



2021 2nd Quarter EARNINGS CONFERENCE

August 13th, 2021

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 – 2Q21



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(In NT Millions)	2Q 2021	1Q 2021	QoQ	2Q 2020	YoY
Net Sales – Recurring *	12,813	11,540	11.0%	10,857	18.0%
Gross Margin – Recurring *	23.9%	23.5%	40bps	24.2%	-50bps
Operating Margin – Recurring *	8.2%	7.2%	100bps	7.1%	110bps
EPS (NT\$)	0.68	0.53	28.3%	0.76	-10.5%

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

- 2021Q2 recurring revenue increased by 18% YoY and 11 QoQ due to continual growth in Taiwan, Europe, China and Australia.
- The recurring gross profit margin still reached at 23.9% even under the cost pressure from raw materials. With prudent expense control, the recurring operating margin also raised to 8.2%.
- EPS reached at NT\$0.68 in Q2, increased by NT\$0.15 versus Q1. A decrease of NT\$0.08 from the same period last year, mainly due to the impact of the COVID-19 epidemic, the shareholders meeting of the invested companies were postponed to Q3, which resulted in a decrease in dividend income in Q2.

Financial Highlights – 1H21



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(In NT Millions)	1H 2021	1H 2020	YoY
Net Sales – Recurring *	24,353	21,441	13.6%
Gross Margin – Recurring *	23.7%	24.2%	-50bps
Operating Margin – Recurring *	7.7%	7.0%	70bps
EPS (NT\$)	1.21	0.99	22.2

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

- Recurring revenue in the first half of 2021 was NT\$24.35 billion, with 13.6% YoY growth, and EPS in the first half of 2021 reached at NT\$1.21, an increase of NT\$0.22 over the same period last year.

Focus on Three Business Groups



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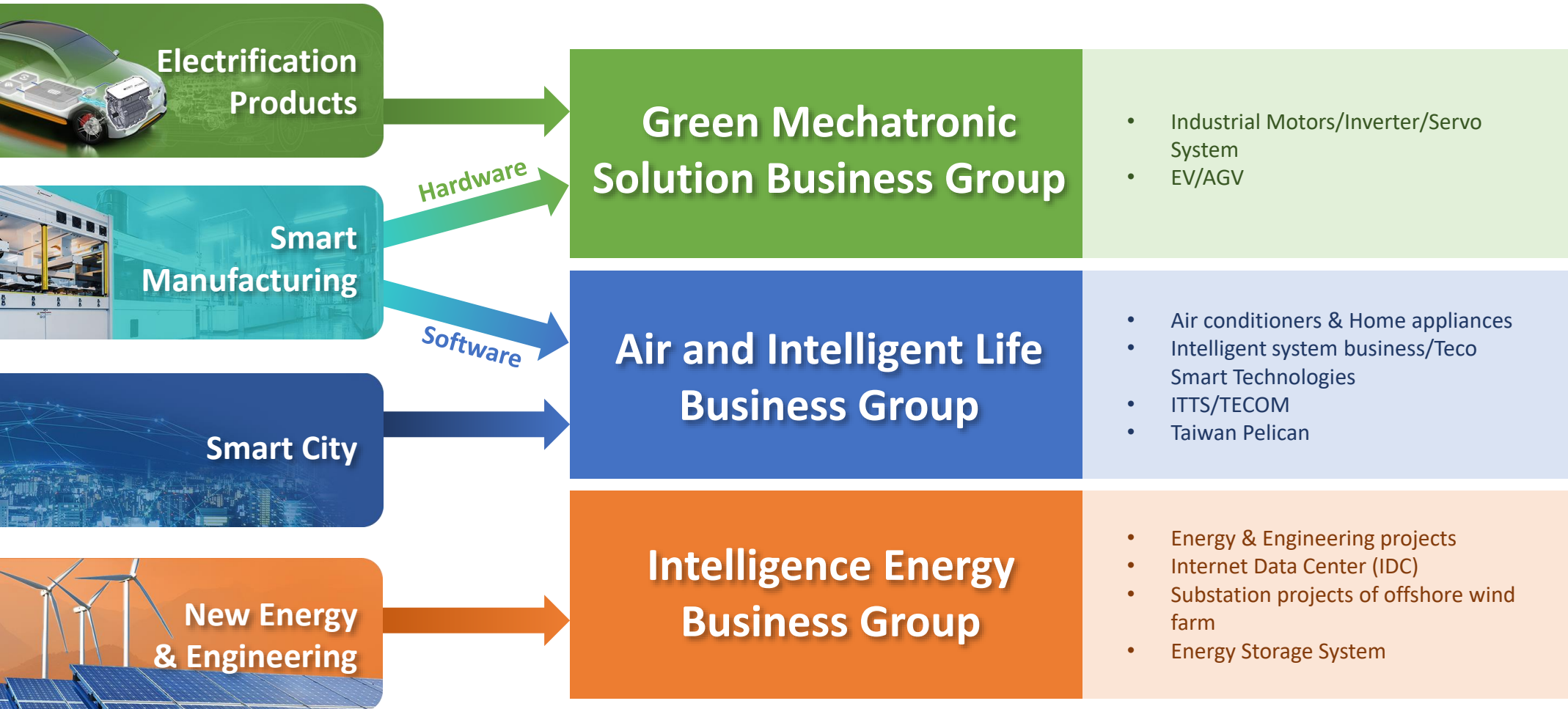
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Performance of Business Groups



