Financial Information, Financial Performance, And Risk Management

I. financial Information

Unit: NT$ thousands

Item \ Year	2025	2024	Difference	
			Dollar amount	%
Current assets	6,178,440	6,772,950	(594,510)	(9)
Property, plant and equipment	4,906,612	4,605,298	301,314	7
Intangible assets	122,084	154,460	(32,376)	(21)
Other non-current assets	1,586,729	1,710,493	(123,764)	(7)
Total assets	12,793,865	13,243,201	(449,336)	(3)
Current liabilities	3,098,776	3,084,425	14,351	0
Non-Current liabilities	1,259,510	1,349,621	(90,111)	(7)
Total liabilities	4,358,286	4,434,046	(75,760)	(2)
Capital stock	5,477,522	5,477,522	0	0
Capital surplus	475,236	475,236	0	0
Retained earnings	2,295,102	2,547,678	(252,576)	(10)
Other equity	(70,591)	35,704	(106,295)	(298)
Non-controlling interests	258,310	273,015	(14,705)	(5)
Shareholders' equity	8,435,579	8,809,155	(373,576)	(4)

1.The main reasons for the significant changes of assets, liabilities and equity in the most recent two (2) years:

(1) The decrease in intangible assets was mainly due to the transfer of SAP amortization to expenses this year.

(2) The decrease in other equity was mainly due to a decrease in unrealized valuation gains/losses on financial assets measured at fair value through other comprehensive income.

2.Future response plan for matters with significant influence: There are no matters that have significant influence on the Company’s financial condition.

II. Financial performance

Unit: NT$ thousands

Item \ Year	2025	2024	Increase (decrease) dollar amount	Changes %
Operating revenue	7,568,574	8,168,220	(599,646)	(7)
Operating cost	6,132,894	6,380,955	(248,061)	(4)
Operating gross profit	1,435,680	1,787,265	(351,585)	(20)
Operating expense	1,631,682	1,611,905	19,777	1
Net operating profit(loss)	(196,002)	175,360	(371,362)	(212)
Non-operating revenue and expense	23,026	110,853	(87,827)	(79)
Pre-tax profit(loss) of going-concern operation department	(172,976)	286,213	(459,189)	(160)
Income tax expense (benefit)	(36,821)	32,951	(69,772)	(212)
Net income(loss) after tax of going-concern operation department	(136,155)	253,262	(389,417)	(154)

1. The main reasons for the significant changes of operating revenue, operating income and pre-tax income in the most recent two (2) years:
   (1) The decrease in net operating profit was mainly due to a decrease in revenue, which in turn led to a decrease in gross operating profit.
   (2) The decrease in non-operating income and expenses was mainly due to a decrease in exchange gains.
   (3) The decrease in income tax expense was mainly due to a net loss before tax this year.
2. For expected sales volume and its reference, please refer to Summary of Operation Plan.
3. Possible impacts on the Company's future financial operations and response measures: There are no significant impacts.

III. Cash Flows

(I) The analysis of cash flow changes during recent year and corrective measures to be taken in response to illiquidity

1. The decrease in the cash flow ratio is mainly due to a decrease in net cash flow from operating activities compared to the previous period.
2. The decrease in the cash flow adequacy ratio is mainly due to a decrease in net cash flow from operating activities over the past five years and an increase in capital expenditures over the past five years.
3. The decrease in the cash reinvestment ratio is mainly due to a decrease in net cash flow from operating activities compared to the previous period and an increase in cash dividends.
4. Liquidity improvement plan: Not applicable. (II) Liquidity analysis for the coming year:

Unit: NT$ thousands

Cash - beginning balance (1)	Expected net cash flow from operating activities for the year (2)	Expected cash outflow (3)	Expected cash balance (insufficiency) (1)＋(2)－(3)	Countermeasures against cash insufficiency	
				Investment plan	Financial Management Plan
1,119,887	852,000	1,300,000	671,887	0	0

1. Net cash flow from operating activities: mainly from increased profits, depreciation, and accounts payable.
2. Cash outflows: mainly from capital expenditures paid at various plants, increased inventory, and increased accounts receivable.

IV. Impact of major capital expenditures on financial operations

Not applicable; has no significant impact on the company's financial operations.

V. Reinvestment policy in the most recent year, the main reasons for the profit or loss, improvement plans and investment plans in the upcoming year：

In the most recent year and the coming year, there are no planned investment amounts exceeding 5% of the paid-in capital.

VI. Risk Items

(I)Risk management policy and procedures

The Company's risk management policy is "implementing risk management and ensuring sustainability operation," which has been discussed and passed by the Board of Directors on Aug. 8, 2024.

