



A background image of a factory floor with several blue industrial robotic arms. The image is darkened with a blue overlay to make the white text stand out.

2023 1st Quarter Earnings Conference

May 17th, 2023





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 1Q23

• 2023 Q1 Financials

	1Q 2023	4Q 2022	QoQ	1Q 2022	YoY
Net Sales	14,900	15,058	-1.0%	13,897	7.2%
Gross Margin	24.3%	23.0%	+130bps	21.9%	+240bps
Operating Margin	11.4%	8.8%	+260bps	8.3%	+310bps
EPS (TWD)	0.78	0.48	+62.5%	0.17	+358.8%

The Three Business Groups Operating Performance

Recap of Recent Major Events

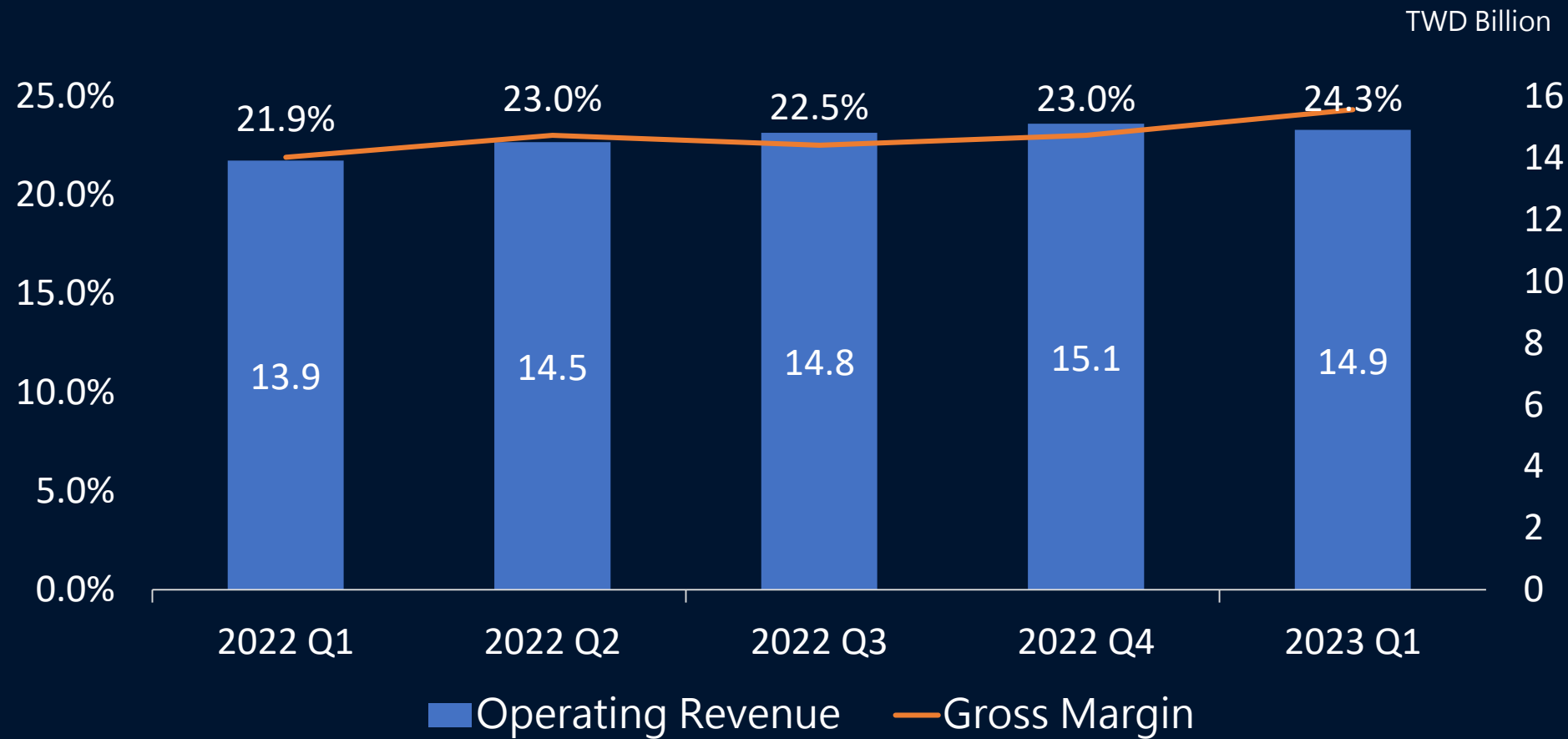
Appendix: Financial Statements

