



Energy Conservation, Emissions Reduction, Intelligence, Automation

2024 2nd Quarter Earnings Conference

August 16th, 2024

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.

1. 2024 Q2 Financial Results
2. The Three Business Groups Operating Performance
3. Recap of Recent Major Events
4. Development Strategy for the Next Three Years

Financial Highlights 2Q24

	2Q 2024	1Q 2024	QoQ	2Q 2023	YoY
Net Sales (TWD Million)	14,526	13,730	5.8%	15,064	-3.6%
Gross Margin	25.2%	25.9%	-70bps	25.8%	-60bps
Operating Margin	11.1%	11.9%	-80bps	11.8%	-70bps
EPS (TWD)	0.78	0.55	41.8%	1.01	-22.8%

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- 2Q 2024 net sales decreased by 3.6% YoY, mainly due to the decrease in revenue from "Green Mechatronic Solution" in North America, China and Europe market, as well as the difference in the timing of projects revenue recognition of "Intelligence Energy"; increased by 5.8% QoQ, mainly due to the seasonal rebound in revenue from "Air and Intelligent Life" and the difference in the timing of projects revenue recognition of "Intelligence Energy".
- The gross margin was lower than the same period last year level by 0.6%, lower than last quarter level by 0.7%, mainly due to the increase in the revenue share of "Intelligence Energy" and changes in the product structure of "Green Mechatronic Solution" and "Air and Intelligent Life".
- Operating margin was lower than 2Q 2023 level by 0.7%, lower than last quarter level by 0.8%, mainly due to the decrease in gross margin.
- EPS reached at TWD 0.78 in Q2, increased by TWD 0.23 versus the previous quarter, mainly due to the the increase in dividend income; decreased by TWD 0.23 from the same period last year mainly due to the decrease in dividend income, and some dividends were postponed to the third quarter.

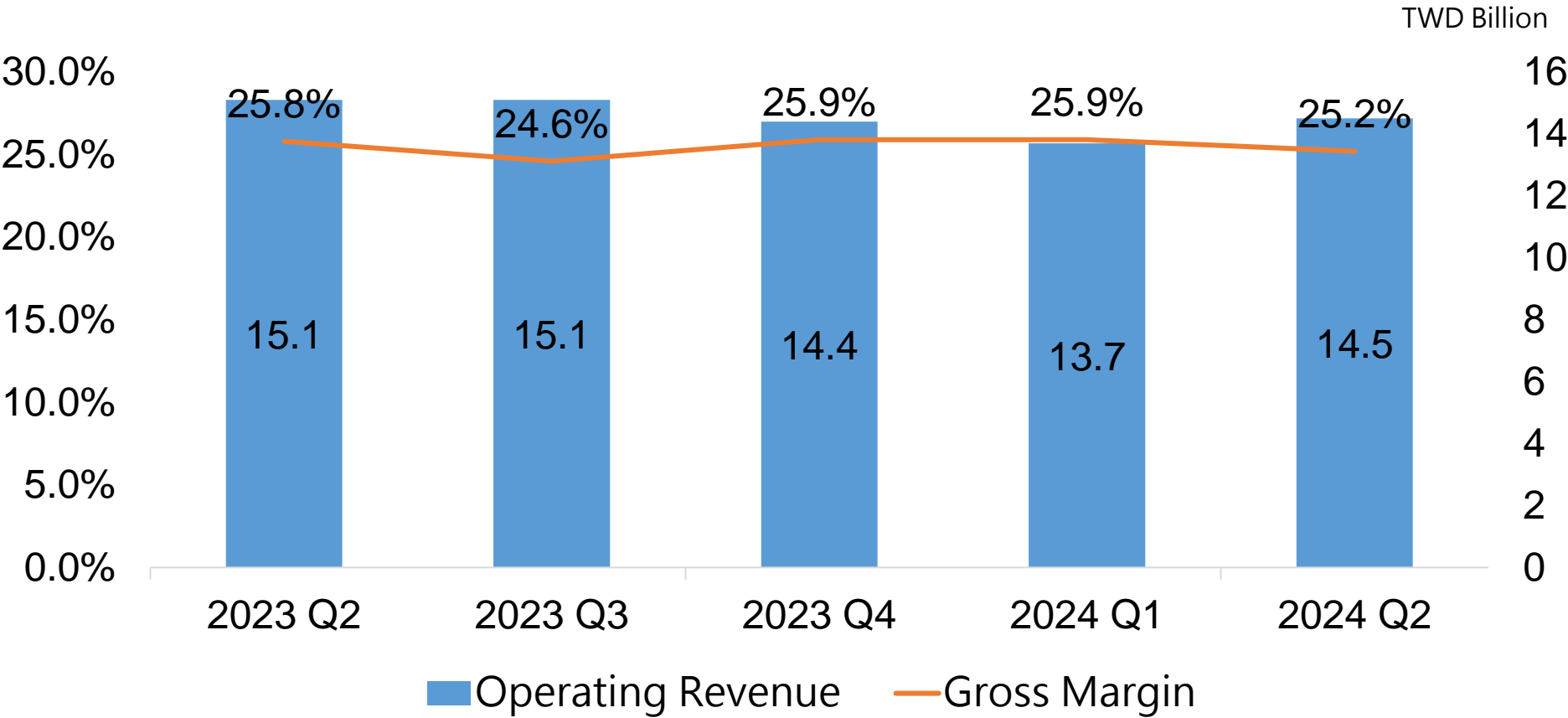
Financial Highlights 1H24

	1H24	1H23	YoY
Net Sales (TWD Million)	28,256	29,964	-5.7%
Gross Margin	25.6%	25.1%	50bps
Operating Margin	11.5%	11.6%	-10bps
EPS (TWD)	1.33	1.78	-25.3%

EPS in the first half of 2024 reached at TWD 1.33, a decrease of TWD 0.45 over the same period last year, mainly due to the decline in operating profit and the decrease in dividend income and unrealized benefit in financial asset evaluation in the current period. However, more dividend income will be recognized in the third quarter.

