

Nov. 15th, 2022

Dear Shareholders,

In continuation of Q2's growth momentum, the company's Q3 revenue hit NT\$14.82 billion, up 12.8% year-on-year, with gross margin rising 20.6% to NT\$3.34 billion, for 22.5% gross margin rate, and operating income jumping 76.1% to NT\$1.31 billion, for 8.9% operating income rate. In the first three quarters, the company's revenue amounted to NT\$43.26 billion, up 15.4% year-on-year, with operating income advancing 43% to NT\$3.75 billion. Although the company's net profit reached only NT\$2.45 billion in the first three quarters, due to Russia-Ukraine war, high inflation, supply-chain problems, and the book losses on non-operating financial asset valuations caused by global stock market slide, the company expects that its core-business revenue and profit will retain double-digit growth for entire 2022, thanks to its long-term global deployment strategy, which diversifies the risks of regional markets and geopolitics, and high execution ability, enabling the company to retain stable and sustained long-term growth.

Green Mechatronic Solution: Despite the effect of recession on the mainland Chinese market, the slowdown of the U.S. economy, and rising energy cost in Europe, the U.S. and European markets, which together account for about 50% of revenue, are still the main growth engines of Green Mechatronic Solution. Q3 sales of this business group managed to grow 13.2% to NT\$7.69 billion, thanks to electrification trend of the oil and gas industry in North America, generating robust demands for new mobile E-SKID and medium-voltage inverters of TECO-Westinghouse. In addition, soaring energy prices and emission reduction policy of governments worldwide has stimulated global sales of the company's energy-saving solutions such as high-efficiency motors, inverters, permanent-magnet direct drive motors, and energy management monitoring. The Indian plant is scheduled for inauguration in the first quarter 2023, which, along with existing Vietnamese plant, will enable the company to make major inroads into the Southeast Asian and Indian markets, making them new source of growth momentum for the company.

Air and Intelligent Life: Q3 revenue of the Air and Intelligent Life business group reached NT\$3.41 billion, 6.8% less than a year earlier, a performance which, tough, is still stable, after excluding the factor of high comparison base related to the one-off "classroom air-conditioning" project launched in 2021. Except residential air conditioner business which was affected by the off-season factor, sales of

commercial air conditioning business, including replacement demands from factories and schools and water chillers, still scores 10% growth in the second half.

Intelligence Energy: The Intelligence Energy staged a remarkable performance in Q3 with robust 50% revenue growth reaching NT\$2.88 billion, for 19.4% share, thanks mainly to businesses related to IDC projects and energy-storage systems of the Longtan substation of state-run Taipower Company. On Oct. 21, the company signed a letter of intent (LOI) with ABB for joint foray into the offshore substation market, for which TECO will provide not only GIS switch and spare generators but also portable prefabricated electric-equipment room solution, dubbed "E-House," making renewable-energy power system more stable, safer, and more reliable. The solution will also be provided to IDC customers, contributing, along with energy storage and management system, to optimization of their energy-consumption efficiency. The company will sign a turnkey engineering contract soon with Hai Long for offshore wind power onshore step-down substations, with installation capacity totaling 1,044 MW, the largest offshore wind power onshore substation project in Taiwan so far, further consolidating the company's leadership in the sector and contributing to the development of indigenous wind-power equipment industry.

Despite decline of raw materials prices and freights foreboding alleviation of inflation, the global economy is expected to remain in the doldrums in 2023, at an extent or duration still uncertain, which may dampen low-voltage motor demands. Still, sales of Green Mechatronic Solution are expected to score healthy growth, thanks to demands related to industrial electrification in North America and high-efficiency energy-conserving products. The Intelligence Energy is expected to grow by leaps and bounds, thanks to demands related to new energy engineering projects in Taiwan and from domestic and overseas IDCs. Moreover, with an eye on the huge business opportunities associated with the resilient grid project of state-run Taipower Company, the company is gearing up to develop high power solutions. Furthermore, diversification and strengthening of the resilience of regional supply chains worldwide is still underway. Moreover, the scale of the EV business is still small and the growth is too slow, the company has set sights on the EV markets in North America and India via collaboration with local partners, on top of continuing expansion of the share on the domestic market.

During the COP 27 UN climate summit conference in Egypt, participants heatedly discussed how to attain the goal of "limiting global warming to 1.5 degrees." However, the goal seems hopeless to be achieved, coupled with the issue of

compensation for climate disaster losses, as well as interfering factors such as the Russia-Ukraine war and rising energy prices, all of which have made joint efforts to address climate issues out of focus. Development of new energies is unable to attain that objective alone, and must be coupled with energy-conserving and -storage solutions. On top of its contribution in 2021 when TECO helped its customers worldwide save 650 million kilowatts/hour of power, the company has started to actively push its low-carbon smart manufacturing solution on the global market in 2022, assisting manufacturers to slash power bills and attain the goal of net carbon emission, reason for it to be granted Taiwan Corporate Sustainability Awards (TCSA) for nine years in a row.

Lastly, I would like to thank our shareholders for your long-term unwavering support and wish you peace and good health.

Sincerely,

Sophia Chiu
Chairman