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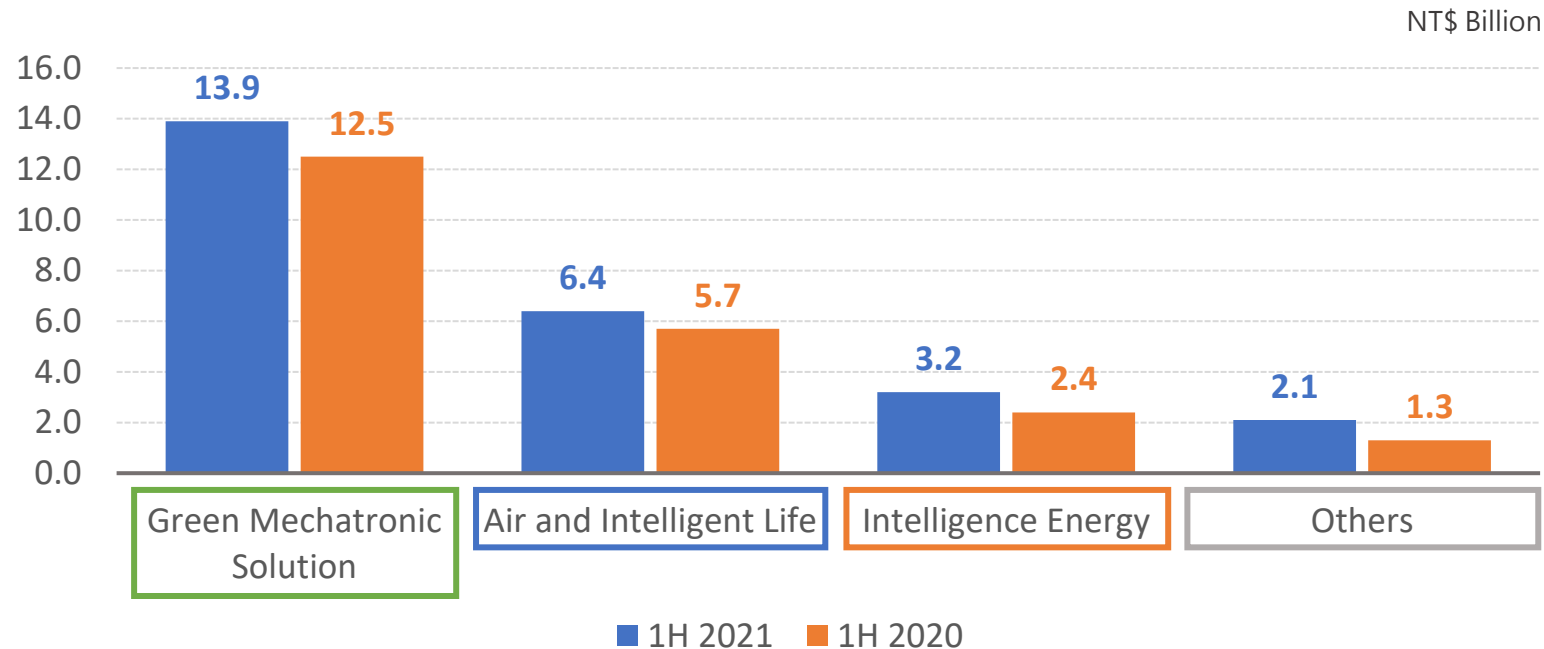
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- **"Green Mechatronic Solution"** revenue increased by 11.0% annually, mainly due to the continuous growth of the motor and automation business in China and the recovery of Motovario in Europe, but the North American market is still relatively weak.
- The revenue growth of **"Intelligence Energy"** increased by 30.1% annually, mainly due to the growth of TECO's engineering project revenue (including onshore substation of offshore wind farm and IDC projects, etc.)
- The annual growth of **"Air and Intelligent Life"** was 11.7%, mainly due to:
 1. The revenue growth of TECO's home appliance division;
 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 equipment procurement project.