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Operating Revenue vs. Gross Margin



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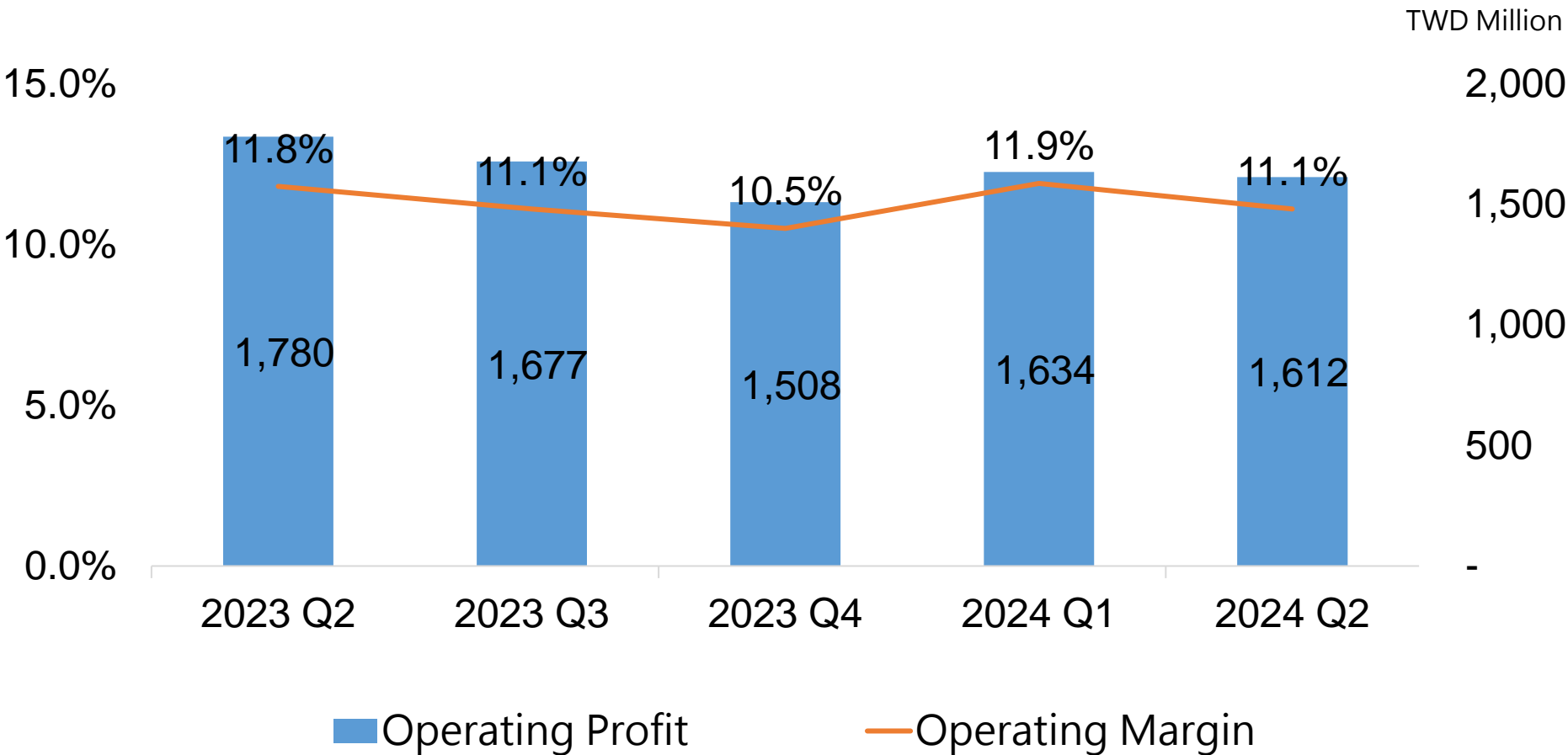
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The gross margin was lower than the same period last year level by 0.6%, lower than last quarter level by 0.7%, mainly due to the increase in the revenue share of "Intelligence Energy" and changes in the product structure of "Green Mechatronic Solution" and "Air and Intelligent Life".

Operating Profit vs. Operating Margin



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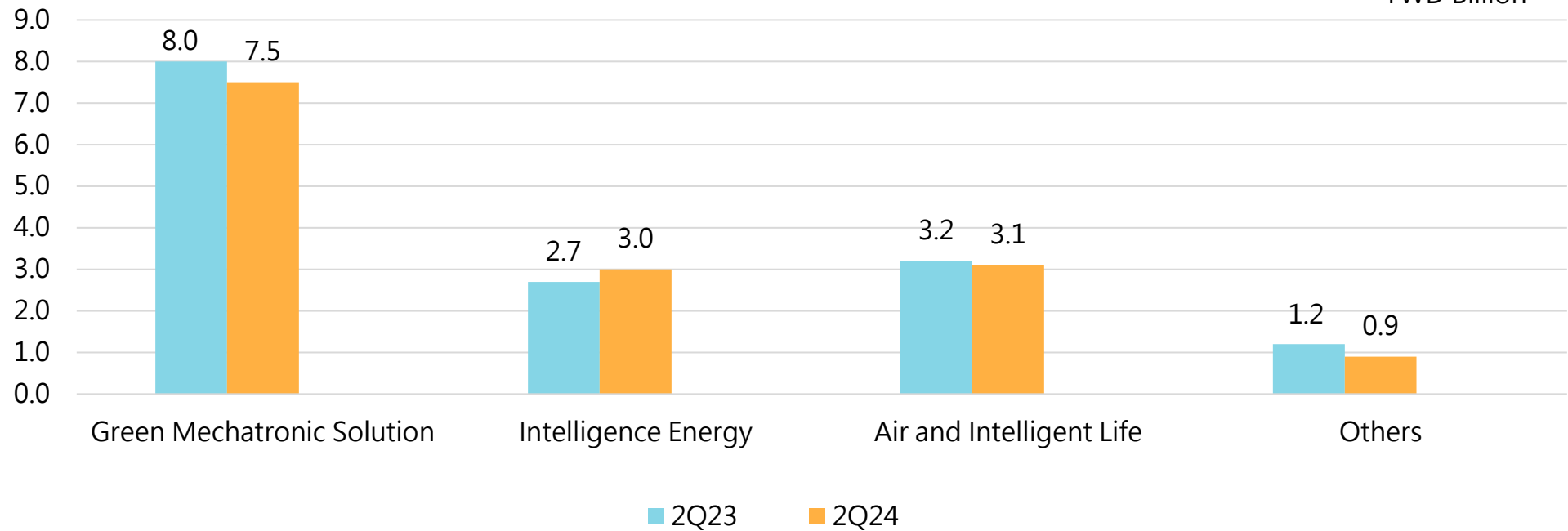
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Operating margin was lower than 2Q 2023 level by 0.7%, lower than last quarter level by 0.8%, mainly due to the decrease in gross margin.