- 1Q 2023 net sales increased by 7.2% YoY due to continuous growth of Green Mechatronic Solution in North America and Europe, as well as engineering projects of Intelligence Energy.
- The gross margin was 24.3%, higher than the same period last year level by 2.4%, mainly due to price increase in motor products and USD appreciation. Operating margin was higher than 1Q 2022 level by 3.1% mainly due to an increase in gross margin and expense control.
- EPS reached at TWD 0.78 in Q1, increased by TWD 0.3 versus the previous quarter, increased by TWD 0.61 from the same period last year.

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Operating Revenue vs. Gross Margin

- 2023 Q1 Financials



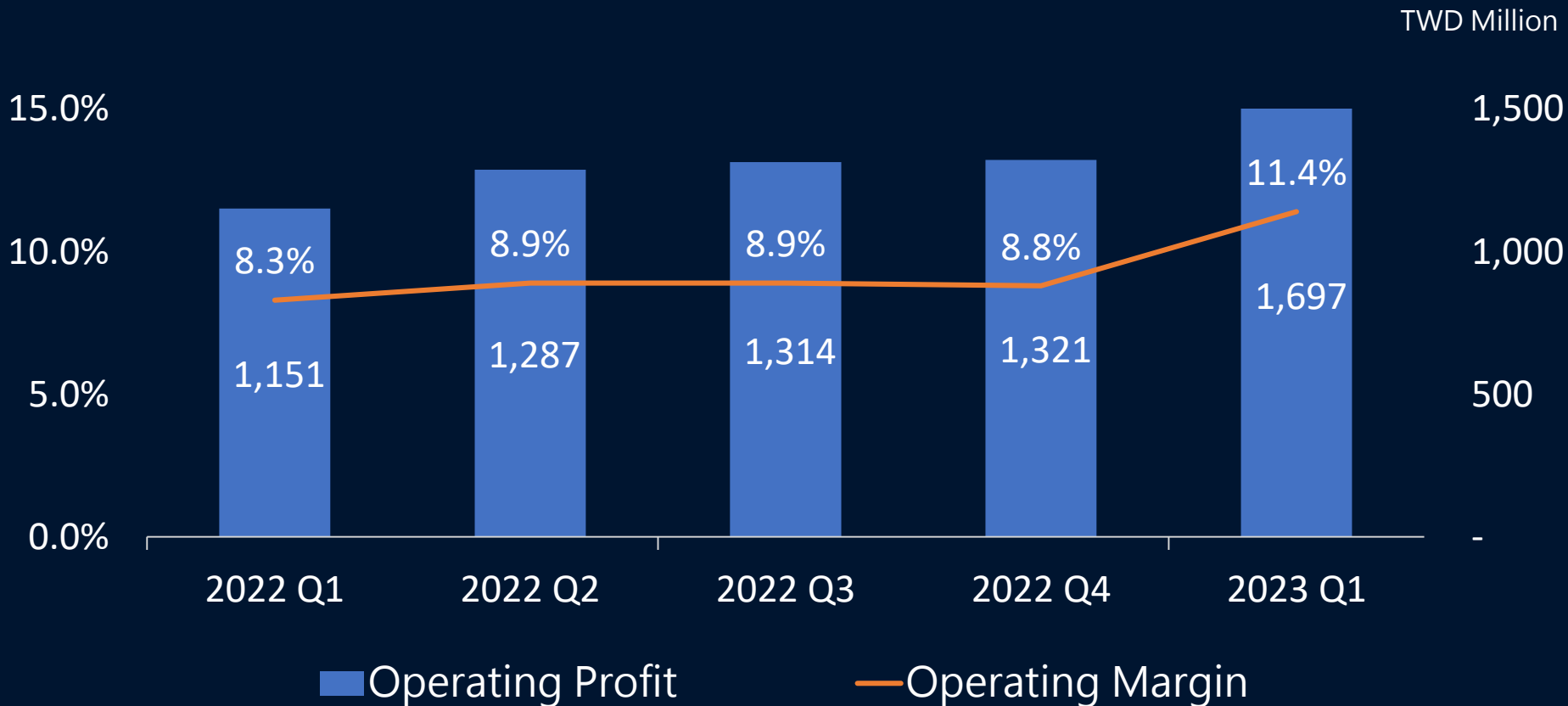
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Operating Profit vs. Operating Margin

