

The background of the slide is a photograph of several blue industrial robotic arms in a factory environment. The image is darkened with a blue overlay to make the white text stand out. On the left side, there is a vertical bar with a gradient from grey at the top to orange at the bottom.

# 2021 4<sup>th</sup> Quarter Earnings Conference

March 23<sup>rd</sup>, 2022





# 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.

# Financial Highlights 4Q21

• 2021 Q4 Financials

	4Q 2021	3Q 2021	QoQ	4Q 2020	YoY
Net Sales-Recurring *	13,749	13,137	4.7%	12,473	10.2%
Gross Margin-Recurring *	21.0%	21.1%	-10bps	20.5%	50bps
Operating Margin- Recurring *	8.2%	5.7%	250bps	7.0%	120bps
EPS (TWD)	0.42	0.75	-44.0%	0.4	5.0%

The Three Business Groups Operating Performance

Recap of Recent Major Events

Appendix: Financial Statements

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

- 2021 Q4 recurring net sales increased by 10.2% YoY and 4.7% QoQ due to continual growth in Taiwan, Europe and China.
- The recurring gross margin was 21.0%, less than Q3 level by 0.1%, due to the cost pressure from raw materials and freight expense. Recurring operating margin was higher than Q3 level by 2.5%.
- EPS reached at NT 0.42 in Q4, decreased by NT 0.33 versus Q3. An increase of NT 0.02 from the same period last year, mainly due to the impact of the COVID 19 epidemic, the shareholders meetings of the invested companies were postponed to Q3 which resulted in higher dividend income.

Page 3





# Financial Highlights 2021

- 2021 Q4 Financials

	2021	2020	YoY
Net Sales-Recurring *	51,239	45,351	13.0%
Gross Margin-Recurring *	22.3%	22.7%	-40bps
Operating Margin- Recurring *	7.3%	6.9%	+40bps
EPS (TWD)	2.38	1.81	31.5%

Recurring net sales of 2021 was TWD 51.24 billion, with 13.0% YoY growth, and EPS of 2021 reached at TWD 2.38, an increase of TWD 0.57 over the same period last year