Revenue Breakdown



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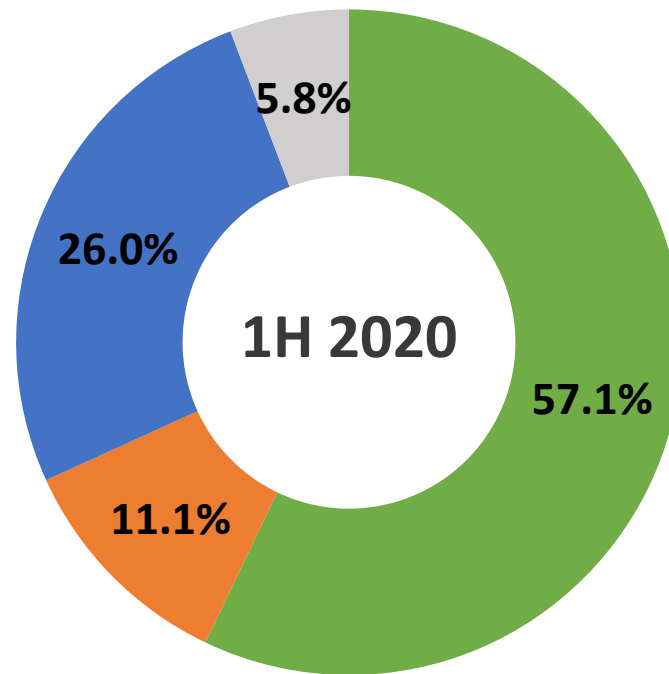
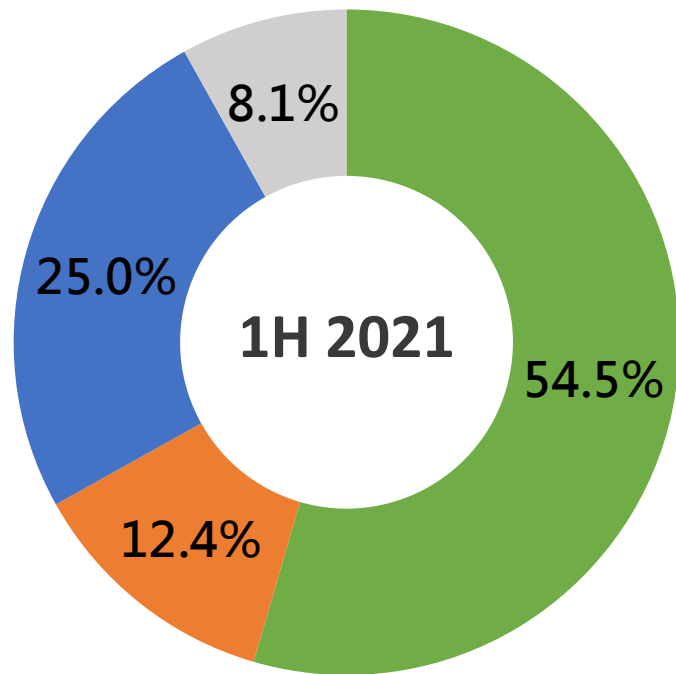
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In 1H2021, total
consolidated topline up
▲ 16.3% YoY



