

May 25th, 2022

Dear Shareholders, good day!

The company racked up NT\$13.9 billion revenue, up 20.4% year-on-year, in Q1 2022, as well as NT\$1.15 billion operating income, up 39.4%, with operating income rate reaching 8.3%. The profits of core businesses continued to grow steadily, in line with stable growth of the global economy. However, the company recognized NT\$540 million loss on valuation of financial assets in the first quarter, curtailing Q1 after-tax net profit to only NT\$350 million, down 68.4% year-on-year, with EPS at NT\$0.17. However, loss on valuation of financial assets only affects carrying amount, rather than actual cash flow, which remained healthy, due to robust profit performance of core businesses.

Green Mechatronic Solution: The sector racked up NT\$7.29 billion revenue in Q1, up 19.9% year-on-year, mainly due to surging demand for industrial products in post-pandemic era, with shipment to the three major markets of mainland China, North America, and Europe continuing to grow, especially North America boasting the highest growth, in line with our expectation since 2021. In addition, the ripple effect of Russia-Ukraine war on geopolitics, prompting Europe to switch to the Middle East and the U.S. for supply of petroleum and natural gas, and the “made in America” policy of the U.S. government are all favorable for the operation TECO-Westinghouse. Moreover, we have continued to intensify the global development of electromechanical business, seeking acquisition targets and business opportunities.

Air and Intelligent Life: The sector’s Q1 revenue jumped 27.9% year-on-year to NT\$4.12 billion, mainly thanks to business associated with program for classroom air conditioners at elementary and high schools and rollout of new products, such as “commercial AI energy-conserving refrigerating and air-conditioning system,” which incorporates weather forecast and load forecast technology and energy-consumption simulation software, attaining optimal power-saving effect. Sale of DC variable-frequency energy-conserving commercial air conditioners is expected to grow 10% in 2022.

Intelligence Energy: The sector’s Q1 revenue advanced 13.7% year-on-year to NT\$1.62 billion. On April 20, the Intelligence Energy business group has won the bid for the Longtan ultra-high voltage (UHV) substation energy storage system at NT\$2.6 billion, joined by Fluence Energy, Inc. (Nasdaq: FLNC), a leading global energy storage

technology and services provider. The Longtan UHV substation energy storage system has the largest installed capacity of 60 MW, accounts for 37.5% of Taipower's total storage capacity (160 MW). The project is expected to be completed and launched in 2023. The group has deployed extensively on energy management market, spanning energy conservation, energy storage and generation, and power IoT platform based on EMS software, offering one-stop service for engineering, devices, software, services, and maintenance, leading gradually to the formation of a micro-grid ecological circle.

To enhance the transparency of financial statement and also in line with the current investment strategies of subsidiaries, since the first quarter of this year, the "gain (loss) on financial assets at fair value through profit or loss" has been adjusted from the item of "operating revenue" to "non-operating profit and loss". The previous financial data have been readjusted with the new accounting treatment. In the future, change in carrying amount of financial assets caused by stock-market fluctuation will no longer affect revenue and profits of core businesses, so that shareholders can have a better grip on the operating result and trend of core businesses, thereby intensifying corporate governance. Instead of sitting on the laurel of ranking among top 5% in corporate governance evaluation by the Taiwan Stock Exchange for eight years in a row, the company set up an "ESG Promotion Office" at the end of 2021, to intensify effort in pushing ESG works.

In Q2, the company will make utmost effort minimizing the effect of mainland China's stringent anti-pandemic measures on the operation of supply chain. Outlook for the second half is uncertain, pending to a great extent on the concrete contents of Chinese government's new infrastructural policy. Despite the shadow of interest-rate hike and inflation, outlook is rosier for the U.S. market, thanks to huge business potential associated with Biden Administration's huge five-year US\$1.2 trillion infrastructural initiative and enormous electrification demand of the oil and gas industry induced by the new energy policy, which facilitate sales of motors and medium-voltage inverter (MVD) of TECO Westinghouse. Following over 30% sale growth on the North American market in Q1, sale in the second half is expected to maintain high-growth rate, posing as a main growth driver this year.

Lastly, many thanks for shareholders' unwavering long-term support for TECO and best wishes for your peace and good health.

Sincerely yours,

Sophia Chiu
Chairman