The Three Business Groups Operating Performance

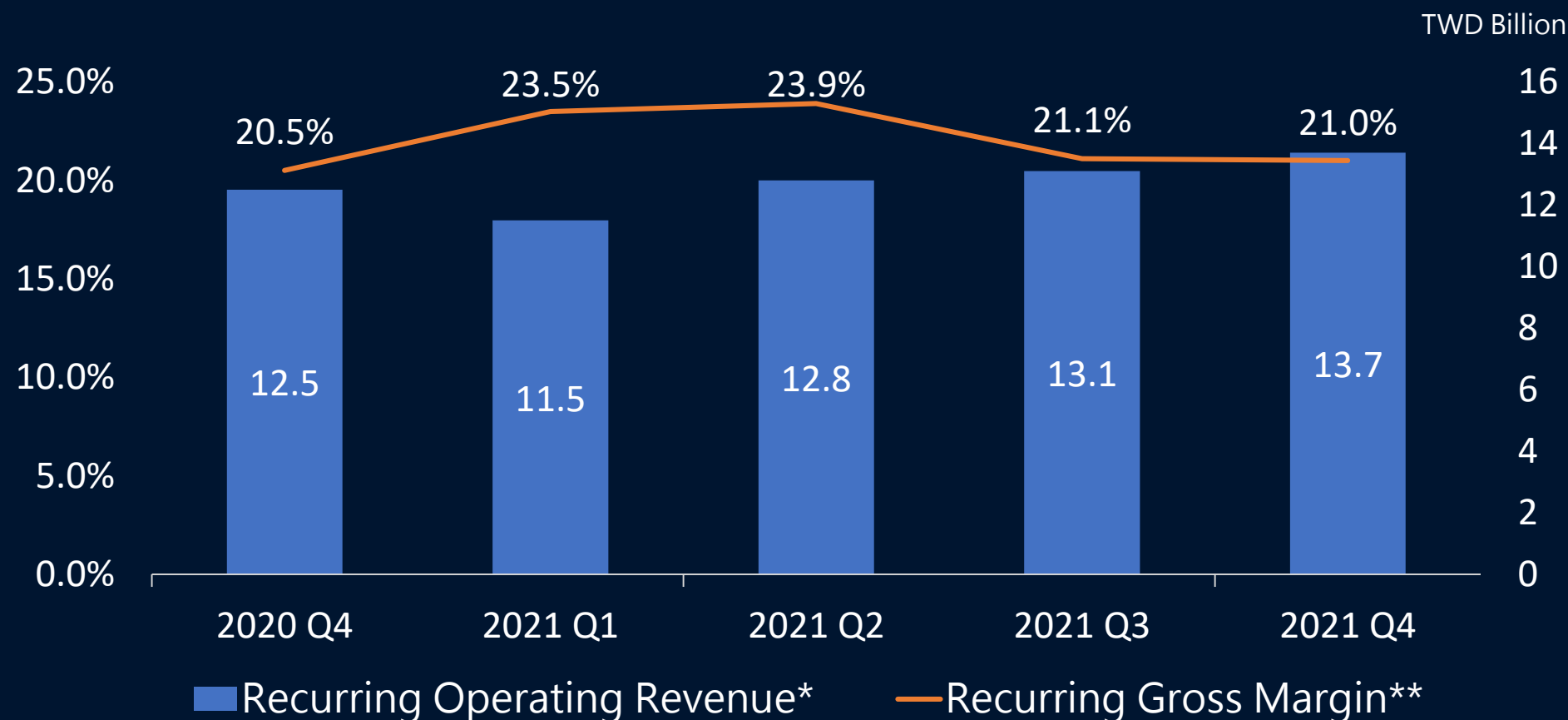
Recap of Recent Major Events

Appendix: Financial Statements

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

# Recurring Operating Revenue vs. Recurring Gross Margin

• 2021 Q4 Financials



The Three Business Groups Operating Performance

Recap of Recent Major Events

Appendix: Financial Statements

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

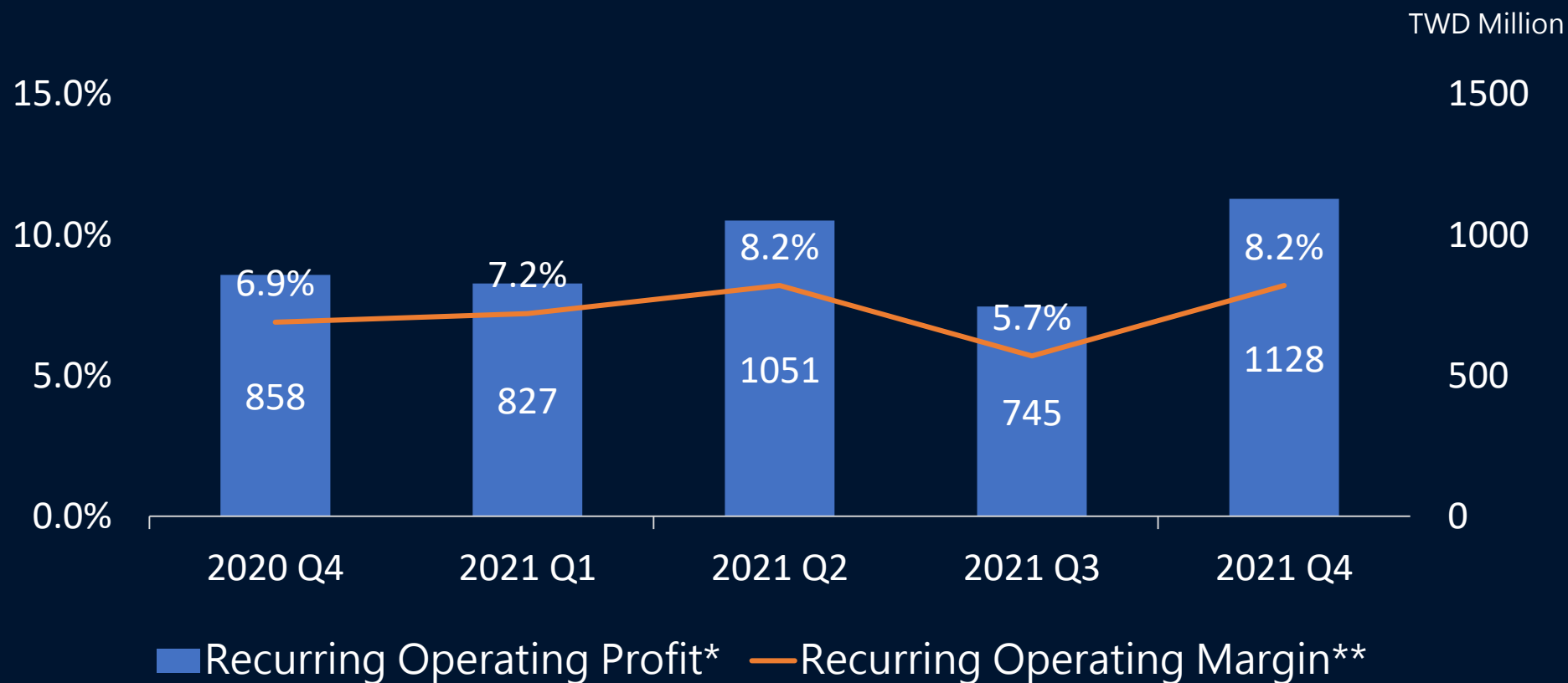
\*\* Recurring Gross Margin= Recurring Gross Profit/ Recurring Operating Revenue

