

TECO Electric & Machinery Co., Ltd.



TECO

Safe Harbor Statement

- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law, we undertake no obligation to update any forward – looking statements, whether as a result of new information, future events or otherwise.

Agenda

I. 2Q20 Financial Results

II. Recap of Recent Major Events

Statements of Comprehensive Income – 1H20

(In NT Millions)	1H 2020	1H 2019	YoY
Operating Revenue	21,901	24,249	-9.7%
- Recurring Operating Revenue	21,441	24,148	-11.2%
- Gain(Loss) on financial assets at fair value through profit or Loss	460	101	355.4%
Net Gross Profit	5,649	6,006	-5.9%
Operating Profit	1,962	1,939	1.2%
Non-operating Income	468	570	-17.9%
Income Before Tax	2,430	2,509	-3.1%
Income Tax	(299)	(520)	-42.5%
Net Income **	1,926	1,802	6.9%
EPS(NT\$)	0.99	0.92	7.6%

* Excluding non-controlling interest

Financial Highlights – 1H20

(In NT Millions)	1H 2020	1H 2019	YoY
Net sales -Recurring *	21,441	24,148	-11.2%
Gross Margin - Recurring *	24.2%	24.5%	-30bps
Operating Margin - Recurring *	7.0%	7.6%	-60bps
EPS (NT\$)	0.99	0.92	7.6%
ROE (%) **	6.5%	6.5%	-
ROA (%) **	3.7%	3.7%	-

* Excluding gain(loss) on financial assets at fair value through profit or loss

** Annualized number and excluding non-controlling interests

Statements of Comprehensive Income – 2Q20

(In NT Millions)	2Q 2020	1Q 2020	QoQ	2Q 2019	YoY
Operating Revenue	11,236	10,665	5.4%	12,542	-10.4%
- Recurring Operating Revenue	10,857	10,584	2.6%	12,529	-13.3%
- Gain(Loss) on financial assets at fair value through profit or Loss	379	81	367.9%	13	2815.4%
Net Gross Profit	3,002	2,647	13.4%	3,101	-3.2%
Operating Profit	1,153	809	42.5%	1,013	13.8%
Non-operating Income	638	(171)	-473.1%	527	21.1%
Income Before Tax	1,792	638	180.9%	1,540	16.4%
Income Tax	(200)	(99)	102.0%	(257)	-22.2%
Net Income **	1,479	447	230.9%	1,167	26.7%
EPS(NT\$)	0.76	0.23	230.4%	0.60	26.7%

