares to Taiwan Fixed Network Co., Ltd. Since both companies are subsidiaries of TWM, this share transfer did not have any impact on the Company.

Changes in management controls in 2024 up to the publication date in 2025:

None.

Significant lawsuits and non-litigious matters in 2024 up to the publication date in 2025

1. The Company:

(1) Spectrum dispute between Far EasTone Telecommunications Co., Ltd. ("FET") and Taiwan Mobile ("the Company")

Parties Involved: FET is the plaintiff, and the Company is the defendant.

In August 2015, FET filed a civil complaint with the Taipei District Court ("District Court") demanding that the Company: (i) file an application to return the C4 spectrum block; (ii) stop using the C4 spectrum block; (iii) stop using the C1 spectrum block until its application for the return of the C4 spectrum block is approved by the NCC; and (iv) pay NT$1,005.800 million to FET as compensation.

In May 2016, the District Court ruled in favor of FET on claims (i), (ii) and (iii), and against FET on claim (iv). TWM and FET appealed these decisions to the High Court. The High Court dismissed TWM's appeal on claims (i), (ii) and (iii), and modified the judgment on claim (iv), ordering TWM to pay FET NT$765.779 million, as well as a 5% annual interest on NT$152.584 million of the aforementioned amount from September 5, 2015, until the payment date. TWM and FET appealed the rulings.

In May 2019, the Supreme Court dismissed the High Court's ruling in regard to FET's additional appeals, eliminated TWM's payment obligation, and remanded the case to the High Court. During the first retrial, TWM filed a counterclaim demanding FET pay NT$14.482 million, plus a 5% annual interest from the day after the counterclaim is served until the settlement date. In August 2020, the High Court ruled as follows: for the dismissed claim (iv), TWM must pay FET NT$242.154 million, plus a 5% annual interest on NT$142.685 million of the aforementioned amount from September 30, 2016, to the payment date, and a 5% annual interest on NT$99.469 million from July 21, 2017, to the payment date. The Company's counterclaim was denied. The Company and FET appealed the rulings. In June 2023, the Supreme Court dismissed the first retrial of the High Court and remanded the case to the High Court. The case is now in process at the second retrial of the High Court. In December 2024, the second retrial of the High Court ruled as follows: for the FET's claim (iv), TWM must pay FET NT$720.916 million, plus a 5% annual interest from September 5, 2015, to the payment date. The Company's counterclaim was denied. The Company and FET have respectively appealed the rulings. The case is now in process at the Supreme Court.

2. The Company's directors, general manager, executives, major shareholders hold more than 10 percent of the Company's shares:

None.

3. The Company's subsidiaries:

None.

Other major risks and countermeasures

In terms of information security and privacy protection, the telecommunications industry has a huge trove of personal data. If they are accidentally leaked, the Company could be held legally responsible, which could seriously damage its reputation.

Countermeasures:

TWM has implemented the ISO/IEC 27001 – Information Security Management System (ISMS) and the BS 10012, ISO/IEC 27701, 29100 – Personal Information Management System (PIMS). The Company's Cyber Security and Data Privacy Protection Committee reviews security and personal information protection policies on a quarterly basis and reports the results of ISMS and PIMS to the Board of Directors. The Company has also purchased cybersecurity insurance for advanced customer data protection. Furthermore, to ensure a four-dimensional protection of users' personal data and internal confidential data, the Company has implemented the following:

1. **Stopping external hackers:** Intrusion prevention, network segmentation, firewalls, web application firewalls, etc.
2. **Preventing internal leaks:** Conduct data leakage protection detection and strengthen gap reinforcement measures.
3. **System planning and development:** Incorporate system development security specifications and execute code scanning, etc.
4. **Operation and maintenance monitoring:** Establish an information security monitoring center, check and analyze system records, and report and track if abnormal conditions are found.

Other significant items:

None