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

Recurring Operating Revenue vs. Recurring Gross Margin



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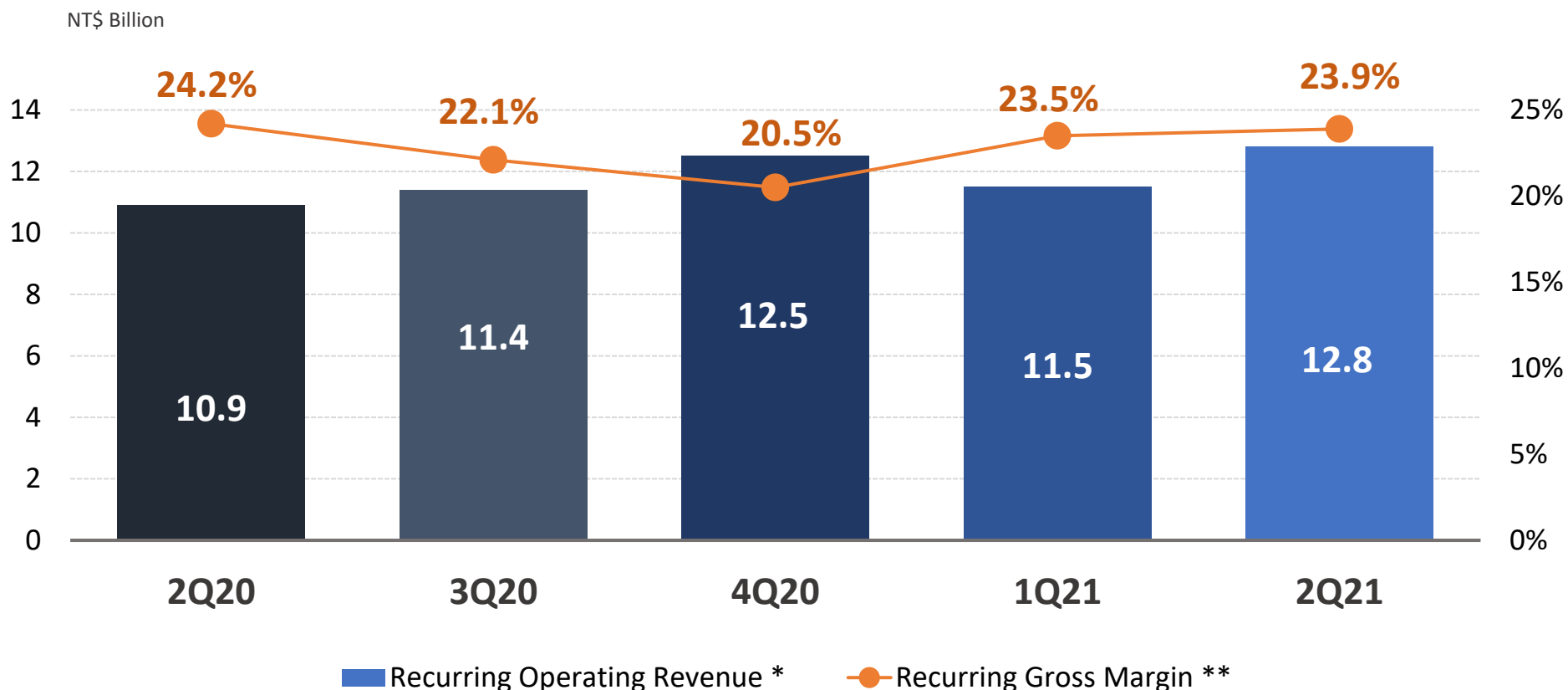
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* Recurring Operating Revenue = Operating Revenue – financial assets at fair value through profit or loss