* Excluding non-controlling interest

Financial Highlights – 2Q20

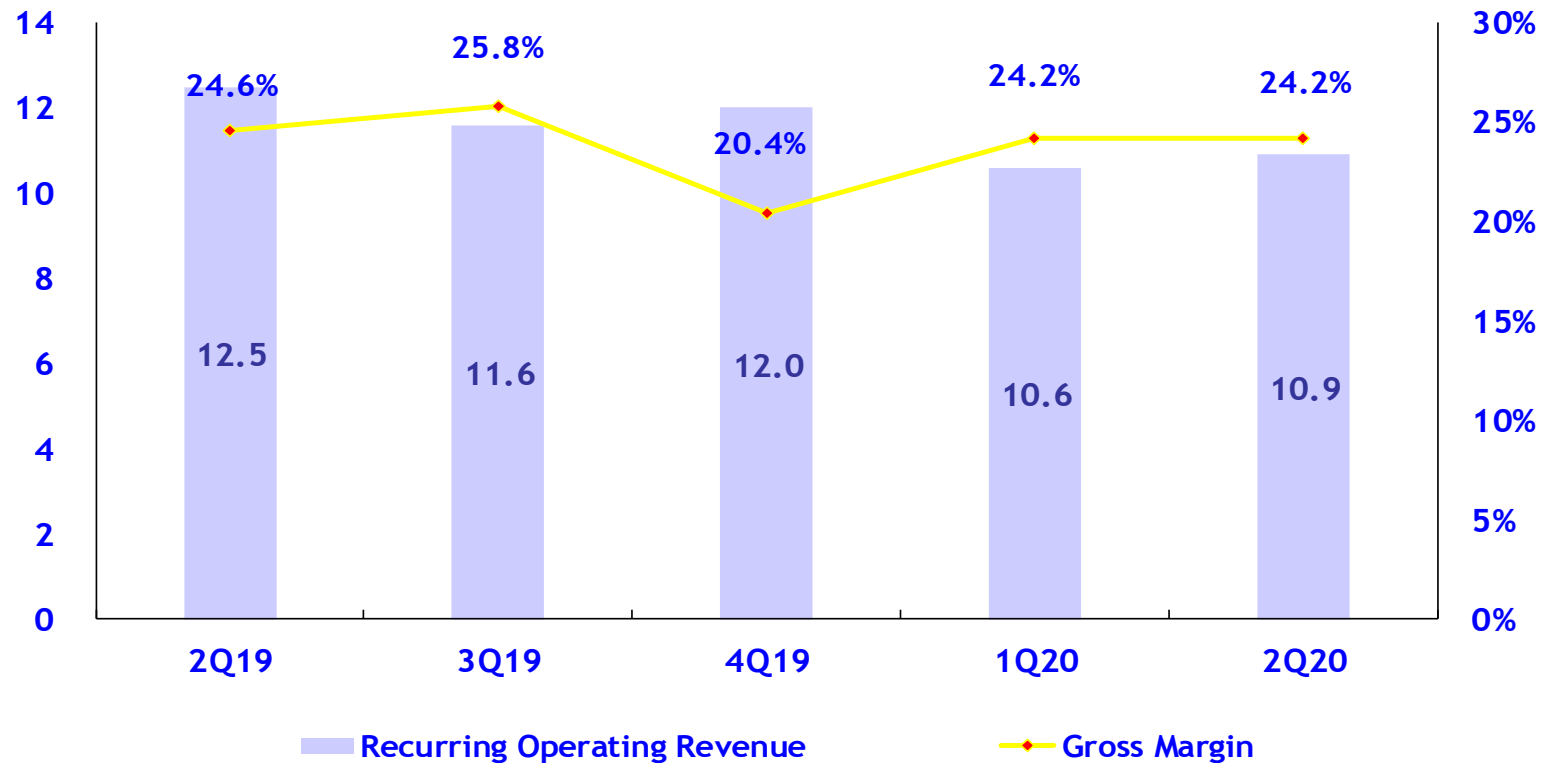
(In NT Millions)	2Q 2020	1Q 2020	QoQ	2Q 2019	YoY
Net sales -Recurring *	10,857	10,584	2.6%	12,529	-13.3%
Gross Margin - Recurring *	24.2%	24.2%	-	24.6%	-40bps
Operating Margin - Recurring *	7.1%	6.9%	20bps	8.0%	-90bps
EPS (NT\$)	0.76	0.23	230.4%	0.60	26.7%
ROE (%) **	10.2%	3.2%	700bps	8.2%	200bps
ROA (%) **	5.6%	1.8%	380bps	4.6%	100bps

