

1.1.2 Operational Performance

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Sustainability Operation Goals and Financial Performance ▶▶

In recent years, Taipower has been actively strengthening its business constitution, implementing goal setting and performance management appraisals, and annually reviewing indicator items to meet its overall operating objectives. In 2022, 117 key performance indicators were set, and a total of 109 were completed. In 2023, 87 key performance indicators have been set as Taipower continuously improves.

In terms of financial performance, Taipower will maintain reasonable electricity rates and diversified management practices to achieve the multiple goals of a stable power supply, energy conservation, carbon reduction, and financial stability as it responds to changes in power generation and sales structures, fuel price volatility, and uncertainty in electricity rate adjustments. Taipower's financial performance from 2020 to 2022 was as follows.

Financial Performance from 2020 to 2022 ▶▶

Unit: NT\$ millions

| Year | Total assets | Operating revenue | Pre-tax profit (loss) | Equity |
|------|--------------|-------------------|-----------------------|---------|
| 2020 | 2,145,316 | 604,648 | 23,855 | 326,296 |
| 2021 | 2,205,847 | 620,970 | 22,348 | 350,932 |
| 2022 | 2,325,501 | 661,872 | (227,047) | 127,141 |

Note: 1. Taipower is a state-owned enterprise and, according to law, its final accounts are subject to review and certification by the National Audit Office. At the time of publication, the financial performance for 2022 has not been reviewed and certified by the Office and is thus reported according to the numbers resulting from audits by certified public accountants.

2. The numbers for 2021 have been reviewed and finalized. Following the completion of this process, there have been some changes to the disclosures made in the 2021 Sustainability Report.

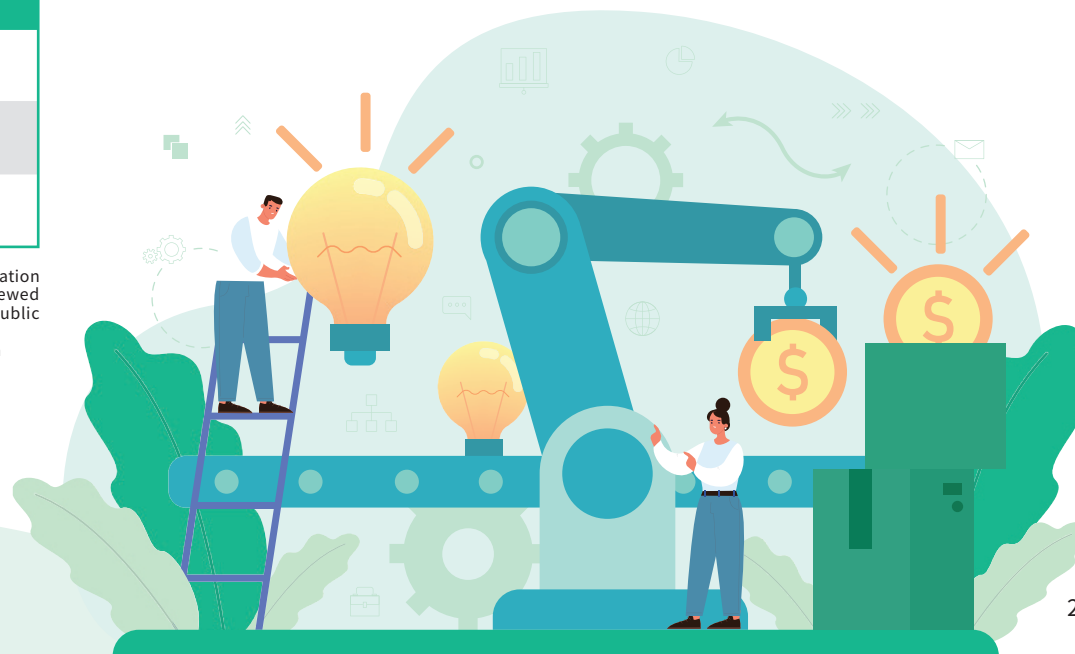
Long-term financial planning ▶▶

Seeking government capital increases or subsidies

Taipower is seeking to enhance the Company's net worth with sufficient internal funds so that its budget can be increased. Additionally, the Company is striving to secure sufficient government budget allocation so that investment can be made in essential construction projects. An extraordinary shareholders' meeting held on December 16, 2022, has already approved the cash capital increase and the issuance of new shares in 2023. The board of directors decided on March 17, 2023, to carry out a cash capital increase and issue new shares worth NT\$149.9 billion, with the record date set as March 31, 2023.

Diversify funding channels to reduce funding costs

The Company is working to increase its flexibility in utilizing various funding channels to achieve low-cost sources of capital and raise necessary funds in a timely manner. It is also working to seize opportunities to seek government assistance in providing project financing and infusions of funds, expanding funding sources, and reducing the funding pressure on Taipower.