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

Page 5

# Recurring Operating Profit vs. Recurring Operating Margin

2021 Q4  
Financials



The Three  
Business  
Groups  
Operating  
Performance

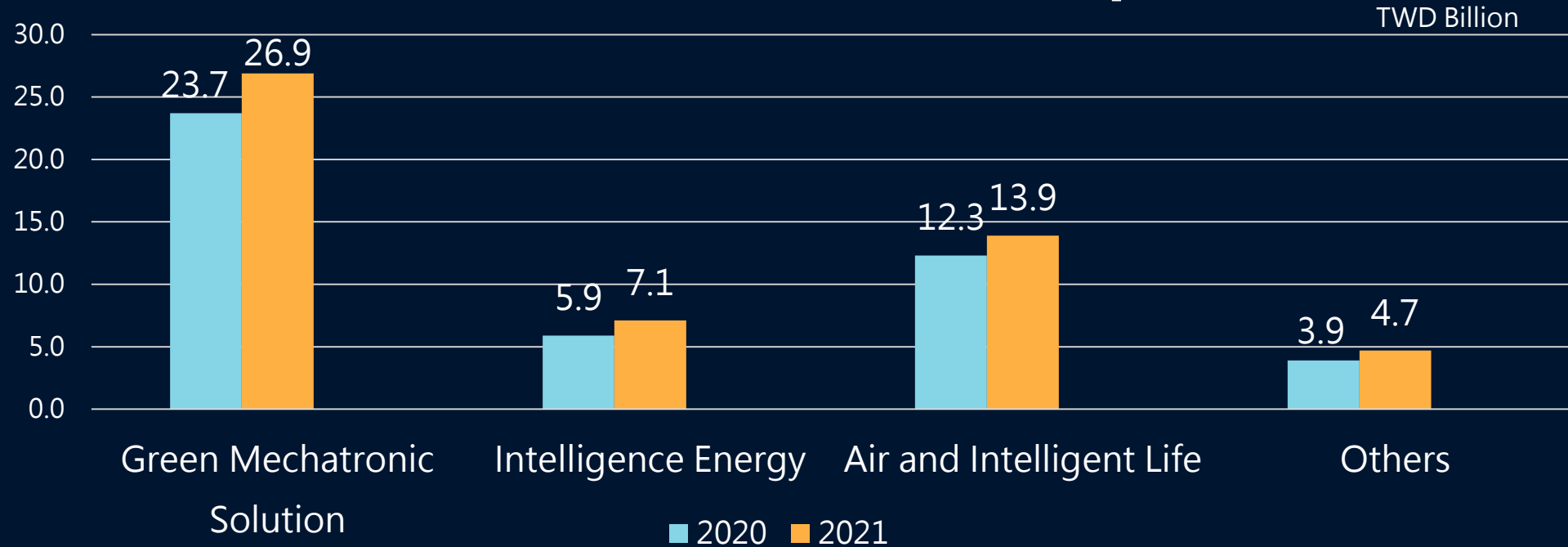
Recap of  
Recent Major  
Events

Appendix:  
Financial  
Statements

- \* Recurring Operating Profit excludes financial assets at fair value through profit or loss  
\*\* Recurring Operating Margin= Recurring Operating Profit/Recurring Operating Revenue

Page 6

# Performance of Business Groups



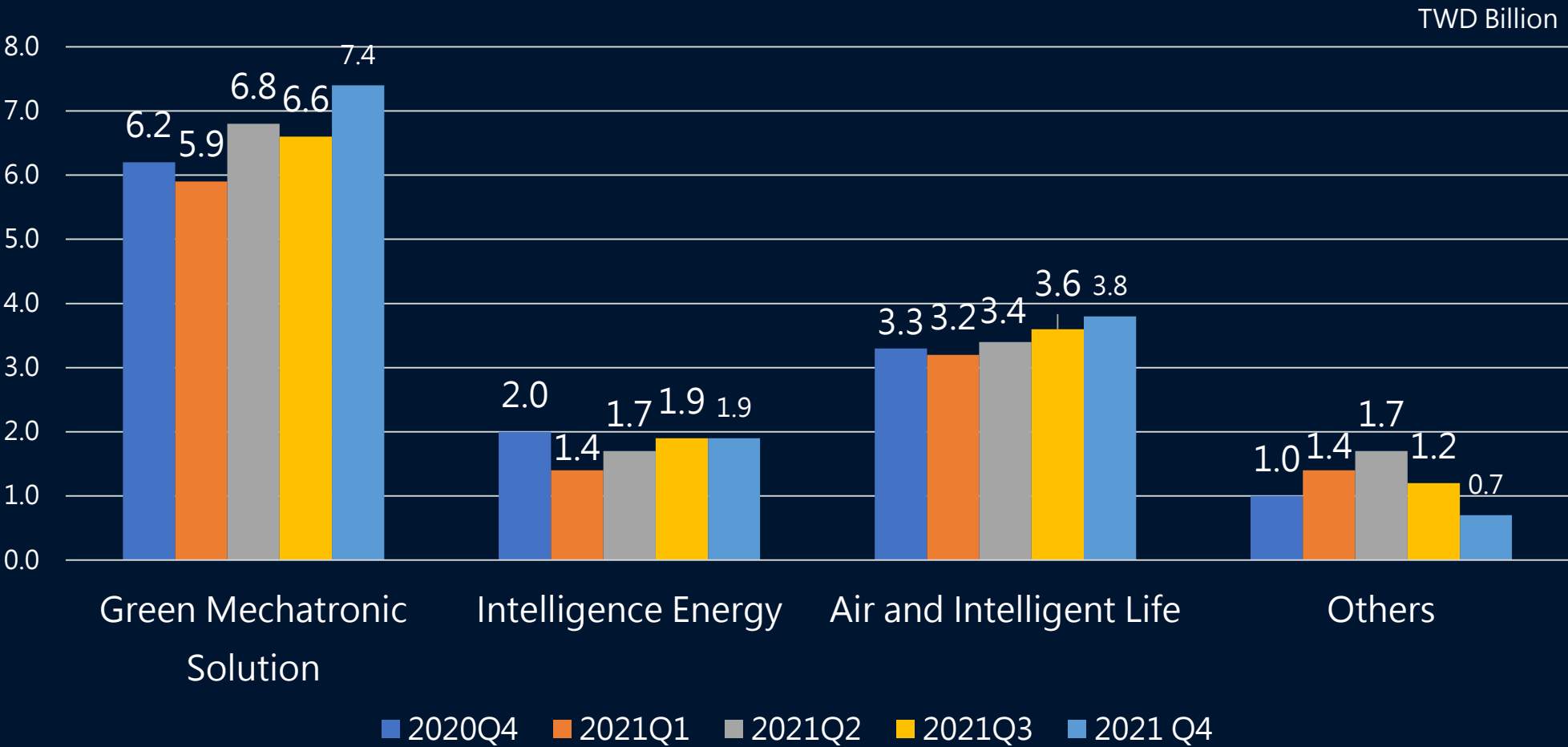
- The Three Business Groups Operating Performance

Recap of Recent Major Events

Appendix: Financial Statements

- ✓ "Green Mechatronic Solution" revenue increased by 13.5% YoY, thanks to strong demand for global industrial products, the continuous growth of the motor and automation business in China and Motovario in Europe.
- ✓ The revenue growth of "Intelligence Energy" increased by 19.4% YoY, mainly due to the growth of TECO's engineering project revenue (including onshore substation of offshore wind farm and IDC projects, etc.)
- ✓ The YoY revenue growth of "Air and Intelligent" was 13.3%, mainly due to: 1) The revenue growth of TECO's home appliance; 2) Affected by the epidemic, the demand for e-commerce shopping increased, which led to the growth of Taiwan Pelican's home delivery business; 3. Increase in ITTS' s ERP projects for digital transformation.

