

## Financial Information

In 2006, Taipower recorded 389.3 billion NTD in revenue, 385.2 billion NTD in operating expenses, 4.1 billion NTD in operating profit, 8.5 billion NTD in non-operating income, and 15.5 billion NTD in non-operating expenses, and registered a pre-tax loss of 2.9 billion NTD for the year as compared to 1.2 billion NTD of profit in 2005. The increase in loss by 4.1 billion NTD was attributed mainly to the continued escalation of international oil and gas prices. Whilst Taipower adjusted the price of electricity by 5.8% starting July 2006 and tried to save money and reduce loss, a deficit still occurred.

### Assets, Liabilities and Stockholder's Equity

Taipower's total assets were worth 1.4076 trillion NTD in 2006. Of these, fixed assets were worth 1.3197 trillion NTD accounting for 94% of total assets. Liabilities reached 849 billion NTD, 60% of total assets. Of these, long-term debts reached 653.3 billion NTD, 46% of total assets. Stockholder's equity was 558.6 billion NTD, 40% of total assets. Of this, capital stock was worth 330 billion NTD, 24% of total assets.

### Simplified Income Statement (Most recent 3 years)

Unit: New Taiwan Dollars in Thousands

Item	2004	2005	2006
Operating Revenue	349,816,104	366,587,773	389,264,170
Gross Profit	33,226,697	20,350,350	14,228,757
Operating Income	22,703,655	10,072,176	4,107,694
Non-operating Income and Gains	5,298,424	6,384,733	8,478,035
Non-operating Expenses and Losses	19,534,597	15,230,868	15,479,540
Profit before income tax from continuing operations (Losses -)	8,467,482	1,226,041	-2,893,811
Profit after income tax from continuing operations (Losses -)	7,095,074	2,154,347	-355,519
Cumulative Effect of Changes in Accounting Principle	—	—	137,507
Net Income (Net losses -)	7,095,074	2,154,347	-218,012
Earnings Per Share	0.22	0.07	-0.01

Note: The statement for 2004 thru 2005 was examined by the Ministry of Audit and reclassified by CPA. Statement 2006 examined by CPA.

### Simplified Balance Sheet (Most recent 3 years)

Units: New Taiwan Dollars in Thousands

Item	December 31 2004	December 31 2005	December 31 2006
Current Assets	45,974,918	43,513,531	51,051,757
Long-term Investments and Funds	4,249,818	3,628,701	3,587,355
Fixed Assets	1,223,859,637	1,270,990,575	1,319,742,236
Intangible Assets	5,643,779	5,907,505	6,180,702
Other Assets	22,679,478	22,458,930	2,7043,530
Total Assets	1,302,407,630	1,346,499,242	1,407,605,580
Current Liabilities Before Appropriation	194,485,910	170,899,313	189,972,679
Current Liabilities after Appropriation	194,485,910	170,899,313	189,972,679
Long-term Debts	585,201,777	611,371,284	653,314,705
Other Liabilities	10,774,543	5,275,456	5,740,228
Total Liabilities Before Appropriation	793,462,230	787,546,053	849,027,612
Total Liabilities after Appropriation	79,0462,230	787,546,053	849,027,612
Capital Stock	330,000,000	330,000,000	330,000,000
Capital Surplus	2,755,447	2,745,035	2,747,268
Retained Earnings Before Appropriation	67,809,748	69,964,094	69,746,082
Retained Earnings after Appropriation	67,809,748	69,964,094	69,746,082
Other Types of Owner's Equity	111,380,205	156,244,060	156,084,618
Total Stockholder's Equity Before Appropriation	511,945,400	558,953,189	558,577,968
Total Stockholder's Equity after Appropriation	511,945,400	558,953,189	558,577,968

Notes: 1. The statement for 2004 thru 2005 was examined by the Ministry of Audit and reclassified by CPA. Statement 2006 examined by CPA.

2. According to the revision of Commercial Accounting Law and amended Criteria for the preparation of Financial Reports by Securities Issuers, starting from 2006, items such as 'Revaluation Increment on Fixed Assets' and 'Accumulated Depreciation on Appreciation of Fixed Assets' that used to be calculated under 'Capital Surplus' are now classified under 'Equity Adjustment'.

### Key Points for Management

Taipower's revenue grew by 6.19% in 2006. The operating margin was only 1.06%, down 1.69 percentage points from 2005's operating margin of 2.75%. The main reason for the low operating margin was that, although a 6.3 billion kWh increase in the volume of electricity sold and a slight increase in the price of electricity from July 2006 onwards caused sales to increase by 22.3 billion NTD, this was offset by the continuing rise in international oil prices and the 6.8 billion kWh increase in the volume of electricity supplied by co-generation plants which caused Taipower's expenditure on fuel and the purchase of electricity from co-generation plants to rise by 28 billion NTD compared to 2005. In the future, fuel prices are expected to remain high and the overall business environment will be tough. Taipower must continue to work hard to broaden our sources of income, reduce expenditure and become more efficient. We must also improve our core competencies and get involved in more diversified types of business to increase our markets and guarantee the sustainable management of Taipower. 