- 2023 Q1 Financials

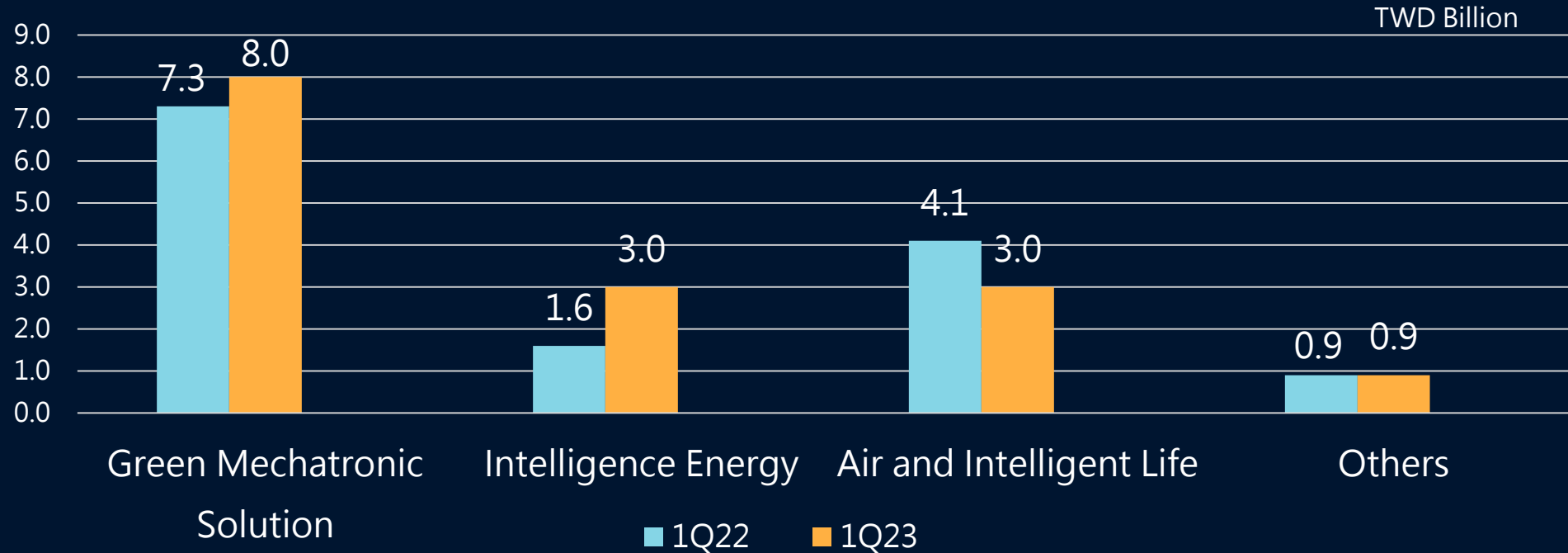


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Performance of Business Groups