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

*** Due to the reclassification of part of nonoperating expenditures to operating cost, the recurring gross margin in the first quarter of 2021 has been lowered to 23.5% from the 23.7% announced in the previous conference

Recurring Operating Profit vs. Recurring Operating Margin



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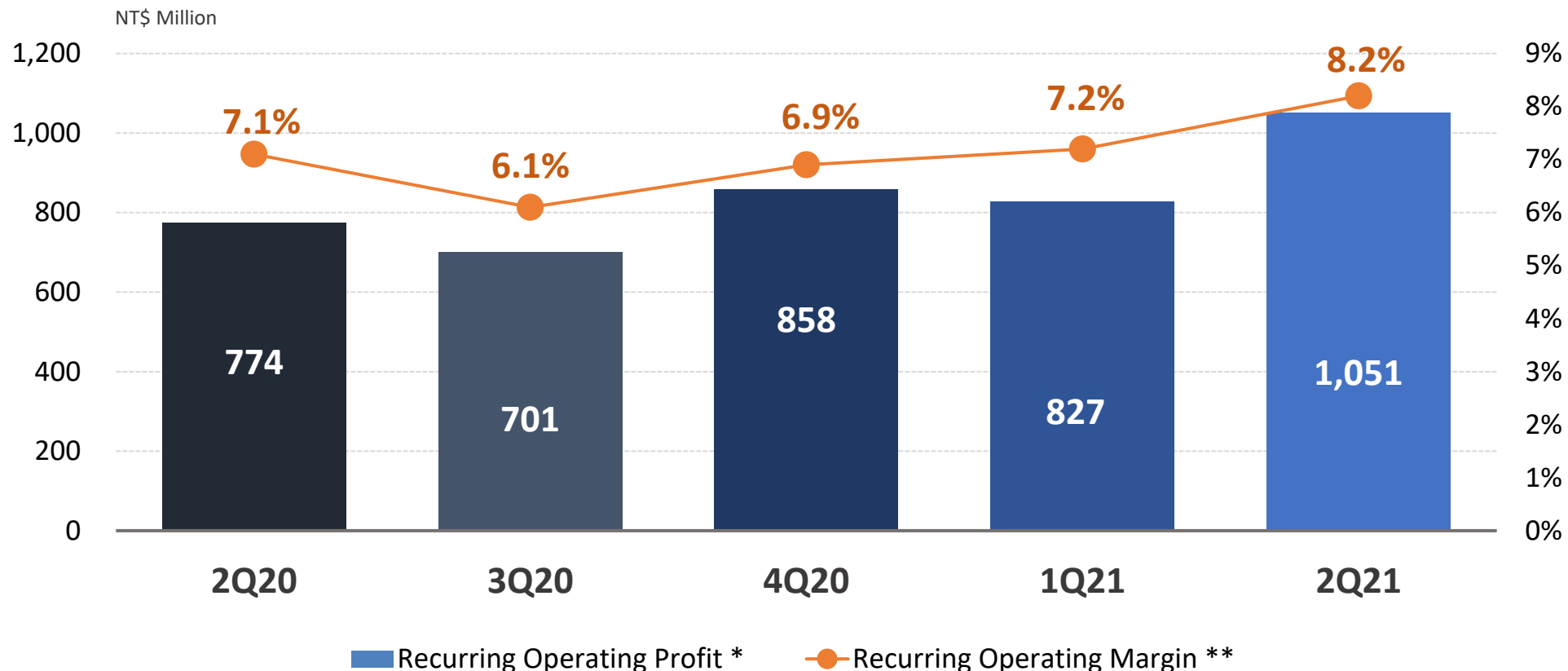
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* Recurring Operating Profit excludes financial assets at fair value through profit or loss