Performance of Business Groups

TWD Billion



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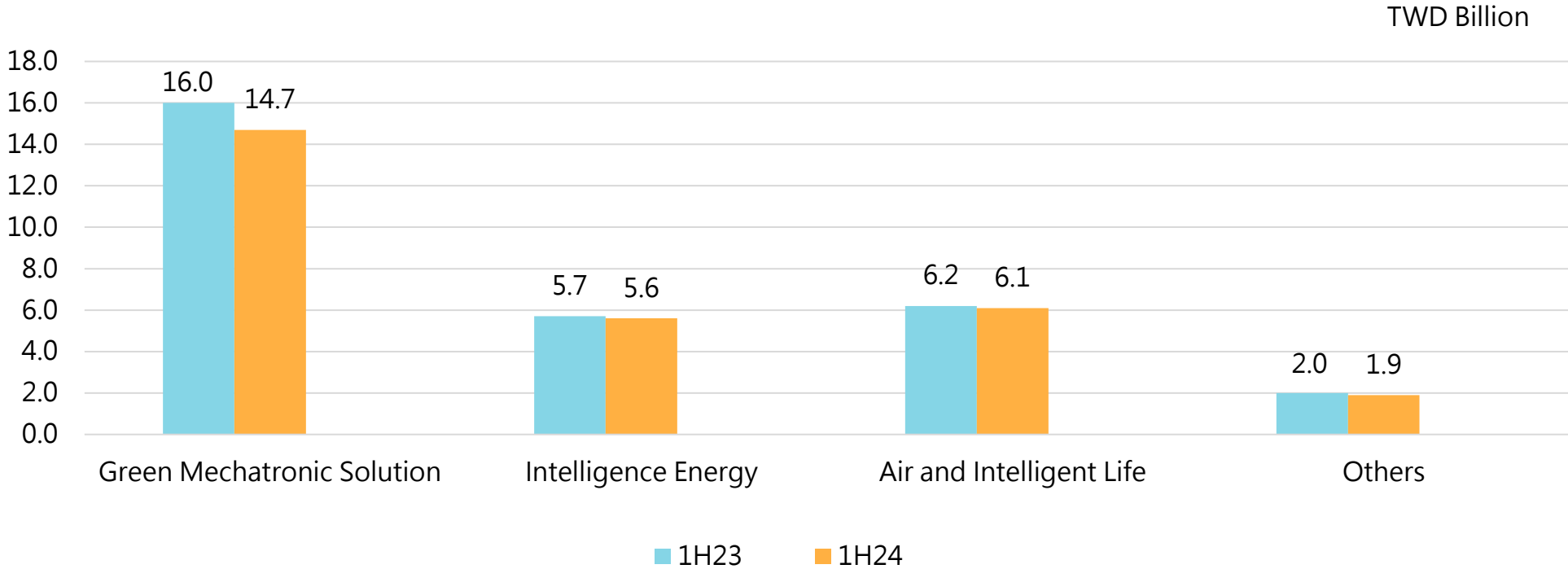
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- ✓ “Green Mechatronic Solution” revenue decreased by 6.9% YoY, mainly due to the decline in demand in North America, China and Europe market.
- ✓ The revenue of “Intelligence Energy“ increased by 13.5% YoY, mainly due to the increase in offshore wind farm project revenue.
- ✓ “Air and Intelligent Life” revenue decreased by 2.2% YoY, mainly due to the slight decline in revenue from home appliances.

Performance of Business Groups



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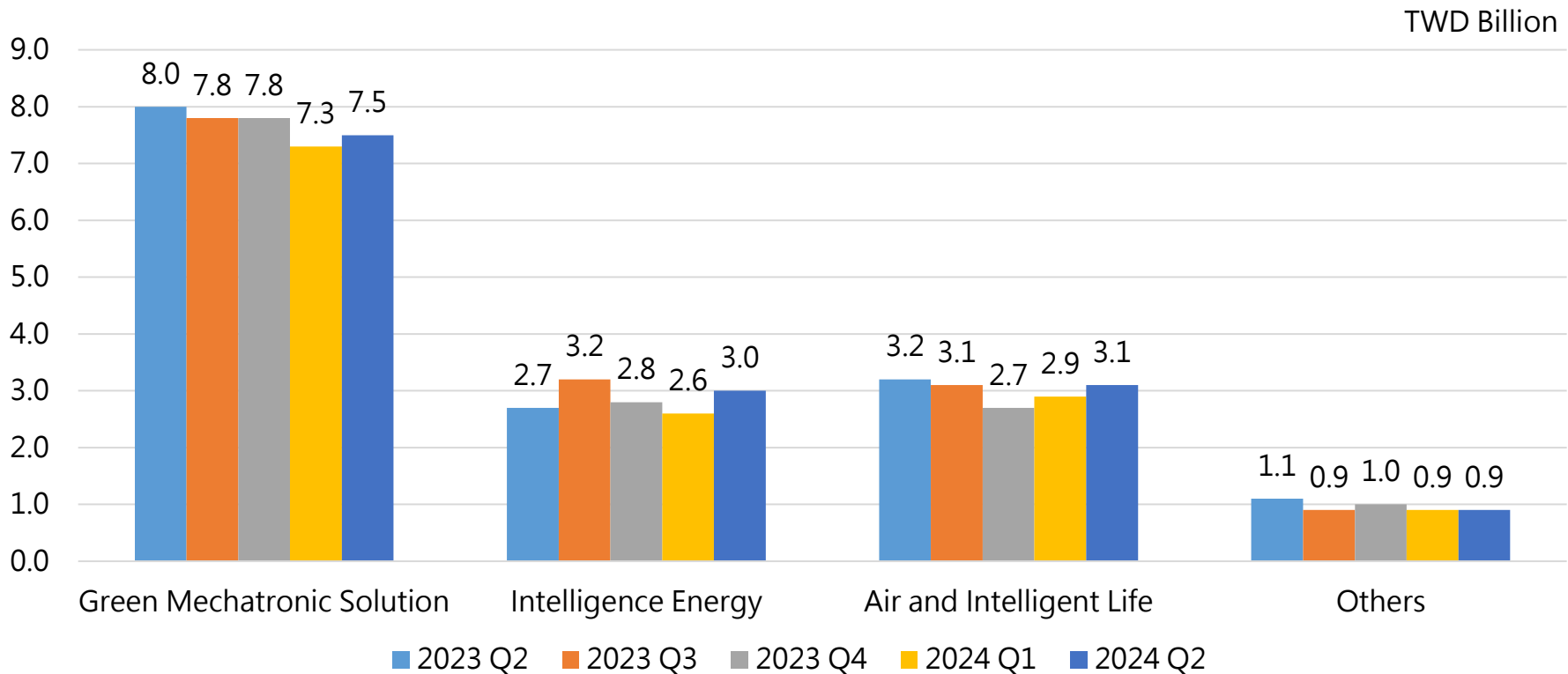
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- ✓ “Green Mechatronic Solution” revenue decreased by 8.2% YoY, mainly due to the decline in demand in North America, China and Europe market.
- ✓ The revenue of “Intelligence Energy“ decreased by 1.8% YoY, mainly because there were more energy storage project revenue recognized in the same period last year.
- ✓ “Air and Intelligent Life” revenue decreased by 2.0% YoY, mainly due to the slight decline in revenue from home appliances.