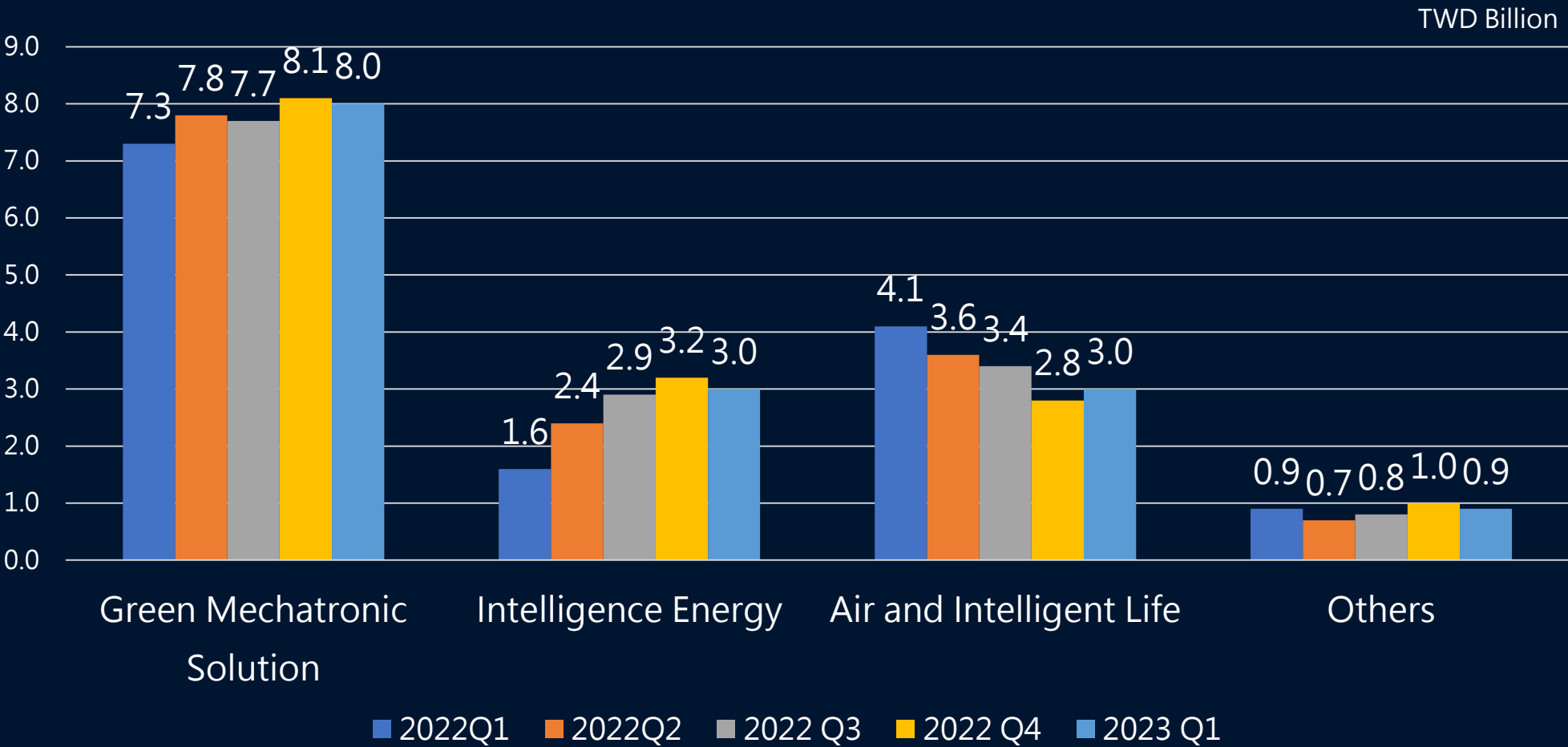
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- ✓ "Green Mechatronic Solution" revenue increased by 10.5% YoY, thanks to the continuous growth in North America and Europe.
- ✓ The revenue growth of "Intelligence Energy" increased by 85.9% YoY, mainly due to the growth of engineering project revenue (including IDC projects and energy storage system, etc.) The higher-than-expected revenue performance was mainly due to the slight relief of labor shortage and the advance progress of IDC/offshore wind farm projects.
- ✓ "Air and Intelligent Life" revenue decreased by 28.0% YoY, mainly due to the one-off government project in the same period last year, resulting in the higher base period of comparison. After excluding one-off project contributions, it was a decrease of 10.3%.