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

*** Due to the reclassification of part of nonoperating expenditures to operating expenses, the recurring operating margin in the first quarter of 2021 has been lowered to 7.2% from the 8.2% announced in the previous conference.

Growth drivers for Intelligence Energy Business Group



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- **The main cases currently being sought are as follows:**
 - **IDC:** Acer/CHG-5/Microsoft
(aggregate order size: approximately NT\$3 billion)
 - **Offshore Wind/Energy Storage:** substation of HaiLong Wind Power, energy storage projects of Taipower, etc..
(aggregate order size: approximately NT\$6 billion)
 - **Other major projects:** mechanical and electrical engineering project of the 3rd terminal of Taoyuan Airport, medical building, the Walsin High-efficiency Factory, etc.,
(aggregate order size: approximately NT\$7 billion)
- **Drive sales of switchboards, generators, appliances, and air-conditioners under the trend of return of Taiwanese manufacturers.**

TECO's Progress in Strategically Focused Industries



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- **EV**

- **Product development:** 250kW DMIT e-bus localization project, the prototype will be delivered to car makers by the end of October.
- **Business development**
 - **Taiwan**
 - a. **E-Bus:** RAC has placed an order for 115 sets, and this year's estimated total order is 175 sets
 - b. **E-cargo truck:** cooperating with a well-known domestic car maker on The 3.5-ton type and striving for 42 sets of orders in September
 - c. **E-bike:** cooperating with G company and is expected to provide prototypes in October.
 - **Europe & Asia Pacific:** Pursuing about 180 units OEM order of Danfoss
 - **India:** Approved by the Korean car maker to be the supplier candidate list

- **Smart Manufacturing:**

Inverter/servo drive ODM projects enters mass production and sales in Q3

- **Smart City:**

Won more than 40K-units order in the “air-conditioning in every class” plan sponsored by the Executive Yuan



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Statements of Comprehensive Income – 2Q21



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(In NT Millions)	2Q 2021	1Q 2021	QoQ	2Q 2020	YoY
Operating Revenue	13,487	11,991	12.5%	11,236	20.0%
Recurring Operating Revenue	18,813	11,540	11.0%	10,857	18.0%
Gain (Loss) on financial asset at fair value through profit or loss	674	451	49.4%	379	77.8%
Net Gross Profit *	3,733	3,168	17.8%	3,002	24.4%
Operating Profit	1,725	1,278	35.0%	1,153	49.6%
Non-operating Income	32	155	-79.4%	638	-95.0%
Income Before Tax	1,758	1,436	22.4%	1,792	-1.9%
Income Tax	(179)	(201)	-10.9%	(200)	-10.5%
Net Income **	1,437	1,102	30.4%	1,479	-2.8%
EPS (NT\$)	0.68	0.53	28.3%	0.76	-10.5%

* Including unrealized/realized benefits of affiliated companies

** Excluding non-controlling interest

- Revenue in 2021Q2 increased by approximately 12.5% and 20.0% compared to 2021Q1 and 2020Q2, mainly due to:
 1. business growth in Taiwan, Europe (Motovario), mainland China and Australia, and
 2. higher valuation of financial assets such as Fubon Media held by Tong An Investment.
- The net non-operating income in 2021Q2 is equivalent to that in 2021Q1; it is about 95% lower than that in 2020Q2. The main reason is that due to the COVID-19 epidemic, the shareholders' meeting of those invested companies were postponed to Q3, resulting in a decrease in dividend income for the current period.
- The income tax of 2021Q2 is lower than that of 2021Q1 and 2020Q2, which is mainly due to the recognition of the corrected tax refund benefits of previous years in 2021Q2.