* Excluding gain(loss) on financial assets at fair value through profit or loss

** Annualized number and excluding non-controlling interests

Recurring Operating Revenue vs. Gross Margin

NT\$ Billion

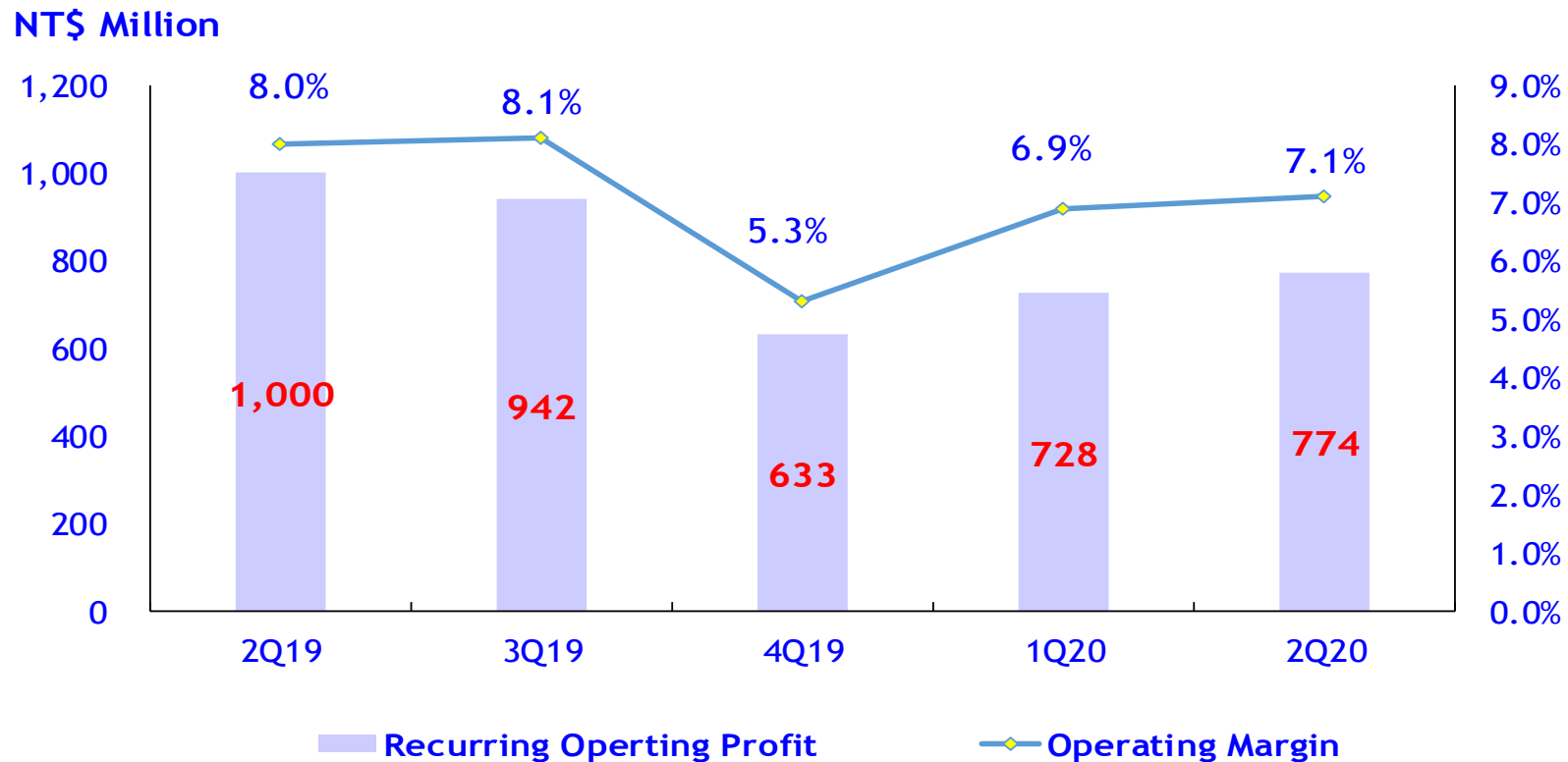


* Recurring Operating Revenue = Operating Revenue – financial assets at fair value through profit or loss