Sales Trend of Business Groups



• The Three Business Groups Operating Performance

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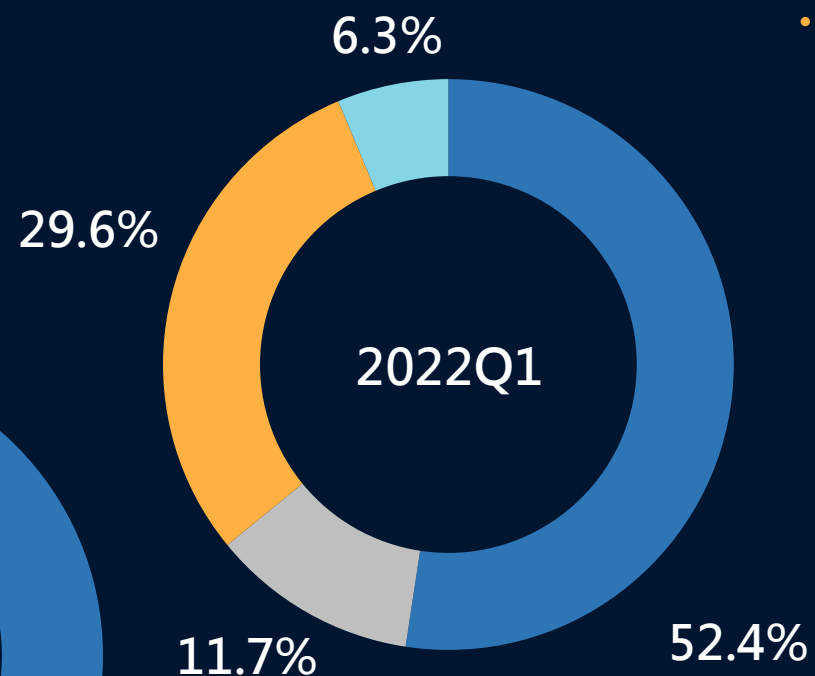
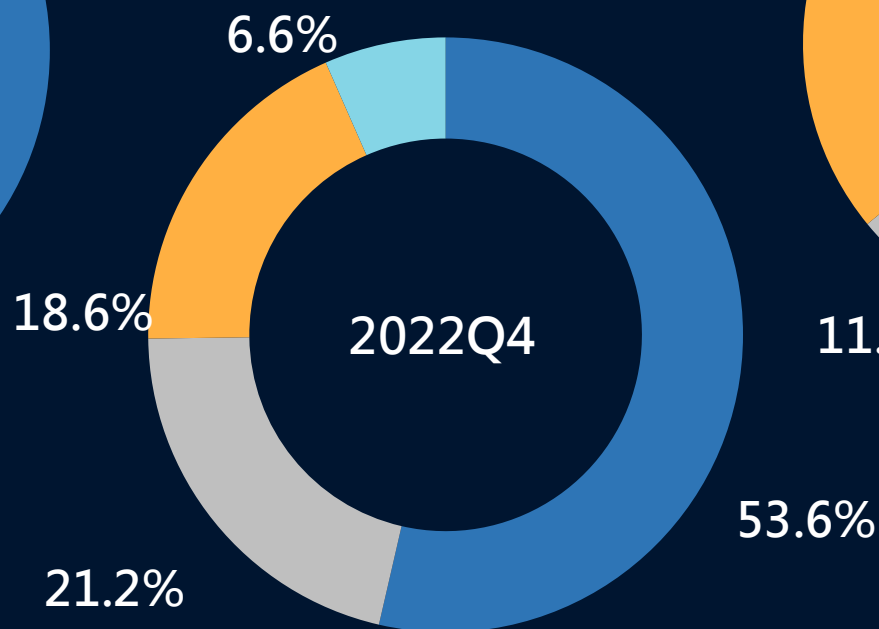
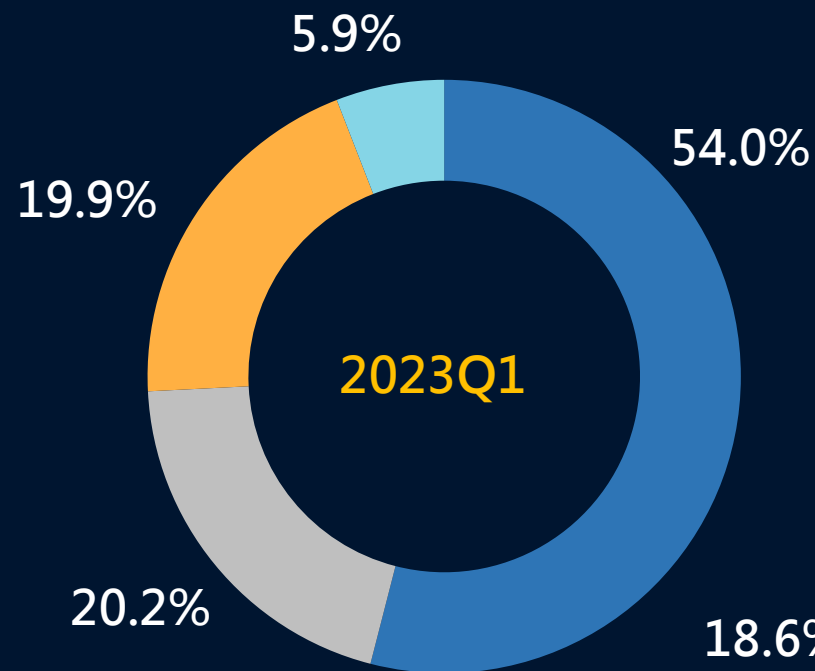
Revenue Breakdown by Business Group