Electricity Tariff Review Mechanisms ▶▶

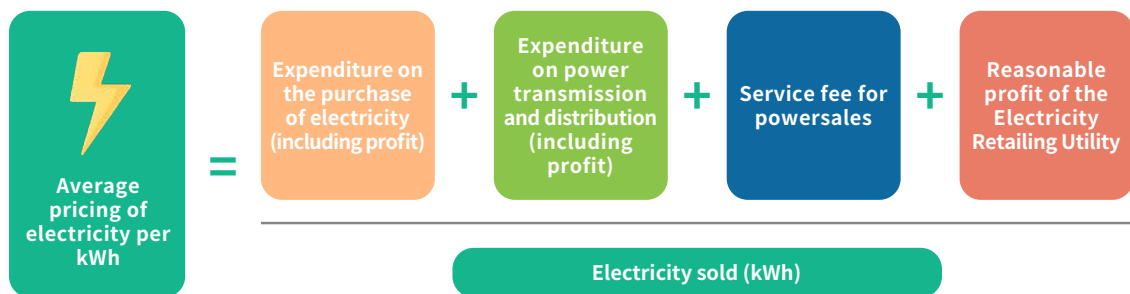
In accordance with Article 49 of the Electricity Act, the competent authority lays out calculation formulas and adjustment mechanisms for the electricity tariff. The current formulas were announced on November 6, 2017. According to the regulations, the electricity tariff is reviewed every six months. During the review process, Taipower may devise review plans for the electricity tariff, and adjust the tariff after obtaining approval from the Electricity Tariff Examination Council. The process allows electricity prices to immediately reflect international fuel price volatility. In principle, increases and decreases cannot exceed 3% in each adjustment. However, when the cost of the electricity supply continues to rise or fall sharply, the Electricity Tariff Examination Council may adjust the electricity tariffs based on the status of the electricity tariff stability reserve.

In March 2022, the Ministry of Economic Affairs held its first electricity tariff review meeting. In consideration of the need to closely monitor events surrounding the Russo-Ukrainian War, the decision on electricity price adjustment was temporarily postponed. Furthermore, the Ministry of Economic Affairs convened an interim meeting in June to discuss the electricity tariff rates. Due to the persistently high fuel prices and the need to have costs reflected in a timely manner to support the stability of the national power supply, it was decided to increase electricity prices for large electricity consumers. However, in an effort to stabilize living costs, electricity prices for residential consumers (up to 1,000 kWh), small shops, low-voltage users, six categories of high-voltage industrial users, and schools below the high school level will not be adjusted. The overall average increase in electricity prices was 8.4%, rising from 2.6253 NTD/kWh to 2.8458 NTD/kWh.

Following the aforementioned electricity price adjustment, the Ministry of Economic Affairs held its second electricity tariff review meeting in September. Although Taipower still faced pressures from fuel costs, significant domestic inflationary pressures and the price increase in July resulted in a decision to not to make any adjustments to the electricity prices during this review.

The portion of the electricity price that cannot reflect the costs will be advocated to the electricity price rate review committee for compensation from the electricity price stability reserve, and continuous efforts will be made to ensure a reasonable reflection of the electricity price.

The Electricity Retailing Utility Enterprises' formula for determining the electricity tariff is described below:



| The Average Prices of Residential, Industrial, and Commercial Electricity from 2020 to 2022 | | | |
|---|--------|--------|--------|
| Category of Power Consumption | 2020 | 2021 | 2022 |
| Residential | 2.5596 | 2.5110 | 2.5571 |
| Industrial | 2.4461 | 2.4592 | 2.6309 |
| Commercial | 3.1787 | 3.1861 | 3.2447 |
| Other | 2.6586 | 2.6353 | 2.8596 |

Note: Other refers to electricity consumption that occurs outside the three aforementioned items. It includes street lights, schools, government institutions, and other non-business electricity consumption

Affordable Clean Energy ▶▶

Taipower upholds its responsibility and mission to provide stable and affordable electricity services through continuous technological innovation and energy transformation. It is committed to reducing energy costs and environmental impact. Taiwan has both electricity prices that rank fourth lowest globally and has also maintained long-term stability in operations while ensuring high quality and reliability. Taipower actively develops emerging energy industries such as solar and wind power generation, promotes the transition to cleaner energy sources to protect the environment and improve people's quality of life. Additionally, Taipower actively promotes the development of green energy to achieve energy transformation and sustainable development goals.