** Gross Margin = Recurring Gross Profit / Recurring Operating Revenue

*** Recurring Gross profit excludes financial assets at fair value through profit or loss

Recurring Operating Profit vs. Operating Margin

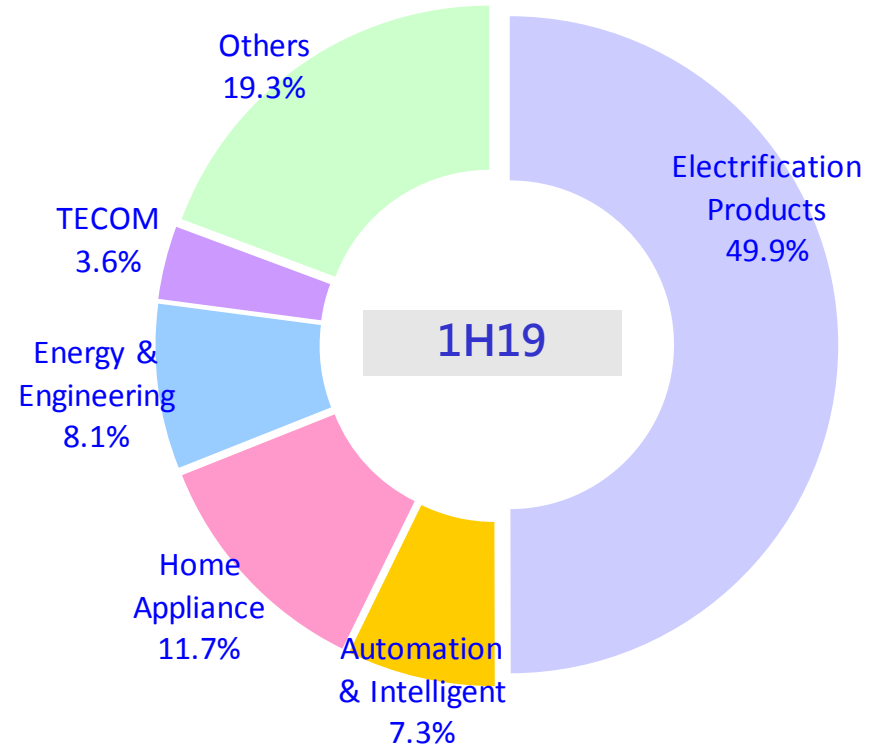
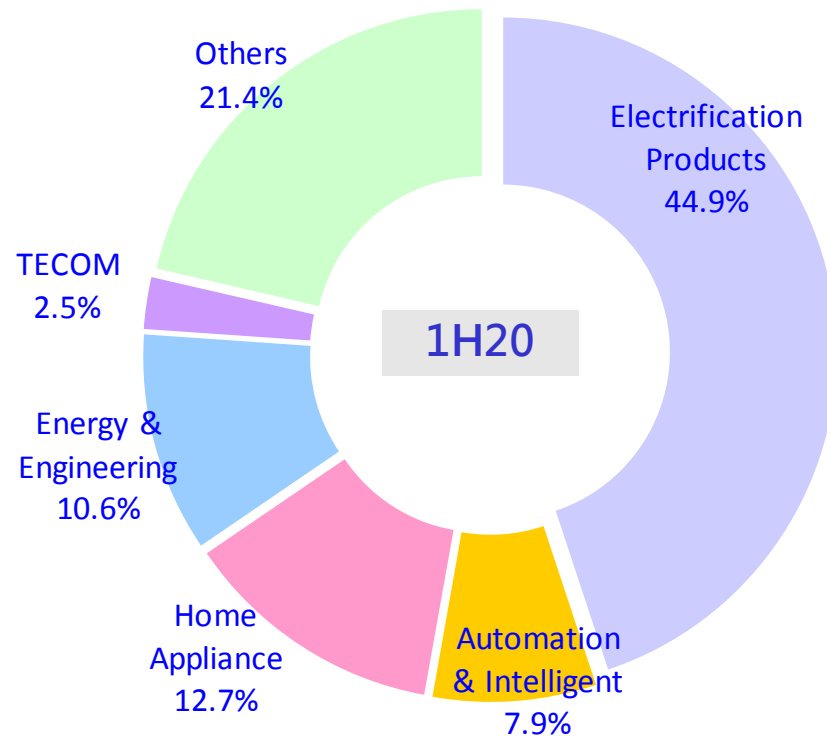


* Recurring Operating Profit excludes financial assets at fair value through profit or loss

