

I. Message to the Shareholders

Dear Shareholders,

In retrospect, the global economy in 2024 faced multiple challenges and exhibited a trend of slow growth. In the United States, economic growth slowed due to easing inflation and reduced labor market pressure. China experienced a sluggish recovery, with a weak real estate market dampening domestic demand and affecting global supply chains. Europe faced limited growth momentum due to energy price volatility and geopolitical tensions. In contrast, Taiwan benefited from the semiconductor and AI boom, with related supply chains performing exceptionally well and driving strong economic growth.

Despite revenue declines in key markets, our company continued to promote core products focused on "energy saving, emission reduction, intelligence, and automation." Thanks to the collective efforts of our team and through product optimization, cost-saving initiatives, and asset activation, we maintained stable profitability in 2024.

A. Review of 2024 business performance

(a) Strategic Development Plan Implementation Results for 2024

In 2024, the Company focused its development efforts on three key strategic directions: advancing green energy, expanding the electrification market, and integrating energy-saving and carbon-reduction solutions.

1. Advancing green energy

In 2024, the Company focused its development efforts on three key strategic directions: advancing green energy, expanding the electrification market, and integrating energy-saving and carbon-reduction solutions.

2. Expanding the electrification market

The Company accelerated its entry into the global transformer market by acquiring Shenchang Electric and forming a strategic alliance with Indonesia's SINTRA, with contributions to Teco's revenue already beginning in the fourth quarter of 2024. In North America, the production line for electric vehicle fast-charging piles was completed, meeting Buy-in-USA and Made-in-USA requirements. In India, the Company secured an order for 600 units of direct-drive power systems for electric buses, with related production lines already under construction. In Taiwan, the Company achieved its 2024 target by delivering power systems for 700 electric buses.

3. Integrating energy-saving and carbon-reduction solutions

The Company signed a Memorandum of Understanding (MOU) with a leading PCB manufacturer to collaborate comprehensively on smart energy management initiatives, including solar-plus-storage system operations and maintenance, equipment health monitoring, and trend analysis. The IE4 motors successfully obtained MEPS and government subsidy certifications, driving increased sales of high-efficiency motors. In the core home appliance business, the Company launched innovative new products such as AI-powered immersive residential air conditioners and solar hybrid energy air conditioners/heat pumps.

(b) R&D Achievements and Advanced Product Development

In 2024, the Company achieved significant R&D milestones, earning widespread industry recognition. It received five awards at the 33rd Taiwan Excellence Awards and won the Silver Award at the 2024 National Invention and Creation Awards for its "rotor structure with edge notches" innovation. Several advanced products have been successfully developed, including: "Dual-Drive Six-Phase High-Power Power System for Electric Buses": designed for commercial electric buses to enhance power efficiency and operational stability; "Long-Range, High-Payload Hybrid Power System for Commercial Drones": specifically developed for high-load, long-endurance UAVs, it improves flight duration and transport efficiency; "T-Hipro Low-Carbon High-Voltage Industrial Motor": aimed at high-performance industrial equipment and smart manufacturing applications, this motor reduces energy consumption while increasing power output; "Smart Green Hybrid Inverter Air Conditioning System": optimized for intelligent buildings and energy-efficient HVAC applications, it improves energy efficiency and reduces operating costs; "Smart Green Two-Phase Cooling Unit for Industrial Applications": developed for high-power electronics and industrial cooling systems, this unit significantly enhances thermal management and system stability.

These innovations reflect our strong commitment to green technology. By driving industrial upgrades through innovation, we continue to move toward a smarter and more sustainable future.

(c) 2024 Financial Overview, Business Plan Implementation Results, and Profitability Analysis

1. Consolidated Financial Statements of the Company and Its Subsidiaries

Unit: NT\$1,000

	2024	2023	Growth rate
Sales revenue	55,234,746	59,393,661	-7.0%
Operating profit	6,231,605	6,663,252	-6.5%
Profit for the period	6,251,281	6,332,032	-1.3%
Profit attributable to Owners of the parent	5,767,637	5,830,061	-1.1%

Consolidated sales revenue decreased by 7%, mainly due to a decline in revenue from the Green Mechatronic and Intelligence Energy segments. In the Green Mechatronic segment, revenue in the North American market was affected by weakened demand in the second half of the year and customers' inventory adjustments for VB-Skid electrification products; in Mainland China, the decline was due to weak domestic demand; and in Europe, the ongoing Russia-Ukraine war led to economic sluggishness, contributing to the revenue drop. In the Intelligence Energy segment, engineering revenue decreased due to differences in project progress, resulting in lower revenue recognized under the percentage-of-completion method. Additionally, Taiwan Pelican Express, Tecom, and ITTS also experienced revenue declines due to various industry-specific factors.