# Sales Trend of Business Groups



• The Three Business Groups Operating Performance

Recap of Recent Major Events

Appendix: Financial Statements



# Revenue Breakdown by Business Group 1/2

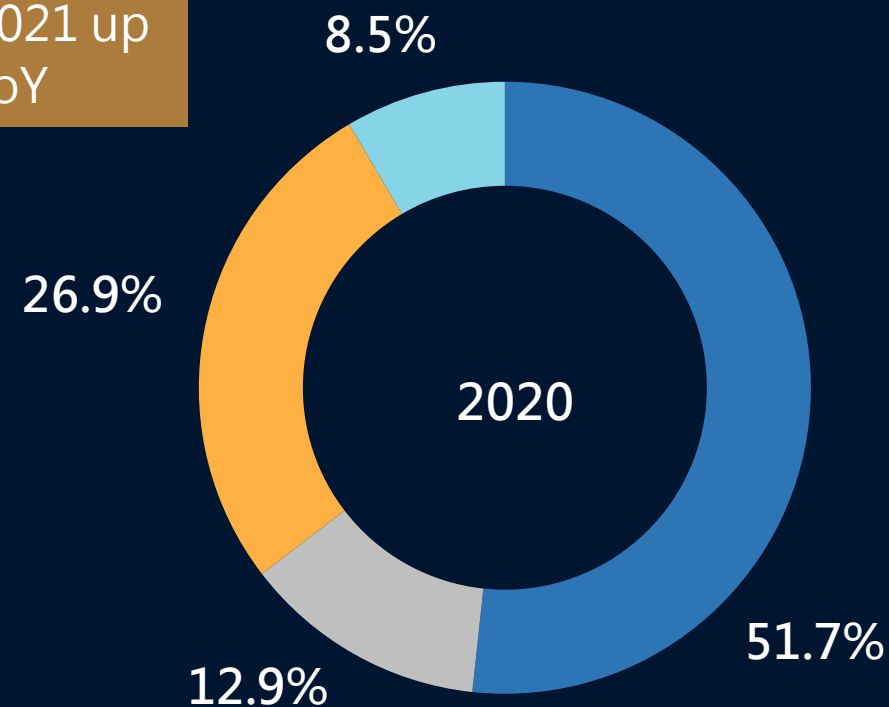
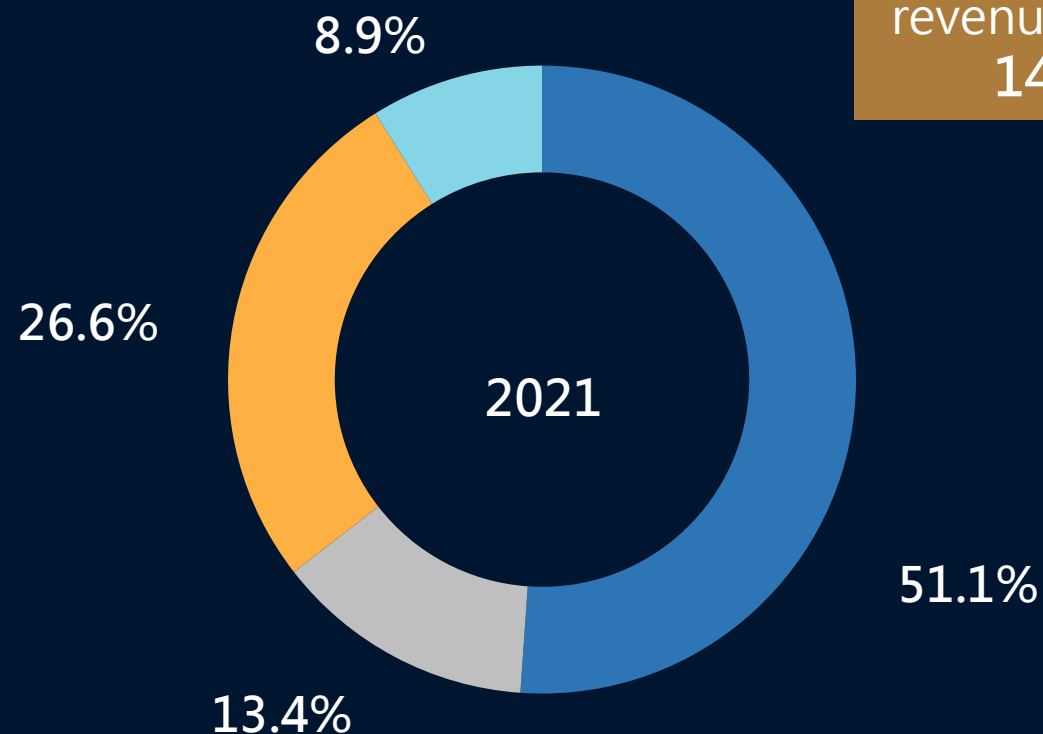
2021 Q4  
Financials