Sales Trend of Business Groups



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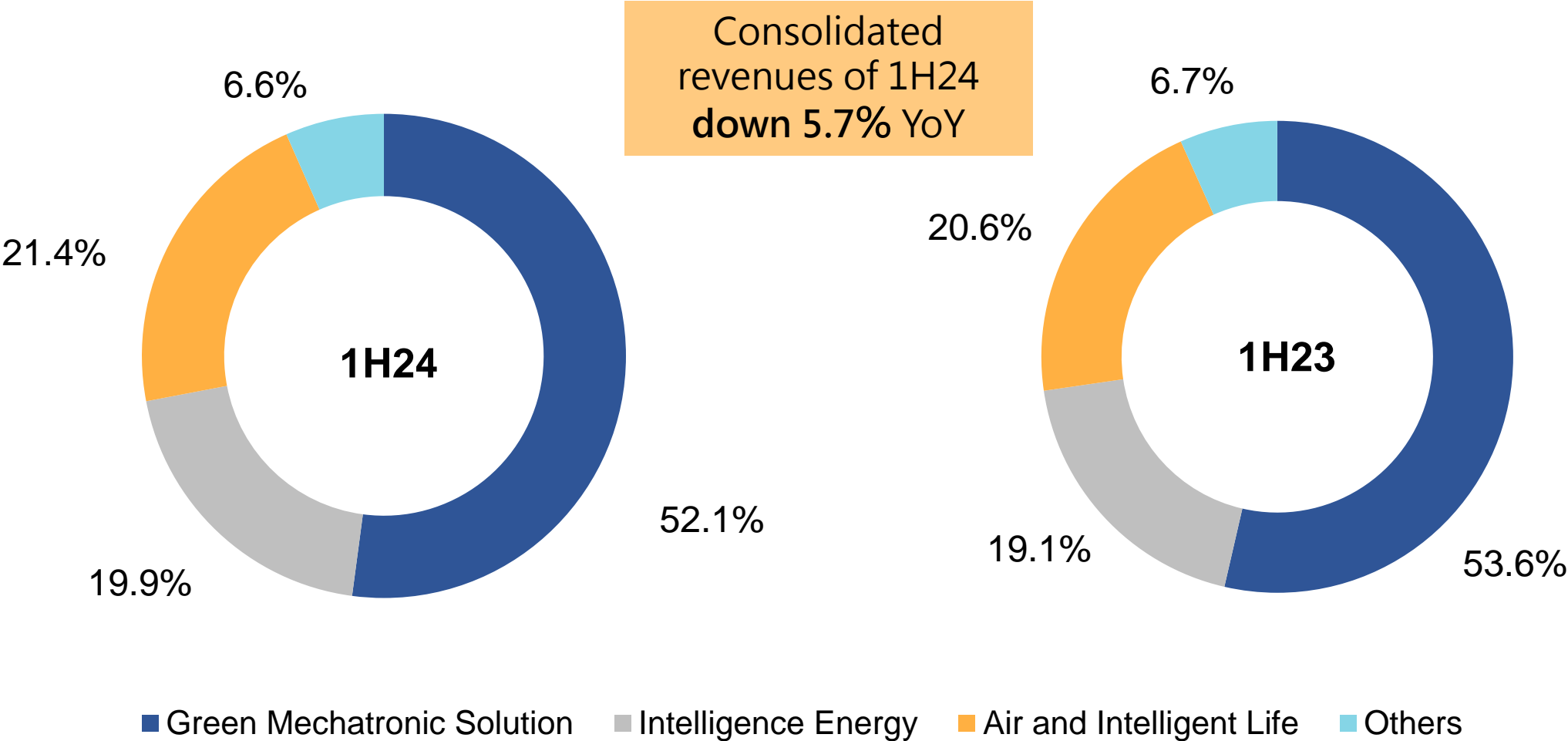
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- ✓ The revenue of “Green Mechatronic Solution” in 2024 Q2 is mainly due to the rebound in the Asia-Pacific region.
- ✓ The single-quarter revenue changes of “Intelligence Energy” are mainly due to differences in timing of project revenue recognition.
- ✓ “Air and Intelligent Life” revenue trend is mainly due to seasonal changes in demand for air conditioners and home appliances.