** Operating Margin = Recurring Operating Profit / Recurring Operating Revenue

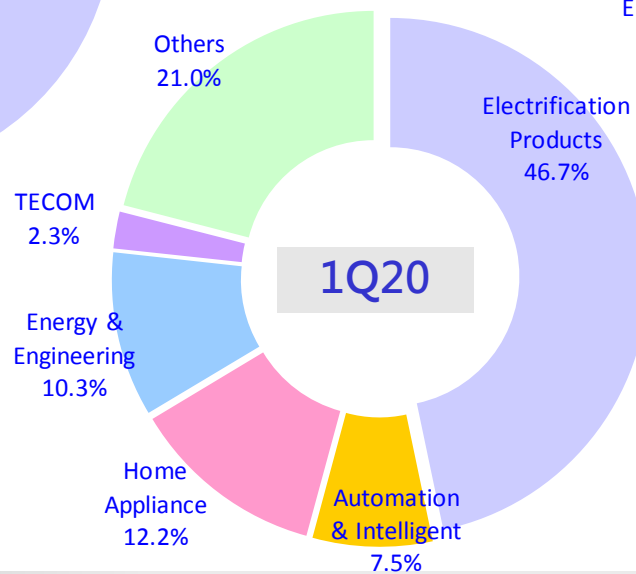
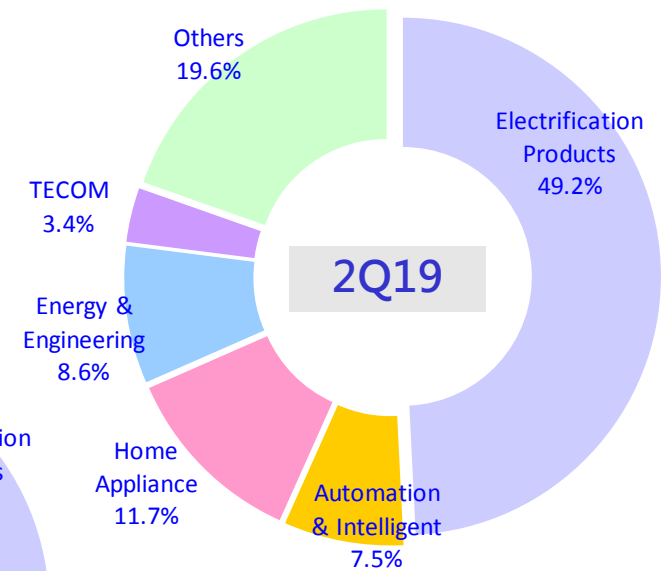
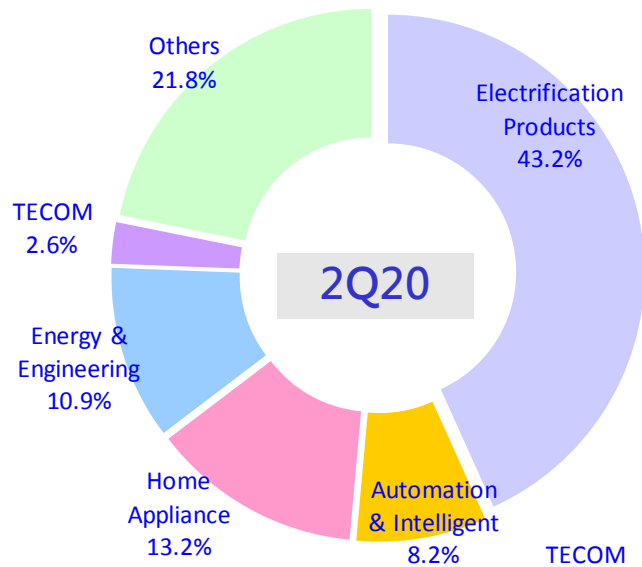
Revenue Breakdown 1/2