- The Three Business Groups Operating Performance

Recap of Recent Major Events

Appendix: Financial Statements

Consolidated revenues of 2021 up 14.7% YoY



■ Green Mechatronic Solution  
■ Air and Intelligent Life

■ Intelligence Energy  
■ Others

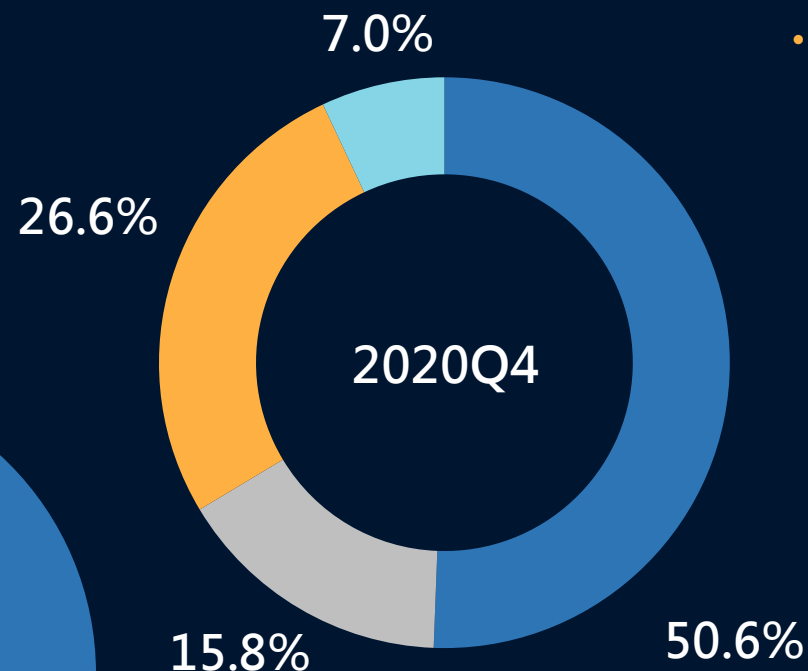
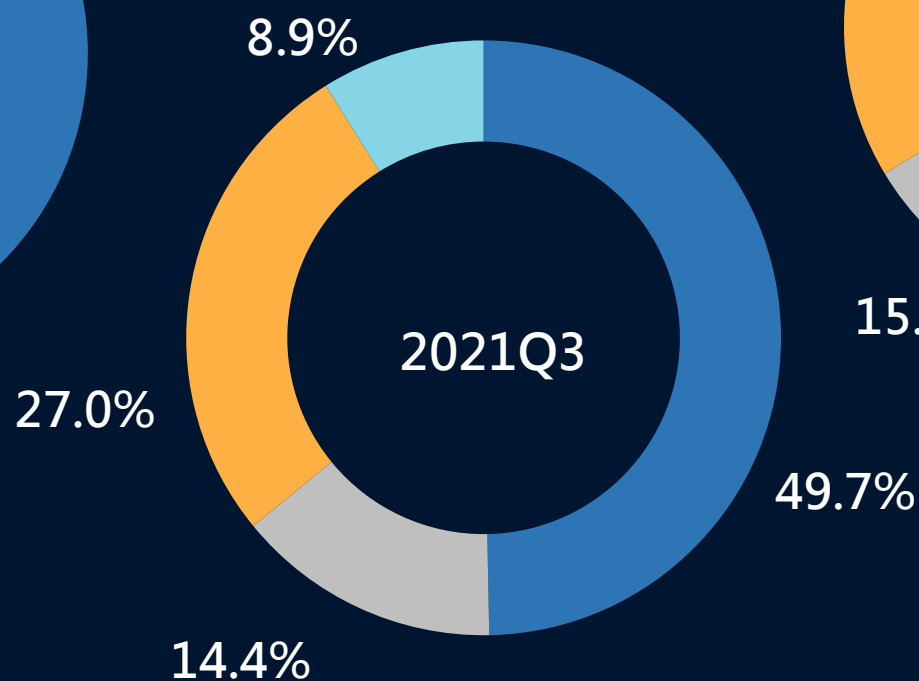
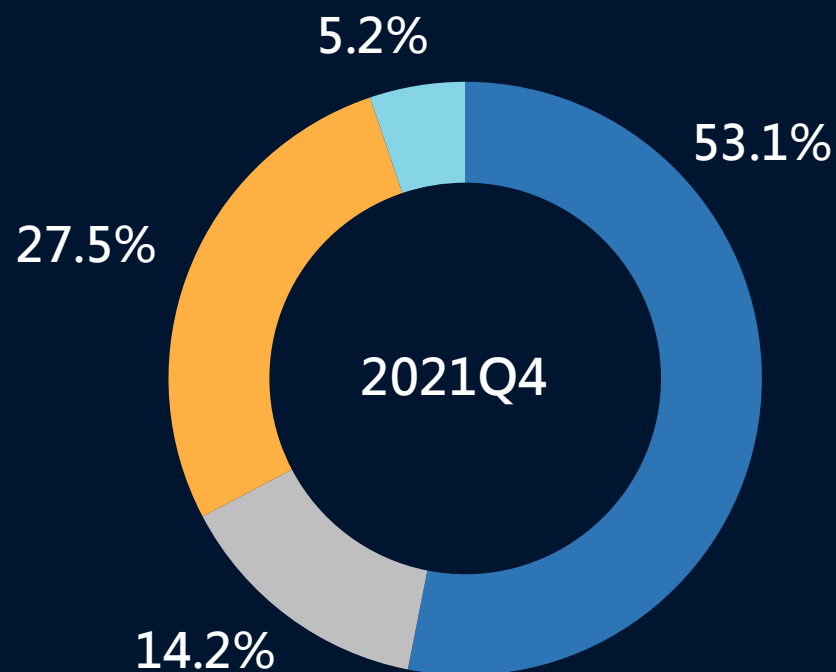
# Revenue Breakdown by Business Group 2/2

2021 Q4  
Financials

- The Three Business Groups Operating Performance

Recap of Recent Major Events

Appendix: Financial Statements



Consolidated revenues of 2021Q4 up 4.5% QoQ  
10.9% YoY

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

# 50% emission reduction by 2030

## Carbon Neutrality Triggers Strong Demand

### 1. Target Energy Intensive Industry

Electronics

Steel

Petrochemicals

Paper Mill

- Optimized motor drive system
  - High efficiency motor, speed control(LV/MV to HV Inverter), Improve transmission efficiency (PM DD System)
- Equipment Inspection-free System
- Waste Heat Recovery

### 2. Focus on High Efficiency Products

Equipment Efficiency Enhancement

IE4 motor/Chiller



Magnetic bearing centrifugal chiller



Driver Energy Saving

LV/MV to HV Inverter



Equipment component efficiency optimization

PM DD System



### 3. Promote Low Carbon Solution via Group Integrated marketing

Energy Management System

energy consumption monitoring and carbon emission calculation



Optimal Operation

Digital Expert System for Chiller  
Smart Pre-Diagnosis system for Tower  
Equipment Inspection-free System

Energy Recycle



Heat Recovery System  
(i.e. MarkWest Energy Pipeline)