2023 Q1
Financials

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Consolidated revenues of 2023Q1
down 1.0% QoQ
up 7.2% YoY

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

Progress of Key Businesses of Three Business Groups

2023 Q1
Financials

Green Mechatronic Solution :

- ✓ Revenue of energy-saving related products grew by 23.2% YoY in Q1, and the annual contribution in 2023 is estimated to exceed TWD 6 billion.
- ✓ Revenue in North America increased by 38.2% YoY in Q1, and the proportion of revenue in Green Mechatronic Solution Business Group increased from 24.9% in the same period last year to 31.2%.

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Intelligence Energy :

- ✓ Acquired 500MW onshore substation EPC project of offshore wind farm (TWD 5.5 billion).
- ✓ Orders in hand for engineering and equipment exceeded TWD 25 billion.

Air and Intelligent Life :

- ✓ Revenue of inverter commercial AC in Q1 increased by 46.3% YoY, percentage to total commercial AC business raised from 18.6% in the same period last year to 26.0%.

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Cautious outlook due to Headwinds to the Macro-economic Environment

US

Taiwan

China

Recent Economic Situation	Impact on TECO
<ul style="list-style-type: none">● 2.94% YoY growth in retail sales for March 2023, the slowest pace of growth since June 2020, pointing to a slowdown in U.S. goods consumption.● Instability in the financial sector may affect the capital expenditure of the industry.● US debt-ceiling crisis	<ul style="list-style-type: none">● Consumer confidence is relatively low, and the overall industry expansion demand is slightly reduced.● Industries with government subsidies may be affected.
<ul style="list-style-type: none">● Manufacturing PMI in April continued to fall to a historically low 42.8; new orders and export orders also continued to decline, and the future is uncertain.● Taiwan's business climate flashed a blue light in March (fifth in a row), and customs exports, industrial production, and manufacturing sales all maintained annual declines, reflecting that demand has not yet picked up.	<ul style="list-style-type: none">● There are many reports of delays in production expansion plans, and the demand for industrial control and electromechanical related products is weak.
<ul style="list-style-type: none">● The official manufacturing PMI fell to 49.2 in April, mainly due to poor new orders and new export orders, and the recovery was less than expected.● The Politburo meeting in April pointed out that although the economic pressure since last year has eased, most of it belongs to "retaliatory" consumption in the service industry such as tourism and catering, and the manufacturing industry is still severe.	<ul style="list-style-type: none">● Under the sluggish new orders and export demand in the manufacturing industry, the overall market demand for low-voltage electromechanical products has not recovered significantly from the recession.