Statements of Comprehensive Income – 1H21



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(In NT Millions)	1H 2021	1H 2020	YoY
Operating Revenue	25,478	21,901	16.3%
Recurring Operating Revenue	24,353	21,441	13.6%
Gain (Loss) on financial asset at fair value through profit or loss	1,125	460	144.6%
Net Gross Profit *	6,901	5,649	22.2%
Operating Profit	3,003	1,962	53.1%
Non-operating Income	187	468	-60.0%
Income Before Tax	3,190	2,430	31.3%
Income Tax	(380)	(299)	27.1%
Net Income **	2,538	1,926	31.8%
EPS (NT\$)	1.21	0.99	22.2%

* Including unrealized/realized benefits of affiliated companies

** Excluding non-controlling interest

- Revenue in 1H2021 increased by 16.3% compared to 1H2020, mainly due to:
 - Core business growth in Taiwan, Europe (Motovario), and mainland China, as well as sales growth of Taiwan Pelican, and
 - higher valuation of financial assets such as Fubon Media held by Tong An Investment.
- The net non-operating income in 1H2021 is about 60% lower than that in 1H2020. The main reason is that due to the COVID-19 epidemic, the shareholders' meeting of those invested companies were postponed to Q3, resulting in a decrease in dividend income for the current period.
- The income tax of 1H2021 is higher than that of 1H2020 by NT\$81million, which is mainly due to 1) Increase in profit and estimated increase in income tax and 2) recognized the basic tax resulting from TongAn Investment's disposal of marketable securities in the current period.

Balance Sheets – June 2021



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(In NT\$ 1,000)	June 30 2021		December 31 2020		June 30 2020	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	21,503,024	16%	20,397,260	19%	20,462,298	19%
Receivable	11,196,812	8%	10,642,883	10%	11,696,687	11%
Inventories	10,983,900	8%	9,627,248	9%	10,331,925	10%
Total Assets	132,972,314	100%	9,627,248	9%	10,331,925	10%
Payable	16,729,328	12%	12,921,618	12%	13,597,595	12%
Short-term Borrowings (inclu. Long-term liabilities, current portion)	2,075,739	2%	2,816,832	3%	3,432,862	3%
Long-term Borrowings	4,154,959	4%	3,611,731	3%	5,608,341	5%
Corporate Bond Payable	6,000,000	5%	6,000,000	6%	4,000,000	4%
Total Liabilities	41,847,054	31%	38,053,839	34%	40,224,913	37%
Equities	91,125,260	69%	67,625,232	66%	67,675,737	63%
Key Indices						
AR Turnover (times)	4.84		4.41		4.13	
Inventory Turnover (times)	3.27		3.36		3.01	
Current Ratio	2.14		2.33		2.12	
Quick Ratio	1.57		1.75		1.57	
Net Debt to Equity	-10.2%		-11.8%		-11.0%	

- The amount payable at the end of June 2021 increased by NT\$ 3.81 billion from the end of 2020, mainly due to the recognition of a cash dividend of NT\$ 2.46 billion and business growth.
- At the end of June 2021, short-term loans + long-term loans (due within one year) + corporate bonds payable (due within one year), a decrease of NT\$ 0.81 billion from the end of June 2020, mainly due to repayment of bank loans.
- Shareholders' equity at the end of June 2021 increased by NT\$ 23.5 billion compared with the end of 2020. It was mainly due to the substantial increase in financial asset appraisal benefits.