1H24 Revenue Breakdown by Business Group



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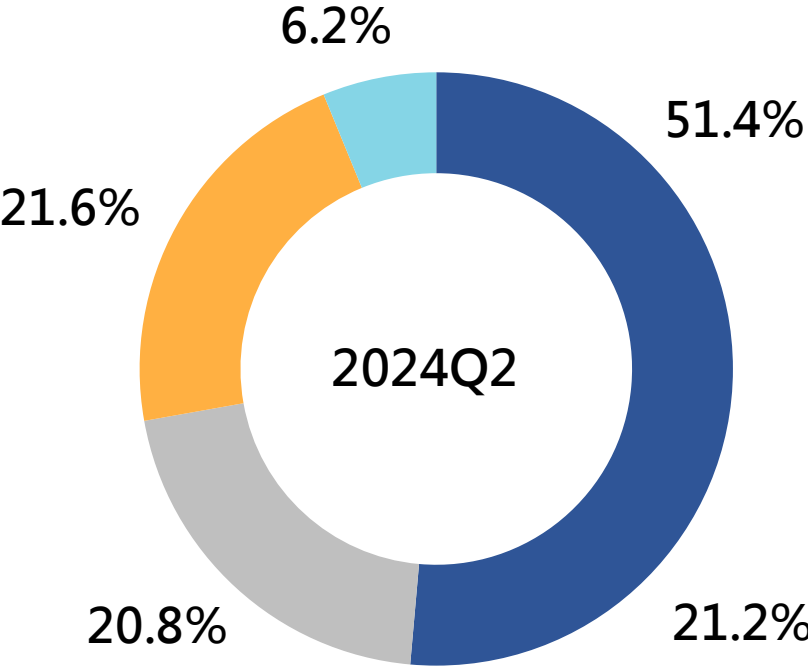
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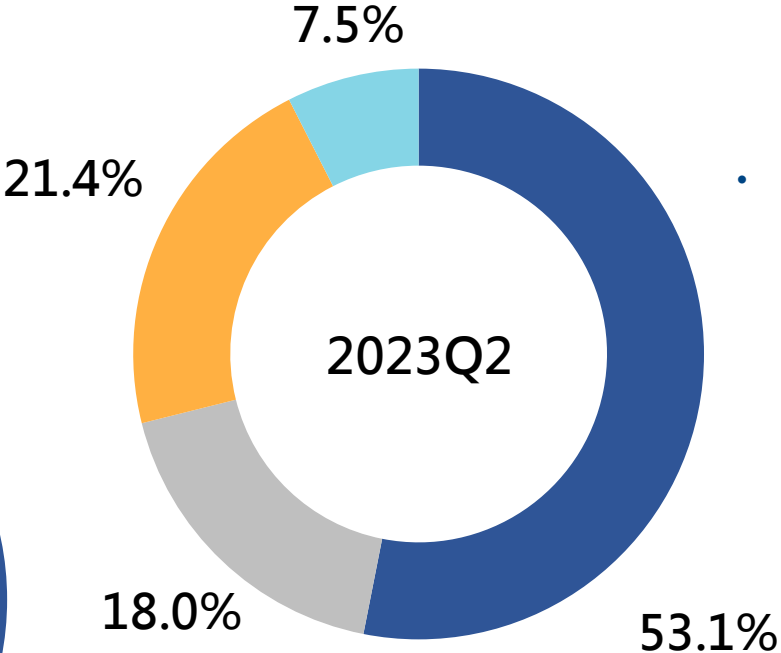
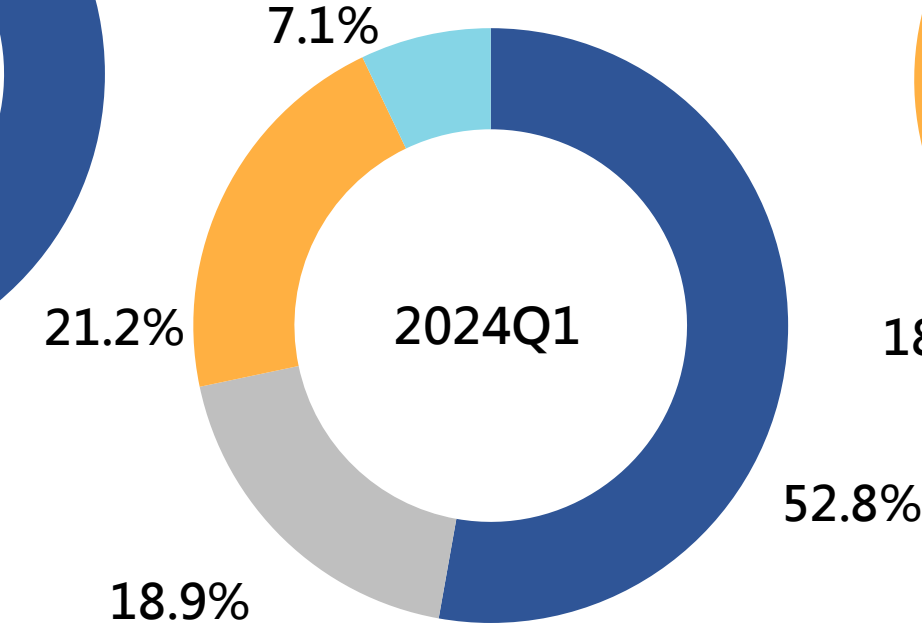
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2Q24 Revenue Breakdown by Business Group



Consolidated
revenues of 2024Q2
up 5.8% QoQ
down 3.6% YoY



■ Green Mechatronic Solution ■ Intelligence Energy
■ Air and Intelligent Life ■ Others

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Progress of Green Energy related businesses

Green Mechatronic Solution :

- ✓ Revenue of energy-saving and EV related products (excluding IE3 motor) in 1H24 accounted for 11.8% of the overall business group.

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Intelligence Energy :

- ✓ Revenue of green energy related engineering and products in 1H24 increased by 14.2% YoY, percentage to the overall business group is 40.5%.
- ✓ Unexecuted orders for projects and equipment on hand are approximately TWD 24 billion, of which green energy-related business accounts for 51.0%.

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Air and Intelligent Life :

- ✓ Green energy related products accounted for 47.2% of the business group's revenue in 1H24.
- ✓ Revenue of inverter commercial AC in 1H24 increased by 43.4% YoY, percentage to total commercial AC business is 34.3%.

Overview of the Three Major Markets

US

Recent Economic Situation

- The ISM manufacturing index fell back to 46.8 in July (previously 48.5), declining for four consecutive months. The price in the PMI index breakdown was 52.9 (previously 52.1), supplier delivery was 52.6 (previously 49.8), but new orders fell back to 47.4 (previously 49.3).
- Client inventory of 45.8 (previously 47.4) is still in the contraction range, and there may be momentum for restocking in the future.