**TECO**

Opportunity from  
Carbon Neutrality

Digitalization  
System Efficiency  
Total solution

# Green Mechatronic Solution | Smart Factory & Industrial Low-Carbon solutions

2021 Q4  
Financials

- The Three Business Groups Operating Performance

Recap of Recent Major Event

Appendix: Financial Statements

Page 12

Provides complete planning & construction for solar power system, and equipment procurement and installation turnkey services, as well as optimal energy storage system solutions through evaluating the user's load curve

-Cooling tower system energy saving solution

- ▶ Use IE5 permanent magnet direct drive motor, without gearboxes or belts, to improve system efficiency and save electricity; it is easy to maintain and has no risk of oil leakage from the gearbox. Equipment energy efficiency will increase by 5%~15%

-High efficiency and variable speed control

- ▶ Install inverter to improve equipment efficiency by 5%~50%
- ▶ Replace with high-efficiency motors. IE3/IE4 improves energy efficiency by 3%~8%
- ▶ Digital Twin Solution to ensure the healthy operation to increase the efficiency by up to 2%

Target the heavy users of electricity in the steel, petrochemical, paper, and cement industries to provide waste heat recovery solutions. Waste heat above 80°C could be recycled to electricity.

Renewable energy and energy storage solutions



Energy saving and carbon reduction, energy efficiency improvement



Waste-Heat Recovery Systems



# Green Mechatronic Solution | Performance in Industrial Low-Carbon solutions

2021 Q4  
Financials

• The Three  
Business  
Groups  
Operating  
Performance

Recap of  
Recent Major  
Event

Appendix:  
Financial  
Statements

- Existing Equipment enhancement: IE3/IE4 high efficiency motor(IM/PM)+ MV/LV inverter, PM Direct Drive system
  - ✓ Replaced with high efficiency motor system: 7 clients from Electronics, paper mill...
  - ✓ Upgrade cooling tower to PM Direct Drive system: 4 clients from Electronics, petrochemicals & steel sectors
- Waste-Heat Recovery Systems :
  - ✓ 4 clients from Electronics, petrochemicals, steel and geothermal sectors
  - ✓ TECO- Westinghouse MW-level system(HRS, certified by DOE, US)
- Electrification program for U.S. Oil & Gas transmission and distribution pipelines:  
Orders have been received

Page 13



# Green Mechatronic Solution | EV

- By 2030, EV sales is estimated to reach 33 million units and the global market size will surge to USD990 billion. It is estimated that the total production value of powertrain, key component of EV, will also reach USD99 billion.
- Update in TECO
  - ✓ E Cargo Truck
    - Domestic : Vehicle testing is taken now. This model will mainly for logistics transportation; it is scheduled to pass the ARTC test in Q3, and deliver in Q4. Will be the first 3.49-ton truck on the road in Taiwan
    - Asia : Indian government is expected to announce the subsidy policy in April, and sample testing are undergoing by two automakers. TECO will start to deliver since the local production line is ready by this year end.
    - Europe: Sample testing
  - ✓ E Bus
    - Since 2021, nearly 200 sets of powertrain orders have been received, and the order is expected increase significantly when the customer's new factory is established.
    - At present, TECO also stretches to Japanese and Thailand through our automaker partners.
    - DMIT Project: TECO model has been adopted by 4-5 bus makers for vehicle design, and it is expected to contribute in 2023.



2021 Q4  
Financials

- The Three Business Groups Operating Performance

Recap of  
Recent Major  
Event

Appendix:  
Financial  
Statements

Page 14

# Intelligence Energy | Offshore Wind Power

2021 Q4  
Financials



- ✓ By 2025, Taiwan market size will reach 5.5GW.
- ✓ In 2021, TECO has obtained new substation projects including the Hailong, and the accumulated order is 1.944GW, accounting for 35% of the whole market.
- ✓ By 2030, Taiwan market size will grow to 14.5GW, and total estimated production value of substation project exceeds TWD61 billion.

• The Three Business Groups Operating Performance

Recap of Recent Major Event

Appendix: Financial Statements

Page 15



# Intelligence Energy | Solar Power

2021 Q4  
Financials



- ✓ By 2025, Taiwan market size will reach 20GW, and total production value is estimated to exceed TWD600 billion. Up to date, the installation reached 7.7GW.
- ✓ TECO has completed self-built 7.1MW, and the total order intake has reached 11.4MW.
- ✓ By 2030, Taiwan market size will grow with another 22.3 GW, and total estimated production value exceeds TWD1 trillion.

• The Three  
Business  
Groups  
Operating  
Performance

Recap of  
Recent Major  
Event

Appendix:  
Financial  
Statements

Page 16

# Intelligence Energy | Energy Storage

2021 Q4  
Financials



- ✓ By 2025, Taiwan market size will reach 1GW, and total production value is estimated to exceed TWD25 billion.
- ✓ In addition to completion of localized production of PCS and participation in the bidding of Taipower Project, TECO has already received 6MW orders in private sector and cooperated with various industry players.
- ✓ By 2030, Taiwan market size will grow to 4GW, and total estimated production value exceeds TWD100 billion.