In 1H 2020, total consolidated topline down 9.7% YoY



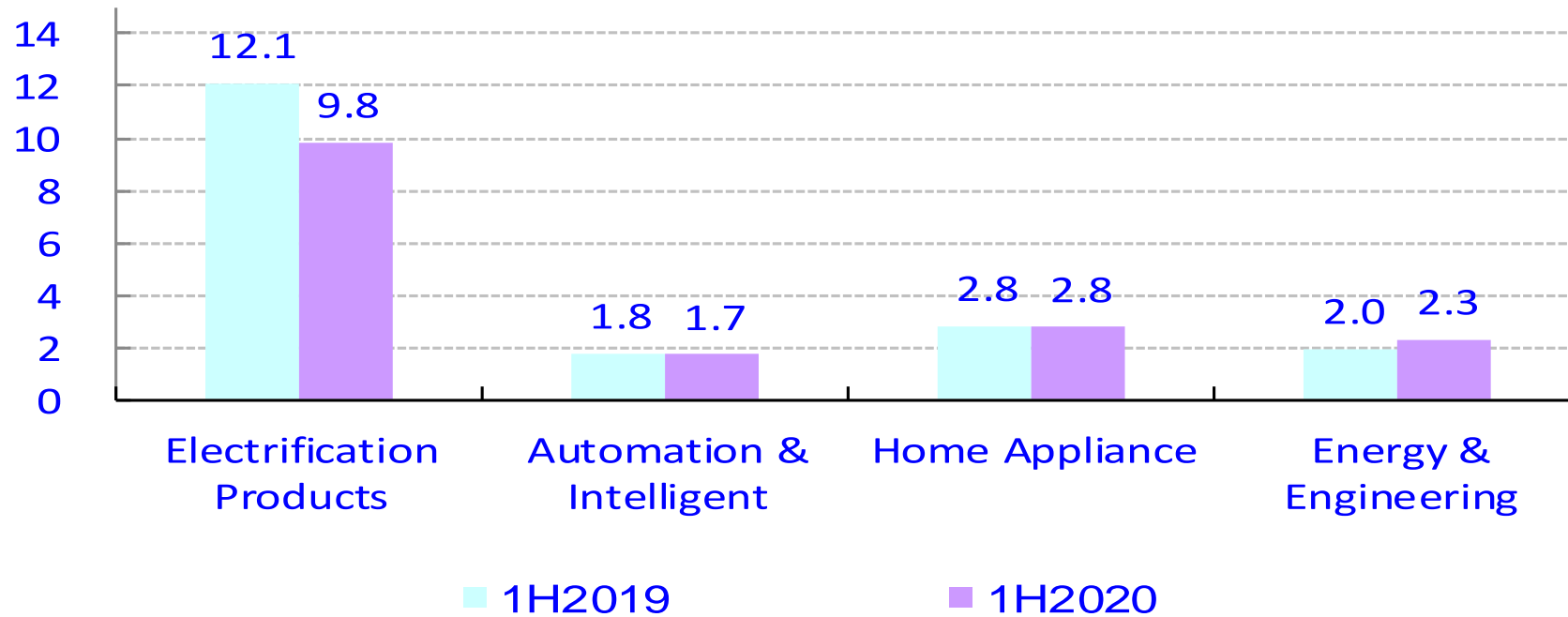
Revenue Breakdown 2/2

In 2Q 2020, total consolidated topline down 10.4% YoY, up 5.4% QoQ



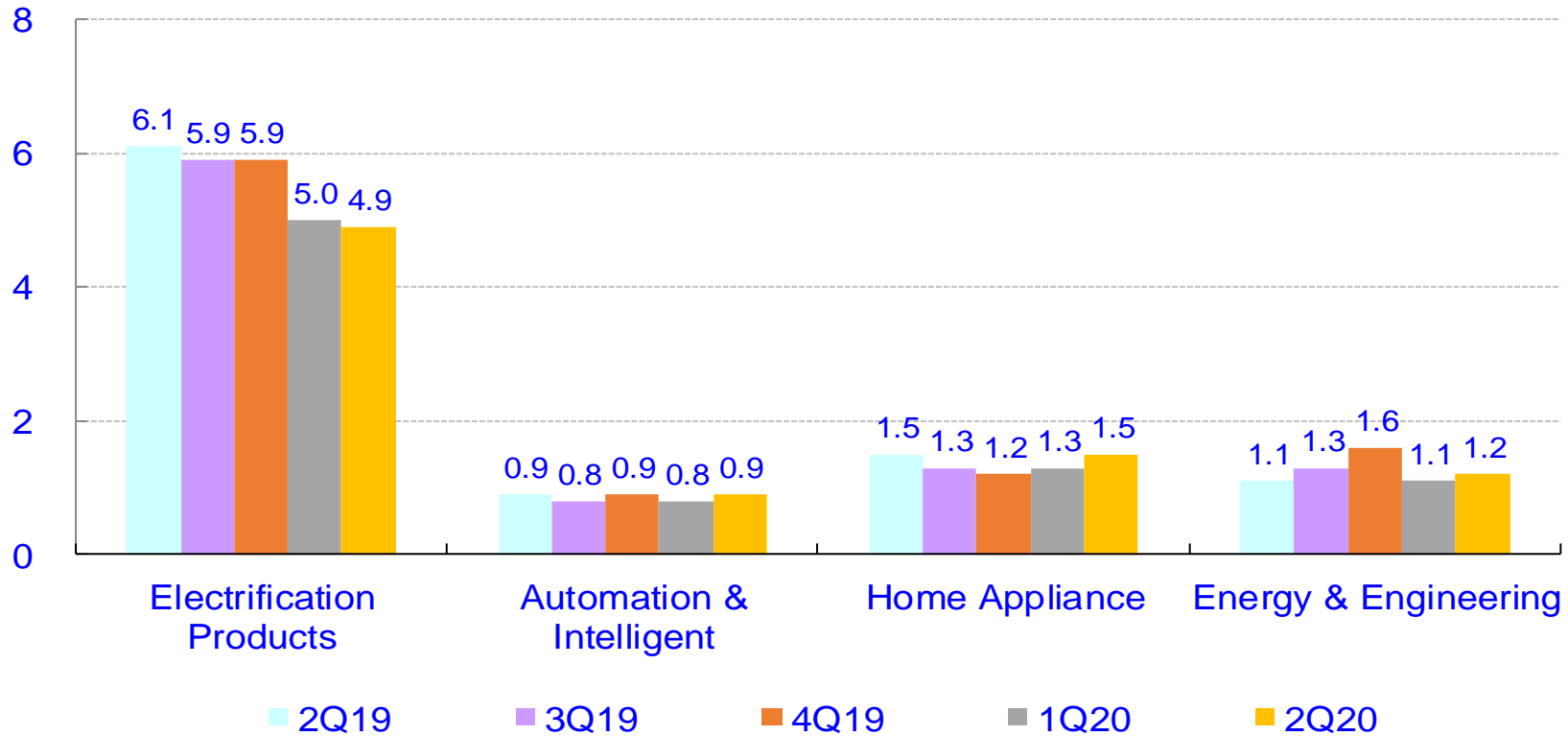
Sales on Major Business Lines ^{1/2}

NT\$ Billion



Sales on Major Business Lines 2/2

NT\$ Billion



Balance Sheets – June 2020

(In NT\$ 1,000)

	Jun. 2020		Dec. 2019		Jun. 2019	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	20,462,298	23%	19,111,371	19%	18,350,957	18%
Receivable	11,696,687	10%	10,711,774	11%	12,384,500	12%
Inventories	10,331,925	10%	9,853,585	10%	10,881,992	11%
Total Assets	107,900,650	100%	99,094,404	100%	102,025,619	100%
Payable	13,597,595	12%	11,954,866	12%	13,581,644	13%
Short-term Borrowings(inclu. Long -term liabilitis, current portion)	3,880,214	6%	5,268,435	5%	5,705,162	6%
Long-term Borrowings	5,160,989	7%	6,673,954	7%	6,623,956	6%
Corporate Bond Payable	4,000,000	1%	1,000,000	1%	1,000,000	1%
Total Liabilities	40,224,913	42%	37,389,614	38%	39,596,723	39%
Equities	67,675,737	58%	61,704,790	62%	62,428,896	61%

Key Indices

AR Turnover (times)	4.13	4.59	4.34
Inventory Turnover (times)	3.01	3.21	3.05
Current Ratio	2.12	2.17	2.01
Quick Ratio	1.57	1.57	1.46
Net Debt to Equity	-11.0%	-10.0%	-8.0%

Agenda

I. 1Q20 Financial Results

II. Recap of Recent Major Events

Onshore Engineering Projects for Offshore Wind Farm