Consolidated operating profit decreased by 6.5%, primarily due to a decline in sales revenue which led to reduced gross profit. The Company continued to enhance productivity, implement various cost-reduction initiatives, and enforce expense control measures, thereby reducing operating expenses. As a result, both the overall gross profit margin and the operating expense ratio remained consistent with those of 2023.

Net non-operating income improved, mainly due to gains from the disposal of overseas assets, compensation received from successful litigation, and a significant increase in investment income recognized under the equity method. As a result, profit for the period decreased by only 1.3% compared to 2023, with net income attributable to owners of the parent declining by just 1.1%.

2. Parent Company only financial statement

Unit: NT\$1,000

	2024	2023	Growth rate
Sales revenue	25,771,644	27,419,501	-6.0%
Operating profit	2,519,619	2,186,291	15.2%
Profit for the Year	5,767,637	5,830,061	-1.1%

(d) Financial Strategy and Results

The Company's primary business involves the research and development, production, and sales of industrial products. As a mature industry player, our long-term financial strategy has consistently adhered to the principle of prudent operations. Each year, we comprehensively assess our business plans, capital expenditures, working capital needs, and shareholder returns to precisely plan our cash flow and determine an appropriate financial structure.

Thanks to the stable cash flows generated from operating activities and our steady and sustainable operational strategy, Taiwan Ratings Corp. (TRC) has assigned the Company a credit rating of "twA" since 2012. This rating has enabled the Company to utilize lower-interest financing instruments, significantly reducing financing costs. In 2015, TRC further upgraded our credit rating to "twA+", and in 2024, revised our rating outlook from stable to positive. This not only highlights the improvement in the Company's commercial credit status but also enhances our fundraising capability, bargaining power, and financial flexibility.

B. Outline of the 2025 Business Plan

Looking ahead to 2025, global economic uncertainty remains high due to the ongoing impacts of trade wars and geopolitical tensions. To ensure continued revenue growth, it is essential to seize the booming opportunities in green energy and electrification, promote products that align with ESG principles and energy conservation & emission reduction, and actively pursue and establish a presence in key development regions.

(a) Key Operating Strategies and Growth Plans for 2025

Focusing on high-margin products, high-potential businesses, forward-looking initiatives, and TECO's core competitive advantages, the company will launch a strategic revenue growth plan from four key perspectives: green energy, electrification, energy conservation and carbon reduction, and development of key regions.

1. Green Energy

TECO is committed to smart grid development, renewable energy integration, hydrogen energy technologies, and virtual power plants, including:

(1) Building smart grids and actively participating in Taipower's resilient grid initiative; (2) Integrating the Group's wind, solar, and energy storage resources to offer renewable energy integration solutions; (3) Promoting hydrogen energy projects, such as fuel cell applications, hydrogen refueling station engineering, and hydrogen production equipment; (4) Investing in virtual power plants to enhance energy utilization and expand electricity retail business.

2. Electrification

By leveraging synergies from acquisitions, TECO will expand capacity and pursue transformation and upgrades to enhance its technical capabilities, including: (1) Vehicle Electrification: Developing power systems and charging equipment for commercial vehicles, entering the supply chain for EV modules in drones and electric scooters, and promoting transportation electrification; (2) Industrial Electrification: Transforming VB-Skid/modular electrical rooms into integrated industrial electrification solutions; (3) Actively establishing production lines to expand transformer business in North America and Taiwan.

3. Energy Conservation and Carbon Reduction

By integrating group products under the Super ESCO concept, TECO will provide comprehensive solutions, including: (1) Offering software and integrating high-efficiency electromechanical products to create a one-stop Super ESCO total energy integration solution that helps enterprises achieve energy-saving and carbon reduction goals; (2) Advancing high-efficiency refrigeration, air conditioning, heat recovery, and heat pump industries.

4. Key Regional Development

TECO will deepen its presence in North America and expand operations in Southeast Asia, including: (1) Further penetrating the North American market, especially in AI data centers and renewable energy sectors; (2) Establishing engineering teams in Southeast Asia through acquisitions and aggressively expanding data center engineering services and comprehensive solutions while supplying various core TECO products.