• The Three  
Business  
Groups  
Operating  
Performance

Recap of  
Recent Major  
Event

Appendix:  
Financial  
Statements

Page 17



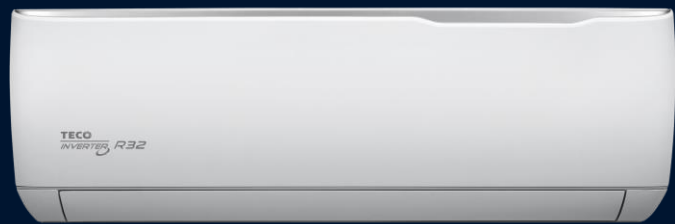
# Air and Intelligent Life | Low-Carbon Product

2021 Q4  
Financials

- The Three Business Groups Operating Performance

Recap of Recent Major Events

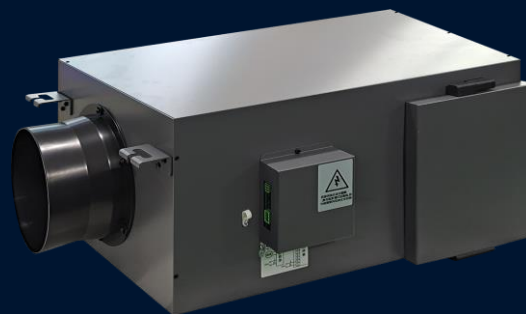
Appendix: Financial Statements



Inverter residential air conditioner (HS3/GA series)



Energy recovery ventilation



Fresh air ventilation



Magnetic bearing centrifugal chiller



DC inverter package air conditioner (PA/PE/PW series)



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# Outlook for 1<sup>st</sup> Quarter

2021 Q4  
Financials

## Revenue YoY Growth

Green Mechatronic Solution 18%~22%

Intelligence Energy 12%~16%

Air and Intelligent Life 25%~29%

- The Three Business Groups Operating Performance

Recap of Recent Major Events

Appendix: Financial Statements

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Company-Wide Recurring Gross Margin 22%~26%

# Recap of Recent Major Events | Dividend Policy

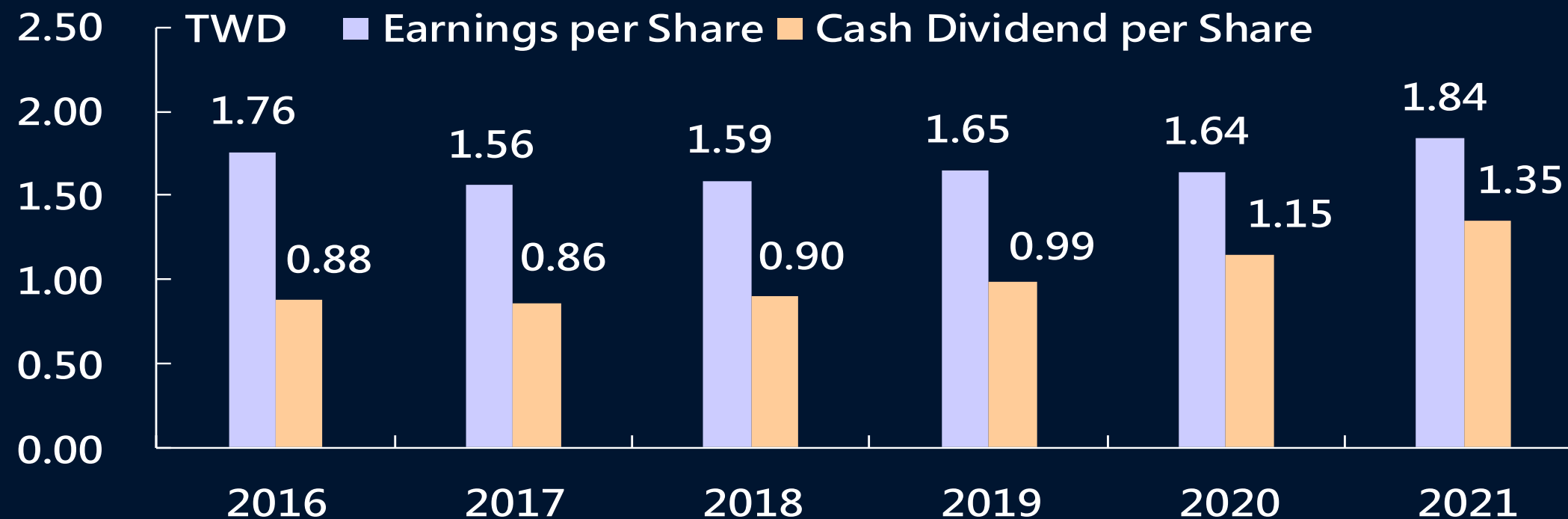
2021 Q4  
Financials

Paying cash dividend TWD1.35 per share; payout ratio reached at 73.4%  
(excluding the earnings impact from shareholdings in Fubon Media)

The Three  
Business  
Groups  
Operating  
Performance

- Recap of Recent Major Events

Appendix:  
Financial  
Statements



Payout Ratio\*

50.0%

55.1%

56.6%

60.0%

70.4%

73.4%

\*EPS and payout ratio in 2020 & 2021 were restated by excluding the earnings impact from shareholdings in Fubon Media

Page 20

# Recap of Recent Major Events |

## Granted Silver Award of Taiwan Excellence Awards



- ✓ TECO Smart Anti-Epidemic Robot offers double sterilization functions, spraying Japan's patented ultrahaline disinfecting fluid with ultrasonic atomizer for disinfection of upper area and disinfecting the ground with UVC irradiation via LED lamp.
- ✓ Equipped with 33 domestic and foreign patents, the product boasts a unique portable lithium-ion battery set and a battery management system, good for eight-hour operation. The battery can be charged automatically or manually, enabling around-the-clock operation.

2021 Q4  
Financials

The Three  
Business  
Groups  
Operating  
Performance

- Recap of  
Recent  
Major Events

Appendix:  
Financial  
Statements

Page 21

# Recap of Recent Major Events | Exhibition and Product Presentation

2021 Q4  
Financials

## 2021.12.15 Automation Taipei 2021



TECO's exhibition booths highlight three main themes, namely "complete smart low-carbon factory solution," "green motive-force solution," and "automation solution," which embody the company's corporate vision of "energy conservation, emission reduction, intelligence, and automation."

## 2022.3.18 New Home Appliances Product Launch



TECO rolls out "AI energy-conservation system" and a number of other solutions, such as air conditioners, refrigerators, and freezers, which take advantage of software and big data in attaining optimal operating efficiency.