- ✓ Onshore engineering project for Changfang & Xidao Offshore Wind Farms, with Teco as the general contractor, broke ground in Lugang township of Changhua County on July 23rd. The wind farm is expected to fulfill the power needs of 600,000 households after completion.
- ✓ TECO boasts abundant track record for power engineering works, including Ludao power plant, Lanyu power plant, and Ilan city substation. With backlog of totaling 900 MW, TECO will spare no effort winning general-contractor business of other offshore wind-farm projects, such as Hai LOng 3 and Formosa III, in a bid to make TECO the leading brand for renewable-energy engineering works in Taiwan.

Progress of TECO's EV Motor

✓ Taiwan

- Motor component (stator) of ebike: G company's new product(ebike) was launched on July 1st. It is expected to ship more than 1,000 units per month.
- In line with the localization policy of the Bureau of Industry of the Ministry of Economic Affairs, Teco started to develop power modules with large torque motors and drives, striving for business opportunities of 10,000 units of electric bus in 5 years(2021~2025).

✓ Asia Pacific

- Won an order of 82 units for E-Ferry in Thailand.
- Pursue 400 units of OEM orders for Danfoss motors required by AGVs in Singapore ports, and continued to develop Southeast Asian markets such as the Vietnamese car manufacturer, Vinfast.

✓ India

- Completed quotation and discussion of product specifications with certain Korean car maker.(35kW Powertrain)

[Http//www.teco.com.tw](http://www.teco.com.tw)

ir@teco.com.tw

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