Impact on TECO

- Demand end indicators still fluctuate, with the CPI falling to 2.98%. The Cleveland Fed predicts that the CPI will fall to 2.74% in August, and inflation continues to decline.
- The new orders index in the PMI breakdown fell, which should have an impact on related equipment demand.
- Durable new orders for machinery in June were +1.84 (-0.84 the previous month), and electrical equipment +0.75 (+1.18 the previous month). Follow-up demand should be carefully observed.

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Taiwan

- The prosperity signal score in June increased by 2 points compared with the previous month. Among them, the import value of machinery and electrical equipment and industrial production value maintained the same red light as in May; overtime working hours in the industrial and service industries all changed from green light to yellow-red light, continuing to heat up. It is still necessary to pay close attention to subsequent developments.

- In June, the manufacturing purchasing managers index 52.2 remained above the boom-bust line for three consecutive months, but the detailed machinery and equipment PMI dropped back to 47.4 (previously 54.2) below the boom-bust line. Short-term motor demand should continue to be monitored.

China

- In July, the official PMI 49.4 (previously 49.5) fell back to the contraction range, staying below the boom-bust line for three consecutive months; in detail, production 50.1 (previously 50.6), main raw material prices 49.9 (previously 51.7), and factory prices 46.3 (previously 47.9) all continued to decline.

- The annual growth rate of China's consumer price index [CPI] has remained below 0.5% since March this year, indicating that people's consumption power has not yet clearly improved, and the corresponding low-voltage motor market demand is still quite challenging.

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Estimated Revenue

Green Mechatronic Solution YoY <-> QoQ <->

Intelligence Energy YoY ↓ QoQ ↓

Air and Intelligent Life YoY ↑ QoQ ↑

Company-Wide Gross Margin YoY ↑ QoQ ↑

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Recap of Recent Major Events | 2024.05.31

TECO Appoints Morris Li as New Chairman, Sophia Chiu Promoted to Vice Chairman of the TECO Group

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The new board of directors elected the new **Chairman Morris Li**. Following TECO's tradition of leadership succession, **Sophia Chiu was promoted to Vice Chairman of the TECO Group** to assist the new chairman in smoothly taking over the company's development responsibilities.

Chairman Li aims to reach new operational heights through collaboration with the new board members.

Recap of Recent Major Events | 2024.06.11

TECO Partners with Siemens to Produce Fluorine-Free Clean-Air Gas Insulated Switchgear (GIS) Equipment in Taiwan

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TECO and Siemens Taiwan have announced the signing of a Memorandum of Understanding (MOU) to produce 24KV Sulfur hexafluoride-free clean-air gas insulated switchgear (blue GIS) in Taiwan.

Sulfur hexafluoride (SF₆) gas is a commonly used insulating medium in the electricity industry. However, it is also one of the greenhouse gases. The European Union will ban the use of SF₆ gas in high-voltage gas insulated switchgear (GIS) starting in 2026. It is initially estimated that there will be business opportunities for the replacement of approximately tens of thousands of clean gas insulated switchgear equipment in Taiwan in the future.

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Recap of Recent Major Events | 2024.08.13

TECO and Danfoss Sign MoU to help energy efficiency in Asia Pacific mining



TECO has signed a strategic cooperation memorandum of understanding (MOU) with Danfoss Taiwan. Future strategic collaborations with Danfoss will primarily focus on customized projects such as 690V and up to 1400KW medium-to-high voltage motors, providing mining customers with high-efficiency and energy-saving power solutions. Specifically targeting key countries rich in lithium, copper, and nickel, such as Australia and Indonesia.

Integrated motor-drive solutions will help increase competitiveness and lead to significant energy savings of approximately 15-40%.

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1. Key Points for Future Strategic Development
2. Adjustments to Important Internal Management System and Process Optimization
3. Investment Plan for the Next Three Years

Key Points for Future Strategic Development

Development Plan from 2025 to 2027

1) Strategy Focus:

- Focus on future strategic development and investment direction from the perspective of the Company's core competitiveness, high-margin products and high-potential businesses.
- Confirm the short-term strategic objectives of entering the inverter market and the transformer market in North America and Taiwan through mergers and acquisitions.

2) Resource investment: Propose corresponding supporting resource, including mergers and acquisitions, capital expenditures and the establishment of new teams, to lay the foundation for the company's profitable growth and enhance its industrial status.

3) Strengthen high-potential development areas: With the commissioning of plants in Mexico and India, the global layout has been improved. In the next three years, the global business development layout will be adjusted to strengthen the North American market and the Southeast Asian market, in order to fully leverage the advantages of the TECO brand in North America and seize emerging business opportunities in Southeast Asia.

4) Establish the One TECO model:

- Transform from "Single Product Sales" to "Total Solution Provider" to strengthen the customer relationship management and sales capabilities and service culture of the sales teams.
- Adjustments to important internal management system and process optimization.

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Strategic Development Focus

Helping customers in their green transformation

Green Energy

- Smart Grid (including Taipower Power Grid Resilience Plan)
- Green Energy Integration Solution (including offshore substation, wind and solar energy storage project)
- Hydrogen Energy: fuel cell applications, hydrogen refueling station projects, hydrogen production equipment peripherals
- Virtual power plant investment and electricity sales

Electrification

- Industrial Electrification: Promote VB-Skid/E-House and transform into an industrial electrification integrator
- Vehicle electrification: Expand the commercial vehicle powertrain market and charging equipment, and enter the marine electric propulsion supply chain
- Enter the inverter market, transformer market in North America and Taiwan through mergers and acquisitions

Energy saving and carbon reduction

- High-efficiency electromechanical products and solutions
- Provide comprehensive energy-saving renovation and follow-up maintenance and warranty services for the whole plant to help enterprises achieve long-term carbon reduction goals
- High-efficiency refrigeration, air conditioning and heat recovery industries

Development of key regions

- Continue to deepen the North American market
- Establish or strengthen a new team in Southeast Asia to promote electrification/energy conservation and carbon reduction business, data center engineering business, and air-conditioning business



Sustainable Future Power by TECO



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Make Good Use of Global Layout

1. Continue to increase investment and business development in the United States market
 - Considering the profit margin and market size of the North American market, the company plans to expand and deepen the original electrification business in North America and develop the new energy business through mergers and acquisitions and the establishment of new R&D, technical engineering, and sales teams, combined with TECO's brand position in North America and the influence of the geopolitical situation between China and the United States.
2. Develop business opportunities in Southeast Asia
 - Establish a new team and headquarters support model in Southeast Asia, leverage the advantages of Taiwanese companies and China's supply chain resources, and promote the One TECO business model with the opportunity of electrification/energy conservation and carbon reduction business (especially in the electronics industry in Southeast Asia).
 - Develop project contracting business for data centers in Southeast Asia (initially focusing on Malaysia).