(b) Strategic development plan

In line with the business vision of "energy conservation, emission reduction, intelligence, and automation," tap ESG-driven business opportunities worldwide and focus on the four main dimensions of green energy, electrification, energy conservation and carbon abatement, and high-potential area, thereby kicking off strategic revenue growth plan.

1. Green energy

(1) In addition to expanding undertaking of engineering businesses related to wind power, PV power, and storage, introduce key components/parts and system integration technology and take part in carbon-capture and hydrogen filling station pilot plan, thereby strengthening value positioning in new-energy ecological system.

(2) For power generation and storage business, the company will continue expanding the scale of EPC engineering and building up site operation experience and strengthening the capability for grid integration and demand maneuvering, gradually marching toward the goal of virtual power plant.

2. Electrification

For electric vehicles, the company will tap North American and Indian e-bus/remodel car/engineering vehicle markets, establish regional supply chain, and secure ship e-propelling business opportunities. For industrial electrification, zero in on fuel gas and mining applications, expand industrial mix, and expand systematic integrated sales.

3. Energy conservation and carbon abatement

Significantly raise the revenue share of high-performance electromechanical and air-conditioning products, such as IE4/IE5/SRM/T-HiPro motors and permanent-magnetic variable-frequency screw machines, which, in addition to strengthening corresponding sale of inverters, will target sales to industries with high ESG-related demands, such as steelmaking, petroleum, papermaking and electronics, especially energy-conservation transformative programs in Taiwan, China, and Southeast Asia.

4. Development of high-potential areas

In addition to sale of low-voltage electric products in Mexico and India, taking advantage of local short-chain benefit, plan to tap again overseas HVAC market starting from Indonesia.

(b) Sustainable development

In response to climate challenges, the company remains committed to its operational emissions reduction target of “50% reduction over 10 years by 2030.” This is being pursued through the implementation of relevant KPIs and an internal carbon pricing mechanism, which help quantify performance and incentivize departments to actively promote carbon reduction initiatives. Key efforts include the expansion of solar power facilities across our global sites. In 2024, the company completed solar installations with a capacity of 5.3 MW at its plants in the U.S. and China, bringing the cumulative installed solar capacity worldwide to 15.046 MW — marking solid progress toward the goal of meeting 30% of the Group's electricity consumption from renewable energy sources by 2030.

In terms of sustainable supply chain management, the company conducts supplier audits every three years. In 2024, we also partnered with government resources to participate in the "Net Zero Transition 1+N Carbon Management Project." Acting as a central plant, TECO led 11 supply chain and affiliated companies in greenhouse gas inventory, energy efficiency diagnostics, and carbon footprint assessments for large motors at the Zhongli plant.

On the social engagement front, the company continues to promote low-carbon innovation among youth through initiatives like the "Green Brain Innovation Competition" and the "International Net Zero Emissions Technology Competition" in collaboration with National Taiwan University. The latter has become a prominent platform for international student innovation and talent cultivation, drawing 240 teams from 13 countries in 2024. Furthermore, TECO has hosted the “TECO Award” for 31 consecutive years to recognize individuals who have made significant contributions to science, technology, and the humanities in Taiwan, helping build a progressive society enriched by both scientific and cultural achievements. TECO places strong emphasis on stakeholder engagement. Internally, it has implemented DEI (Diversity, Equity, and Inclusion) initiatives to foster a new workplace culture through education and awareness. In 2024, TECO received several recognitions: the "Gold Award for DEI Vision" from Women Power, the "Silver Award for Gender Equality" from Taipei City, and the "DEI-Friendly Employer for an Aging Workforce" award.

The company continues to receive international recognition for its sustainability efforts. It has been included in the Dow Jones Sustainability Emerging Markets Index for five consecutive years and ranked 2nd globally in the electromechanical industry in 2024. Additionally, TECO was listed in the S&P Global 2025 Sustainability Yearbook, placing it in the top 1% of companies worldwide — a testament to its solid foundation in sustainability amid the global low-carbon transition. TECO will continue to uphold the principles of sustainable operation, fully implementing ESG and energy-saving practices, supporting customers in their green transformation, providing high-quality services and solutions, creating a sustainable work environment for employees, and delivering optimal returns for shareholders.

Chairman: Morris Li