The Three  
Business  
Groups  
Operating  
Performance

- Recap of Recent Major Events

Appendix:  
Financial  
Statements

Page 22

# Recap of Recent Major Events | Achievement of ESG

2021 Q4  
Financials

The Three  
Business  
Groups  
Operating  
Performance

- Recap of  
Recent  
Major Events

Appendix:  
Financial  
Statements



Received 4 Major Awards from TCSA



Passed IP Management Certification at A grade



Passed TCIC ISO Information Security  
Certification



Covered by S&P Sustainability  
Yearbook for the Second Straight Year

Page 23



A blue industrial robotic arm is the central focus, set against a blurred background of a factory floor. The arm is positioned diagonally across the frame. To the left of the text, there is a vertical bar with a gradient from grey to orange.

Q&A

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

**TECO** 

# Statements of Comprehensive Income | 4Q21

2021 Q4  
Financials

(TWD Million)	2021Q4	2021Q3	QoQ	2020Q4	YoY
Operating Revenue	13,838	13,241	4.51%	12,474	10.93%
Recurring Operating Revenue	13,749	13,137	4.65%	12,473	10.22%
Gain (Loss) on financial asset at fair value through profit or loss	89	104	-13.46%	1	8900.00%
Net Gross Profit **	2,971	2,874	3.38%	2,565	15.83%
Operating Profit	1,217	849	43.35%	861	41.35%
Non operating Income	(370)	1,266	-129.23%	144	-356.94%
Income Before Tax	847	2,115	-59.95%	1005	-15.72%
Income Tax	136	(406)	-133.50%	-104	-230.77%
Net Income**	896	1,579	-43.26%	784	14.29%
EPS (TWD)	0.42	0.75	-44.00%	0.4	5.00%

The Three  
Business  
Groups  
Operating  
Performance

Recap of  
Recent Major  
Events

• Appendix:  
Financial  
Statements

\* Including unrealized/realized benefits of affiliated companies

\*\* Excluding non controlling interest

- Revenue in 2021Q4 increased by approximately 10.22% compared to 2020Q4, mainly due to:  
Revenue growth of Green Mechatronic Solution growth in Taiwan & Europe, Intelligence Energy & home appliance in Taiwan, as well as Taiwan Pelican.
- The net non operating income in 2021Q4 decreased by TWD 0.37 bn. The main reason is that
  - Motovario recognized a goodwill impairment loss of TWD260 million, Qingdao TECO and TECO GD equipment impairment of TWD110 million
  - The financial asset evaluation and disposal benefits decreased by approximately TWD150 million (mainly due to the decrease in UMC and Watson & Band Greater China Fund)
- Income tax benefit occurred in 2021Q4, due to changes in Italian laws allowing goodwill to be amortized, and deferred income tax liabilities were reversed by TWD250 million

Page 25



# Statements of Comprehensive Income | 2021

2021 Q4  
Financials

- Revenue in 2021 increased by 14.7% compared to 2020, mainly due to: 1) three business groups all grew at double digit ; 2) higher valuation of financial assets such as Fubon Media held by Tong An Investment.
- The net non operating income in 2021 increased by 25.1% versus 2020. The main reason is that due to increase in dividend income and earning from equity method investment.

(TWD Million)	2021	2020	YoY
Operating Revenue	52,557	45,823	14.70%
Recurring Operating Revenue	51,239	45,351	12.98%
Gain (Loss) on financial asset at fair value through profit or loss	1,318	472	179.24%
Net Gross Profit **	12,746	10,756	18.50%
Operating Profit	5,069	3,534	43.44%
Non operating Income	1,083	866	25.06%
Income Before Tax	6,152	4,400	39.82%
Income Tax	(650)	(588)	10.54%
Net Income**	5,013	3,511	42.78%
EPS (TWD)	2.38	1.81	31.49%

The Three  
Business  
Groups  
Operating  
Performance

Recap of  
Recent Major  
Events

• Appendix:  
Financial  
Statements

\* Including unrealized/realized benefits of affiliated companies

\*\* Excluding non controlling interest

Page 26

# Balance Sheets | December 2021

2021 Q4  
Financials

The Three  
Business  
Groups  
Operating  
Performance

Recap of  
Recent Major  
Events

• Appendix:  
Financial  
Statements

Page 27



(TWD Thousand)	Dec. 31, 2021		De. 31, 2020		Sep. 30, 2021	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalents	17,274,143	13%	20,397,260	19%	17,920,142	13%
Receivables	11,741,329	9%	10,642,883	10%	10,547,272	8%
Inventories	12,252,098	9%	9,627,248	9%	11,983,175	9%
Total Assets	136,612,450	100%	105,679,071	100%	135,089,107	100%
Payables	15,919,185	12%	12,921,618	12%	15,026,502	11%
Short term Borrowings	2,042,697	1%	2,816,832	3%	2,148,828	2%
Long term Borrowings	4,095,257	3%	3,611,731	3%	4,480,954	3%
Corporate Bond Payables	6,000,000	4%	6,000,000	6%	6,000,000	4%
Total Liabilities	40,950,519	30%	38,053,839	34%	40,927,377	30%
Equities	95,661,931	70%	67,625,232	66%	94,161,730	70%
Key Indices						
AR Turnover (times)	4.81		4.41		3.30	
Inventory Turnover (times)	3.42		3.36		3.35	
Current Ratio	2.14		2.33		2.16	
Quick Ratio	1.48		1.75		1.51	
Net Debt to Equity	-5.4%		-11.8%		-2.6%	

- Cash and Cash Equivalents decreased by TWD3.12bn compared to Year end of 2020 mainly due to purchase of OASIS Fund and payment for project equipment of BOT case of Nankang Biotechnology Park.
- Inventories increased by TWD2.62bn compared to Year end of 2020 mainly due to business growth and preparation for potential inflation and shortage of raw materials.
- Equities increased by TWD28 bn compared to Year end of 2020 mainly due to higher valuation of financial assets, besides net income and capital increase through share swap.