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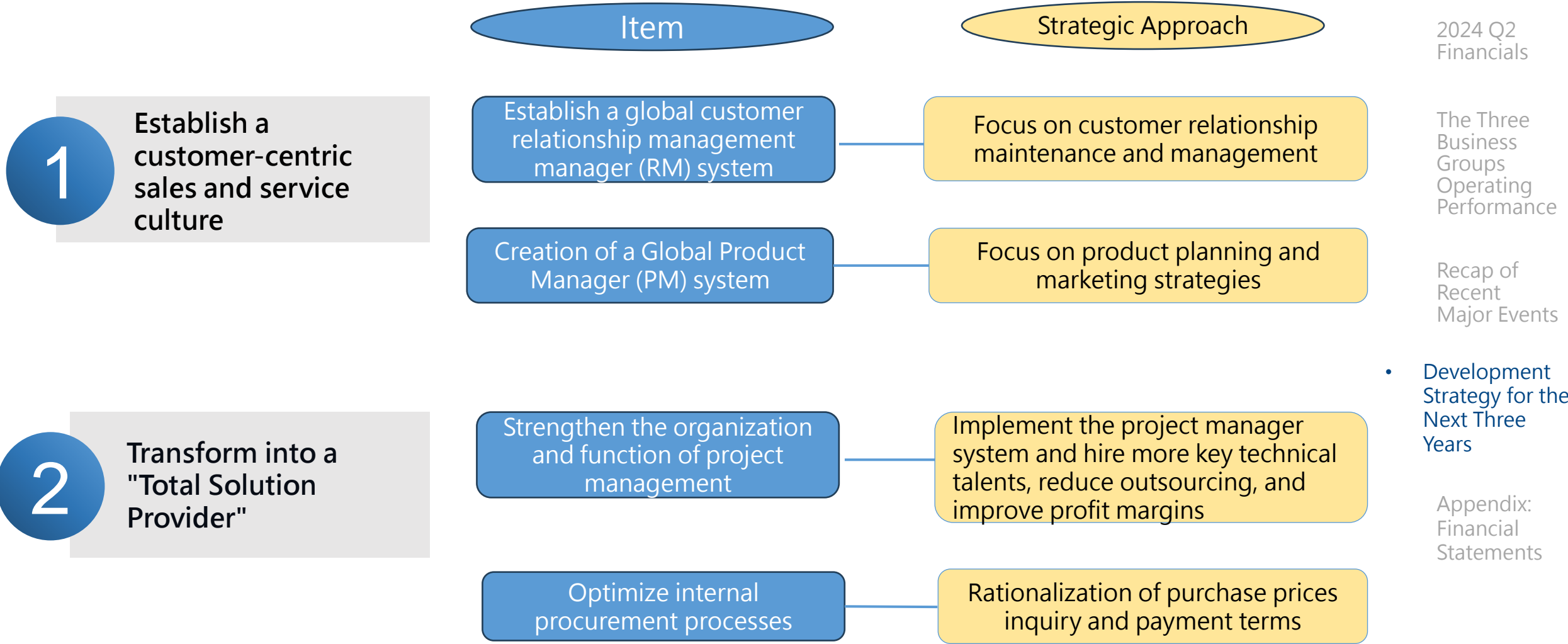
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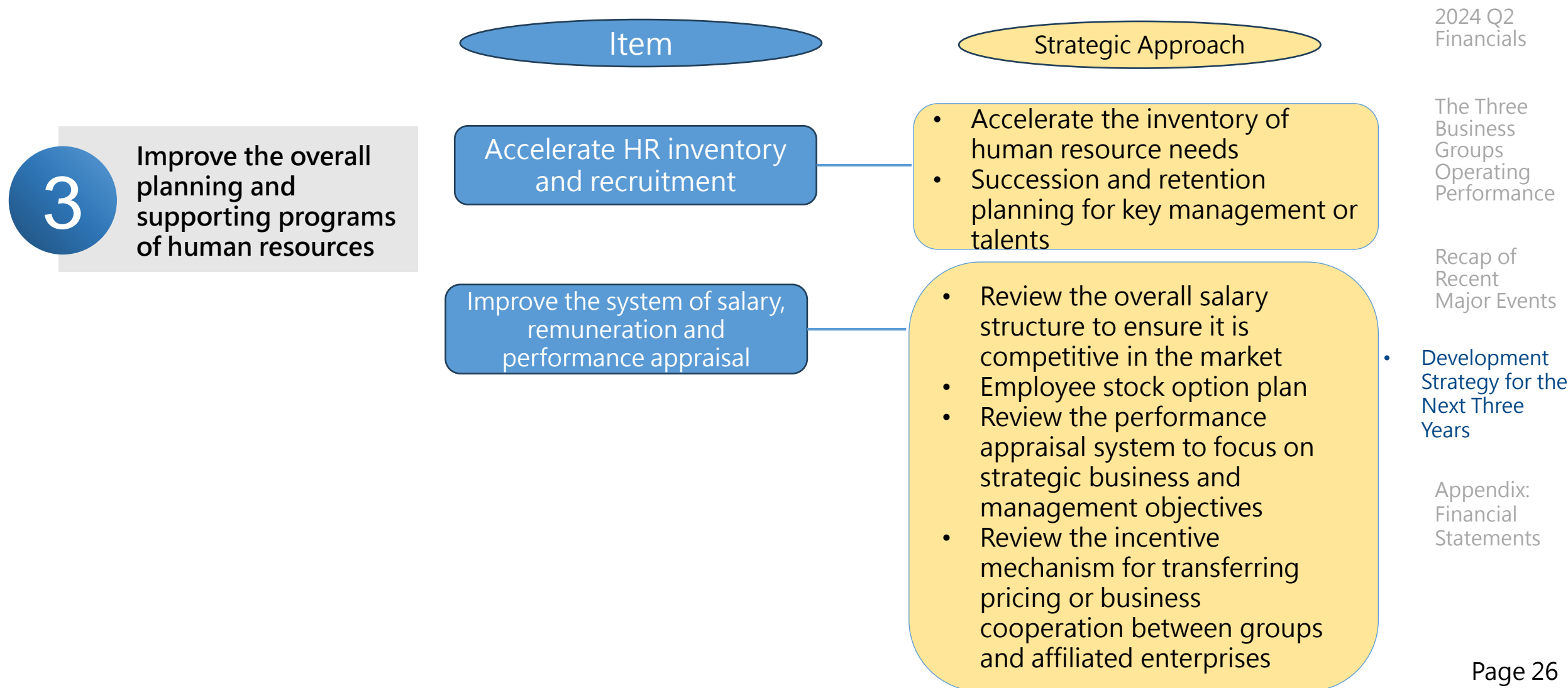