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Outlook for 2nd Quarter

Estimated Revenue

Green Mechatronic Solution	YoY ↑	QoQ ↑
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Intelligence Energy	YoY ↑	QoQ ↓
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Air and Intelligent Life	YoY ↓	QoQ ↑
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Company-Wide Gross Margin	YoY ↑	QoQ <—>
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Recap of Recent Major Events | 2023.03.28

Smart City Summit & Expo



TECO presents custom **smart energy-conservation solutions**, smart energy monitoring, and **ESG-Ready platform** meant to help enterprises establish complete sustainability capability quickly, for application in **buildings**, manufacturing, and workplaces.

In addition, TECO displays a number of solutions for **green transportation**, indispensable for urban sustainability, including e-bus powertrain and green smart logistics, contributing to the development of smart convenient urban life.

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Recap of Recent Major Events | 2023.04.12

TECO Debuts SiC High Efficiency Drive

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TECO unveiled **self-developed SiC High Efficiency Drive**, features SiC modular direct drive, skipping gear reducer and thus avoiding attrition, which results in ultra-high efficiency and higher power density. With a compact case, **only half the size of common model**, the product is applicable to 12 meter-long e-bus, inter-city e-shuttle bus, large e-truck, and engineering machinery.

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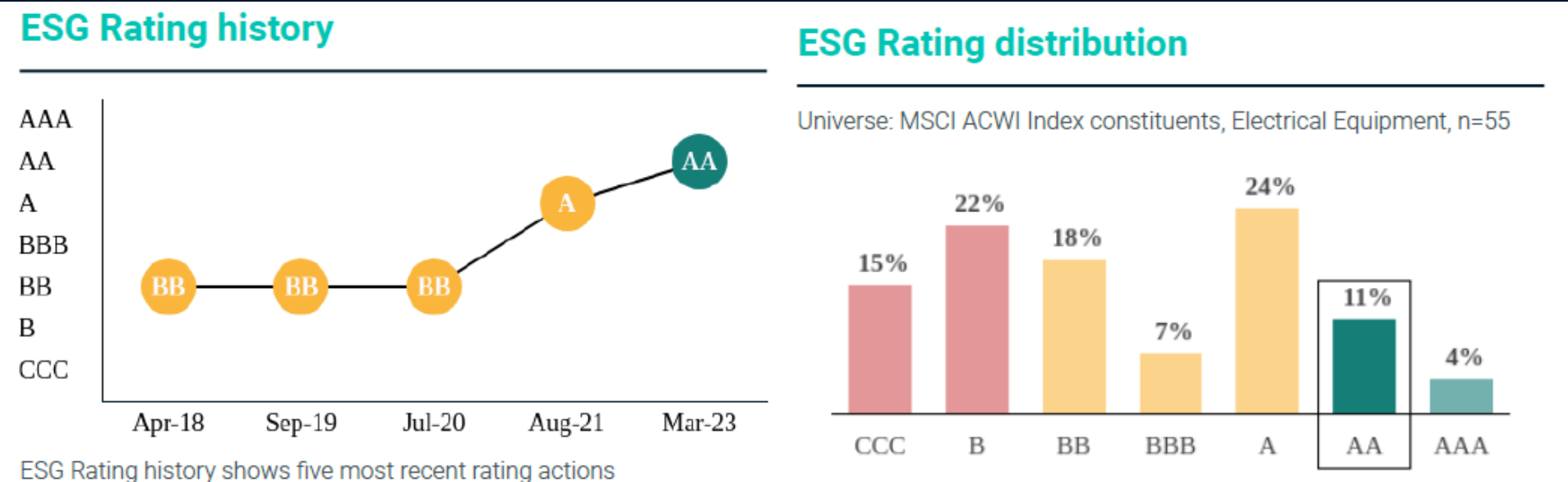
Recap of Recent Major Events | Achievement of ESG