The company referred to the ISO 31000:2018 Risk Management - Guidelines, Best Practice Principles on Risk Management for TWSE/TPEx Listed Companies, the book "Applying Enterprise Risk Management to Environmental, Social and Governance-related Risks"and relevant data in the amendment of Risk Management Procedures. This was discussed and approved by the Board of Directors on Aug. 8, 2024.

(II)Risk management strategy

1. Establishing risk management strategy for the Group's operation.
2. Implementing educational trainings to strengthen the staff's risk awareness.
3. Providing insight about the fluctuation trend of operation environment.
4. Abiding by international product safety rules.
5. Ensuring industrial safety and environmental protection.

(III)Risk management organization and operation

The company has established a Risk Management Committee under the Board of Directors to oversee the operation of risk management mechanisms. The committee shall consist of no fewer than three members, with over half of the members serving as independent directors, and one of the independent directors shall be elected to serve as the chairperson. The Risk Management Committee is responsible to the Board of Directors and shall convene a Risk Management Committee meeting twice a year, and the meeting results shall be reported to the Board of Directors in a timely manner. The operations of the Risk Management Committee in 2024 were reported to the Board of Directors on May 9th and December 12th, respectively.

The company has established a Risk Management Office, convened by the General Manager with the participation of production, finance, and other department heads, to be responsible for planning, implementing, and overseeing risk management-related affairs. The Risk Management Office convenes meetings twice a year and reports the meeting results to the Risk Management Committee in a timely manner, to receive guidance from the committee members and make subsequent adjustments and implementations to relevant operational activity plans.

The first Risk Management Office meeting of each year reviews the previous year's risk management performance. By referencing the risk rankings in the current year's "BCI Horizon Scan Report" or "WEF Global Risks Report," the office re-evaluates the company's risk control priorities and corresponding mitigation strategies for the year. The second meeting focuses on reviewing the risk management execution results reported by various departments, selecting corporate-level priority risk issues for the following year, and developing response plans to ensure dynamic integration of risk management.

The Company has established a “Business Continuity Management System (BCMS)” in accordance with ISO 22301. Every year, we develop Business Continuity Management (BCM) plans targeting the company's priority risk issues and undergo regular third-party audits to verify the effectiveness of the management system.

(IV) Risk management policy and scope

We classify the risks we face into five major categories (Strategic risks, Legal risks, Financial risks, Operational risks, and Other risks). The handling strategies/treatment principles for each category of risk are set forth in the “Risk Management Procedures”. Each responsible unit oversees the evaluation, reporting and execution of response/preparedness plans within their business scope so as to reduce possible impact or risk hazards.

The risk categories and control mechanisms are as follows:

1. Strategic risks: Everlight Chemical Strategy Committee has been established under the Board of Directors. Strategic risks are mitigated with the advice and oversight from the directors. By taking into account the industry characteristics, such as business environments, complexity, nature and scope of operations, each division conducts operational risk assessment each year, as well as analyze, evaluate and formulate strategies in reference to changes in laws, policies and markets, and implement these strategies accordingly.
2. Legal risks: Based on the authorities and responsibilities of each plant division and functional unit, changes in laws and regulations are closely monitored, and various corresponding measures are implemented; the implementation results are reported to the “Compliance Management Committee.”
3. Financial risks: The financial accounting and legal units formulate and implement various strategies, and take various response measures according to the analysis of laws, policies and market changes. The Audit Office controls over and audits on the risk items mentioned above.
4. Operational risks: The risk assessment of the annual operating guidelines and the

management system is carried out by the management team of each business division each and functional office, to adopt proper strategies and measures and conduct regular performance tracking, to ensure that the operational strategies are in line with the Company’s vision and that operational objectives are achieved.

5. Other risks: Based on their authorities and responsibilities, each unit will be alert at all times, and submit response/pre-response plans for execution upon approval by the responsible supervisor.

(V)Various risk evaluation

The analysis for the risk items in the latest annual report and up to the date when the annual report was printed is as follows:

1. Impact of Interest Rate, Exchange Rate Fluctuations, and Inflation on Group Profit/Loss and Future Countermeasures:

(1) Interest Rate Fluctuations

The Group’s borrowings are primarily denominated in USD and TWD. While the U.S. Federal Reserve implemented two rate cuts in 2025, monetary policy trends across central banks remain uncertain in 2026 due to factors such as inflationary pressures, tariff policies, and geopolitical risks. The possibility of delayed rate cuts or the maintenance of relatively high interest rate levels cannot be ruled out. Consequently, the Group's interest expenses in 2026 may remain at relatively high levels compared to 2025.