A comparison of average electricity prices across countries in 2021 based on the latest statistical data released by the International Energy Agency (IEA) and Enerdata in 2022, along with electricity price data from neighboring countries in Asia ^(Note 1).

| Residential Electricity Prices | Rank | Country | NT\$/kWh |
|--------------------------------|------|-------------|----------|
| | 1 | Malaysia | 1.4852 |
| | 2 | China* | 2.2138 |
| | 3 | Mexico | 2.3539 |
| | 4 | Taiwan | 2.6365 |
| | 5 | Turkey | 2.7064 |
| | 6 | South Korea | 3.0389 |
| | 7 | Hungary | 3.3091 |
| | 8 | Canada | 3.4875 |
| | 9 | Thailand* | 3.5028 |
| | 10 | USA | 3.8457 |

| Industrial Electricity Prices | Rank | Country | NT\$/kWh |
|-------------------------------|------|-------------|----------|
| | 1 | USA | 2.0355 |
| | 2 | Malaysia | 2.2978 |
| | 3 | Finland | 2.3417 |
| | 4 | Taiwan | 2.5822 |
| | 5 | Canada | 2.5950 |
| | 6 | Hungary | 2.6334 |
| | 7 | South Korea | 2.6783 |
| | 8 | Turkey | 2.7048 |
| | 9 | China* | 2.7182 |
| | 10 | Norway | 2.7408 |

Note:

1. The figures listed were originally denominated in US dollars, and have been converted at an exchange rate of 1 US dollar = NT\$28.022 (the average exchange rate for 2021).

2. "*" indicates data for 2020.

3. The prices mentioned above are inclusive of taxes.

Diversified Management and Strategies ▶▶

In order to fulfill its responsibility for ensuring a stable power supply, Taipower needs to assess opportunities in emerging energy-related industries and follow global trends in energy transformation and net-zero carbon emissions. Drawing from the example of international power companies, Taipower has been actively promoting initiatives such as renewable energy development and smart energy management. Through company-wide meetings, Taipower is integrating internal and external advantages and resources to foster consensus on diversification strategies. It collects and evaluates information on the feasibility of diverse potential projects and regularly reviews its diversification strategies and short-, medium-, and long-term profit goals, and incorporates them into performance indicators for the responsible centers. Progress is tracked and controlled on a quarterly basis to ensure the Company's competitive strength and financial sustainability.

While adhering to its expansion strategy of "extending the core business in the electricity industry, enhancing asset revitalization, and venturing into derivative businesses," Taipower constantly faces challenges such as energy liberalization and organizational transformation. In addition to pursuing its goal of providing a stable power supply, Taipower is actively exploring opportunities for future business development. It aims not only for profitability but also to implement corporate social responsibility, support government-led industrial development, and ensure environmental sustainability. These aspects are evaluated through multiple dimensions and Taipower seeks to create a win-win situations for society and the Company through the integration of external resources in its pursuit of new business ventures.

At present, Taipower has successfully initiated intrapreneurship in areas such as power operations, nuclear techniques, maintenance, research and training, communications, real estate, cultural innovation, etc. It has also moved forward with reinvestment businesses such as coal and mine development, cogeneration, wind power training. The Company generated NT\$8.31 billion in income from these diversified activities in 2022. In view of the significant changes in the internal and external business environment, and to achieve national energy policy goals and ensure the sustainable development of the Company, Taipower will continue to develop new businesses based on four key aspects: government policies, operational strategies, financial stability, and corporate social responsibility. It will assess various investment opportunities in new energy or alternative fuel sources. The goal is to integrate its existing strengths with external resources and actively explore energy-related businesses in a more flexible and proactive manner.

The real estate revitalization achievements of Taipower's diversified business operations in 2022

Due to changes in power automation, transportation, and other economic factors, some of Taipower's real estate properties are no longer required for electricity-related purposes. To address this, Taipower established a cross-functional "Land Revitalization Project Team" led by the Company's General Manager. The team consists of representatives from various units such as New Business Development, Finance, Accounting, Construction, Power Supply, Transmission and Distribution Engineering, and Business Operations. The team conducts asset revitalization initiatives and invites relevant unit supervisors or executives to participate in meetings as needed. To enhance the effectiveness of asset revitalization, Taipower may invite real estate professionals from the government, industry, and academia to serve as advisory committee members and hold consultation meetings with the Chairman to gather recommendations.

The main tasks of the Land Revitalization Project Team include reviewing land planning and utilization cases, continuously promoting, supervising, and evaluating revitalization plans and investment attraction efforts. Currently, the focuses are on multi-purpose land use for substations in metropolitan areas, participation in joint ventures or urban renewal for idle land, and promoting land revitalization through bidding and setting land use rights for large areas, thereby increasing the Company's income. In 2022, the team conducted six project team meetings, including working group sessions.

| Diversified Business Income in The Past Three Years | | |
|---|-------------|-------------|
| 2020 | 2021 | 2022 |
| 1.6 billion | 3.1 billion | 8.3 billion |

Note: The significant growth in diversified income for the year 2022 is mainly attributed to the impact of a substantial increase in international coal prices (an average increase of 189%) on the investment in coal mining development. The total annual income for the year was NT\$7.1 billion, representing an increase of NT\$5.4 billion compared to the previous year's income of NT\$1.7 billion.