Adjustments to Important Internal Management System and Process Optimization

Action Item (1)



Action Item (2)



Action Item (3)

Item

Strategic Approach

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Optimize and
streamline the
organizational
structure

Streamlining the
structure of the
reinvestment company

Evaluate the optimal structure of
affiliated enterprises or
reinvestment companies from a tax,
management and performance
perspective

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Revitalize the
Group's assets

Accelerate the evaluation
of the effectiveness of the
Group's assets

- Evaluate operating assets to
improve overall capacity
utilization
- Evaluate the benefits of non-
operating assets

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Investment Plan for the Next Three Years

Investment Plan for the Next Three Years

In order to implement the strategic business development of the Company, the supporting resources investment in the next three years include (1) M&A; (2) new team building and human resource enhancement and (3) capital expenditure/other expenses.

1. M&A/Equity Investment :

- Eight potential investment projects are preliminarily planned, with a view to gaining business opportunities and technologies to enter new business or capture potential markets (North America and Southeast Asia) in the short term.
- In addition to the Company's own funds (including the amount of mergers and acquisitions or investments, interest and professional service fees), the remaining amount may be covered by borrowings or other capital market commodities.

2. Human Resources :

- In order to expand new business and capture high-potential markets, it is expected to recruit more than 100 new employees from 2025, including R&D/technical engineering/business development and sales teams.

3. Capital Expenditures :

- There are two main parts :
 - (a) In order to strengthen the company's core motor product process and global quotation system to secure long-term competitiveness.
 - (b) Other capital expenditures required to expand the aforementioned new business and capture high-potential markets.

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Q&A

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Statements of Comprehensive Income | 2Q24

(TWD Million)	2024Q2	2024Q1	QoQ	2023Q2	YoY
Operating Revenue	14,526	13,730	5.80%	15,064	-3.57%
Net Gross Profit *	3,667	3,557	3.09%	3,881	-5.51%
Operating Profit	1,612	1,634	-1.35%	1,780	-9.44%
Non operating Income	688	136	405.88%	998	-31.06%
Income Before Tax	2,300	1,770	29.94%	2,778	-17.21%
Income Tax	-539	(483)	11.59%	(524)	2.86%
Net Income**	1,761	1,287	36.83%	2,122	-17.01%
EPS (TWD)	0.78	0.55	41.82%	1.01	-22.77%

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* Including unrealized/realized benefits of affiliated companies

** Excluding non controlling interest

- Revenue in 2024Q2 was TWD 14.5 billion, decreased by approximately 3.57% compared to 2023Q2, is mainly due to the decrease in revenue from “Green Mechatronic Solution” in North America, China and Europe, as well as the difference in the timing of projects revenue recognition of “Intelligence Energy”.

Statements of Comprehensive Income | 1H24

- Revenue in the first half of 2024 decreased by 5.70% and gross profit decreased by 3.81% compared with the same period in 2023, mainly due to the decrease in Green Mechatronic Solution's revenue in North America, China and Europe, resulting in a decrease in high gross profit revenue.
- The net non-operating income in the first half of 2024 decreased by 44.59% versus the same period in 2023, mainly due to the decline in dividend income and the decrease in unrealized benefits in financial asset evaluation recognized due to stock market volatility compared with the same period.

(TWD Million)	1H24	1H23	YoY
Operating Revenue	28,256	29,964	-5.70%
Net Gross Profit*	7,224	7,510	-3.81%
Operating Profit	3,246	3,478	-6.67%
Non operating Income	824	1,487	-44.59%
Income Before Tax	4,070	4,965	-18.03%
Income Tax	-1,022	(968)	5.58%
Net Income**	3,048	3,757	-18.87%
EPS (TWD)	1.33	1.78	-25.28%

* Including unrealized/realized benefits of affiliated companies

** Excluding non controlling interest

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Balance Sheets | June 2024

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- Cash and Cash Equivalents increased by TWD 1.3 bn compared to Year end of 2023 mainly due to the increase in net income and long term borrowings.
- Equities decreased by TWD 3.2bn compared to Year end of 2023, mainly due to the announcement of cash dividends and the recognition of the unrealized losses from financial assets measured at fair value through other comprehensive income.

(TWD Thousand)	Jun. 30, 2024		Dec. 31, 2023		Jun. 30, 2023	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalents	24,996,793	20%	23,640,536	19%	22,658,903	17%
Receivables	11,851,764	9%	11,976,212	9%	13,067,709	10%
Inventories	11,679,187	9%	11,631,793	9%	12,664,296	10%
Total Assets	127,767,352	100%	127,313,790	100%	131,559,455	100%
Payables	9,593,307	8%	9,250,143	7%	18,927,266	14%
Short term Borrowings	1,022,211	1%	1,357,111	1%	1,734,719	1%
Long term Borrowings	6,616,451	5%	3,549,846	3%	4,009,422	3%
Corporate Bond Payables	2,000,000	2%	5,000,000	4%	5,000,000	4%
Total Liabilities	44,513,321	35%	40,871,010	32%	43,341,882	33%
Equities	83,254,031	65%	86,442,780	68%	88,217,573	67%
Key Indices						
AR Turnover (times)	4.79		5.08		5.00	
Inventory Turnover (times)	3.39		3.43		3.33	
Current Ratio	1.82		2.32		2.09	
Quick Ratio	1.26		1.61		1.44	
Net Debt to Equity	-18.45%		-15.89%		-13.51%	



Energy Conservation, Emissions Reduction, Intelligence, Automation

TECO — Your Partner for Net Zero and Sustainability

TECO Group