The Group's short-term and long-term borrowings are floating-rate debts. Changes in market interest rates will cause the effective interest rates of these borrowings to fluctuate, leading to volatility in future cash flows. If 1% increase in market interest rates would increase the Group's interest expenses by approximately TWD $20 to 30 million.

The Group will continue to closely monitor interest rate trends closely and utilize interest rate hedging or other capital market financing channels at appropriate times to keep financing costs at the lower end of the market range.

(2) Exchange Rate Fluctuations

The Group’s import and export transactions are primarily settled in USD and RMB. Assuming all other variables remaining constant, it is estimated that every NT$1 appreciation of the New Taiwan Dollar will decrease the Group's net profit margin by approximately 1%. In 2025, the Group recognized an exchange gain of NT$19 million due to exchange rate fluctuations and the impact of foreign currency asset/liability positions.

The Group’s foreign exchange policy is based on the principle of natural hedging , where excess or required positions are hedged as needed. Additionally, regarding the USD-denominated foreign debt of the Group's Chinese subsidiary, Suzhou Everlight, which cannot be naturally hedged, the Group has consulted with banks to convert these into RMB loans. This facilitates natural hedging and reduces exchange rate risk.

(3) Inflation

In 2025, the domestic Consumer Price Index (CPI) increased at an annual rate of 1.66%. According to the Directorate-General of Budget, Accounting and Statistics , the domestic CPI is projected to grow by 1.68% in 2026. However, future inflation trends remain uncertain and subject to international energy prices and geopolitical risks, which may drive up inflationary pressures. Inflation may increase the Company's operating costs, thereby affecting profitability.

The Company will continue to monitor market changes and adjust selling prices based on product competitiveness and market conditions to mitigate the impact of inflation on operations.

2. Policies on High-Risk or Highly Leveraged Investments, Loans to Others, Endorsements and Guarantees, and Derivatives Transactions; Main Reasons for Profits or Losses; and Future Countermeasures:

(1) High-Risk or Highly Leveraged Investments

The Company does not engage in high-risk or highly leveraged investments.

(2) Loans to Others, Endorsements, and Guarantees

The primary purpose of the Company’s loans to others and endorsements/guarantees is to facilitate internal fund management within the Group. All such activities are conducted in accordance with the Company’s "Procedures for Lending Funds to Other Parties and Procedures for Endorsement and Guarantee," which were established pursuant to government regulations. For details regarding the Company’s loans to others and endorsements/guarantees for fiscal year 2025, please refer to Note 12(1): Information on Significant Transactions in the Consolidated Financial Report.

(3) Derivatives Transactions

The Company’s derivatives transactions are conducted solely for hedging purposes (including financial hedging). The selection of transaction instruments focuses primarily on mitigating risks arising from the Company’s business operations. These activities are managed according to the Company’s "Procedures for Derivative Commodity Transactions," established in compliance with government regulations.

To hedge against the impact of exchange rate fluctuations, foreign exchange activities in 2025 primarily involved foreign currency option contracts. For details on the resulting gains or losses, please refer to Note 6(2): Financial Assets and Liabilities in the Consolidated Financial Report.

Furthermore, since March 1, 2016, the Financial Supervisory Commission (FSC) has implemented various restrictions on the trading of financial derivatives. The Company continues to monitor the exchange rate fluctuations of its foreign currency holdings and operates in compliance with the relevant regulations set by the competent authorities. Following an internal assessment, these restrictions have been determined to have no material impact on the Company’s financial or business operations.

3.Research and development (R&D) plans to be carried out in the future and the expected R&D expenditures:

For sustainability operation and international development, Everlight Chemical is expected to invest TWD390 million in R&D expense in 2026. For future R&D plans, please refer to the section of Operational Profile about the new products planned to be developed.

4. Impact of Domestic and Foreign Key Policies and Legal Changes on the Company's Finances and Business, and Responsive Measures

The Ministry of Environment officially launched the carbon fee system in 2025. Enterprises reaching the announced emission threshold shall pay carbon fees in accordance with the law and may apply for voluntary reduction plans to qualify for preferential rates; those who do not apply or fail to pass will be subject to general rates. The implementation of the carbon fee mechanism is expected to increase the operating costs of high-emission enterprises and may impact their long-term carbon reduction planning. Currently, the carbon emission levels of the

Company's various plants have not yet reached the collection threshold, and there is no obligation to pay at this stage. However, the Company continues to refine greenhouse gas inventory and management mechanisms to address the potential impact of future adjustments in fee rates or scope.