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TECO has been granted **AA rating**, up from previous A rating, on top **15%** list among global peers, in the latest ESG evaluation by Morgan Stanley Capital International (MSCI), publicized in April 2023.

A blue industrial robotic arm is the central focus, set against a blurred background of a factory floor. The arm is equipped with various cables and hoses. The entire image has a dark blue overlay.

Q&A

A vertical bar with a gradient from grey at the top to orange at the bottom.

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TECO 

Statements of Comprehensive Income | 1Q2023

2023 Q1
Financials

(TWD Million)	2023Q1	2022Q4	QoQ	2022Q1	YoY
Operating Revenue	14,900	15,058	-1.05%	13,897	7.22%
Net Gross Profit *	3,629	3,459	4.61%	3,043	19.26%
Operating Profit	1,697	1,322	28.37%	1,151	47.44%
Non operating Income	490	184	166.30%	-351	-
Income Before Tax	2,187	1,506	45.22%	800	173.38%
Income Tax	-444	-380	16.84%	-346	28.32%
Net Income**	1,743	1,005	73.43%	454	283.92%
EPS (TWD)	0.78	0.48	62.50%	0.17	358.82%

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* Including unrealized/realized benefits of affiliated companies

** Excluding non controlling interest

- Revenue in 2023Q1 was TWD 14.9 billion, increased by approximately 7.22% compared to 2022Q1, is mainly due to: Continual growth of Green Mechatronic Solution in North America and Europe, as well as engineering projects of Intelligence Energy.
- The net non operating income in 2023Q1 was TWD 490 million, compared to the net non operating loss in 2022Q1 was TWD 351 million. The main reason is that the unrealized financial asset evaluation benefit was TWD 556 million, compared to the same period last year, the financial asset evaluation loss was TWD 546 million.

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Balance Sheets | March 2023

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(TWD Thousand)	Mar. 31, 2023		Dec. 31, 2022		Mar. 31, 2022	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalents	22,243,350	16%	21,156,796	17%	19,298,415	16%
Receivables	12,002,318	9%	11,804,505	9%	11,522,412	9%
Inventories	12,815,232	9%	12,895,287	10%	13,053,986	11%
Total Assets	135,984,710	100%	126,603,110	100%	125,142,033	100%
Payables	18,357,322	13%	15,904,792	13%	17,755,441	14%
Short term Borrowings	1,721,422	1%	1,751,344	1%	1,672,201	1%
Long term Borrowings	4,615,324	3%	3,655,514	3%	5,165,743	4%
Corporate Bond Payables	5,000,000	4%	5,000,000	4%	5,000,000	4%
Total Liabilities	44,213,297	33%	40,284,611	32%	43,162,540	34%
Equities	91,771,413	67%	86,318,499	68%	81,979,493	66%
Key Indices						
AR Turnover (times)	5.10		5.08		4.91	
Inventory Turnover (times)	3.33		3.41		3.26	
Current Ratio	2.01		2.22		1.98	
Quick Ratio	1.38		1.53		1.37	
Net Debt to Equity	-11.88%		-12.35%		-9.10%	

- Cash and Cash Equivalents increased by TWD 1.1 bn compared to Year end of 2022 mainly due to the increase in net income and long-term borrowings.

- Inventories increased by TWD 0.2 bn compared to Year end of 2022 mainly due to revenue growth. AR turnover has not changed much.

- Equities increased by TWD 5.5 bn compared to Year end of 2022. In addition to the current period's net profit, it was mainly due to the announcement of cash dividends and the increase in the unrealized benefit of financial asset evaluation.