In response to the significant amendments to the "Occupational Safety and Health Act" on December 19, 2025 (including strengthening source disaster prevention, contracting management, bullying prevention, and increased penalties for violations), the Company has instructed the dedicated safety and health unit to complete the alignment of internal systems and process optimization. This ensures that all operational activities comply with the latest legal standards and safeguard the occupational safety and physical and mental health of employees.

2025 is a critical year for the full convergence with IFRS Sustainability Disclosure Standards (IFRS S1 and S2), as the Financial Supervisory Commission (FSC) plans the phased implementation for listed companies to disclose climate-related financial information in accordance with these standards. The Company continues to monitor and introduce relevant consulting resources to strengthen the identification and management mechanisms for climate-related risks and opportunities, ensuring the completeness and compliance of disclosed information.

The Company has established a cross-departmental Climate Change Task Force to coordinate the assessment of the impacts of climate policies and regulatory changes on operations and finances. It aims to reduce transition risks through energy-saving, carbon reduction, and process optimization measures. Simultaneously, a legal compliance management system has been established to conduct regular regulatory compliance audits and improvement operations, mitigating the impact of policy changes on the Company's financials and business.

5.Effect of technology development and industrial change (including cyber security risks) on the Company's financial operations, and measures to be taken in response:

Artificial intelligence, cloud computing, and Industry 4.0 have triggered a massive wave of industrial smart technology changes. However, the rapid evolution of these technologies has also brought increased pressure on capital expenditure, especially in digital transformation and cybersecurity infrastructure development. At the same time, cybersecurity risk management is becoming increasingly important. The company has implemented the ISO 27001 information security management system, established guidelines for the use of AI tools, and continues to train employees on information security awareness and prevention capabilities. It has increased investment in information security, updated network hardware equipment, software upgrades and strengthened backups. It also conducts regular disaster drills to ensure backup backup. The availability of support and information services will not be interrupted.

In response to the international trend of achieving net-zero carbon emissions, the chemical industry needs to develop alternative energy and material sources to replace petrochemicals and coal. Circular economy, renewable energy, recycled and biobased materials have become key issues in the development of the chemical industry. In addition, the development of green synthesis pathways with low pollution and toxicity, the use of catalysts, biomimetic chemical processes, microreactors, and other green chemistry technologies all have important long-term impacts on the industry. In particular, the promotion of carbon neutrality policies and sustainability requirements may increase raw material and R&D costs.

The company actively promotes green chemistry and the circular economy, developing low-carbon footprint, high-performance, and sustainable solutions to address industry changes, market demands, and comply with relevant regulations.

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6.Effect of corporate image change on the Company's crisis management, and measures to be taken in response:

Since its establishment, the Company has been adhering to the business principle of "decent management," doing the right thing in the spirit of honesty, law-abiding and fairness, establishing a good reputation and image, and has been well received by all circles. There are no risks of changing business image.

7.Expected benefits and possible risks associated with any merger and acquisitions, and response measures to be taken:

As of the printed date, there are no plans for merger and acquisition, and thus is not applicable here.

8.Expected benefit and possible risk associated with plant expansion, and measures to be taken in response: None.

9.Risks associated with purchasing or sales consolidation, and measures to be taken in response:

The company continues to implement strategies such as supplier audit management, procurement diversification, and sourcing development, and there is no concentration of purchases. Our company continues to develop new customers and expand into new markets to diversify operational risks. In 2025, only one customer's sales amount exceeded 10% of the total sales amount. Overall, our company does not have a significant risk of sales concentration.

10. Effect upon the Company, Potential Risks, and Response Measures in the Event of Significant Share Transfers or Changes Involving Directors or Major Shareholders Holding More Than 10% of the Shares

Any transfers of shareholdings or changes in board positions involving the Company’s directors or major shareholders holding more than 10% of the shares have no material impact on the Company, and no specific response measures are required.

11.Effect upon and risk to Company associated with any change in governance personnel or top management, and measures to be taken in response:

The Company's major shareholders are dedicated to its core business operations and harmoniously and unanimously support the development of its various businesses. Therefore, there is no anticipated risk of a change in management control, and no special countermeasures are required.

12.Litigious and non-litigious matters: List major litigious, non-litigious or administrative disputes that

involve the Company and/or any of the Company’s directors, supervisors, general manager, any persons with actual responsibility for the Company, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report:
None of the above-mentioned people of the Company have the conditions mentioned in the previous paragraph.

13.Other important risks and response measures: None.

VII. Other important matters:

None.