



Energy Conservation, Emissions Reduction, Intelligence, Automation

2023 4th Quarter Earnings Conference

March 18th, 2024

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 4Q23

	4Q 2023	3Q 2023	QoQ	4Q 2022	YoY
Net Sales (TWD Million)	14,365	15,065	-4.7%	15,058	-4.6%
Gross Margin	25.9%	24.6%	130bps	23.0%	290bps
Operating Margin	10.5%	11.1%	-60bps	8.8%	170bps
EPS (TWD)	0.52	0.47	10.6%	0.48	8.3%

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- 4Q 2023 net sales decreased by 4.6% YoY mainly due to the decrease in revenue from Green Mechatronic Solution in Taiwan and Europe , as well as the difference in the timing of projects revenue recognition of Intelligence Energy; decreased by 4.7 QoQ mainly due to seasonal changes in demand for air conditioners and home appliances, as well as the difference in the timing of projects revenue recognition of Intelligence Energy.
- The gross margin was 25.9%, higher than the same period last year level by 2.9%, mainly due to the increase in the proportion of high-voltage products and the decrease in raw material prices and freight charges, which increased the margin of low-voltage products; higher than last quarter level by 1.3%, mainly due to the increase in gross profit margin of Intelligence energy and the decrease in its proportion of overall revenue.
- Operating margin was higher than 4Q 2022 level by 1.7% mainly due to an increase in gross margin; lower than last quarter level by 0.6%, in addition to the decline in single-quarter revenue, it was mainly due to the incremental operating expenses from the newly set-up plants in Mexico and India.
- EPS reached at TWD 0.52 in Q4, increased by TWD 0.05 versus the previous quarter, increased by TWD 0.04 from the same period last year.

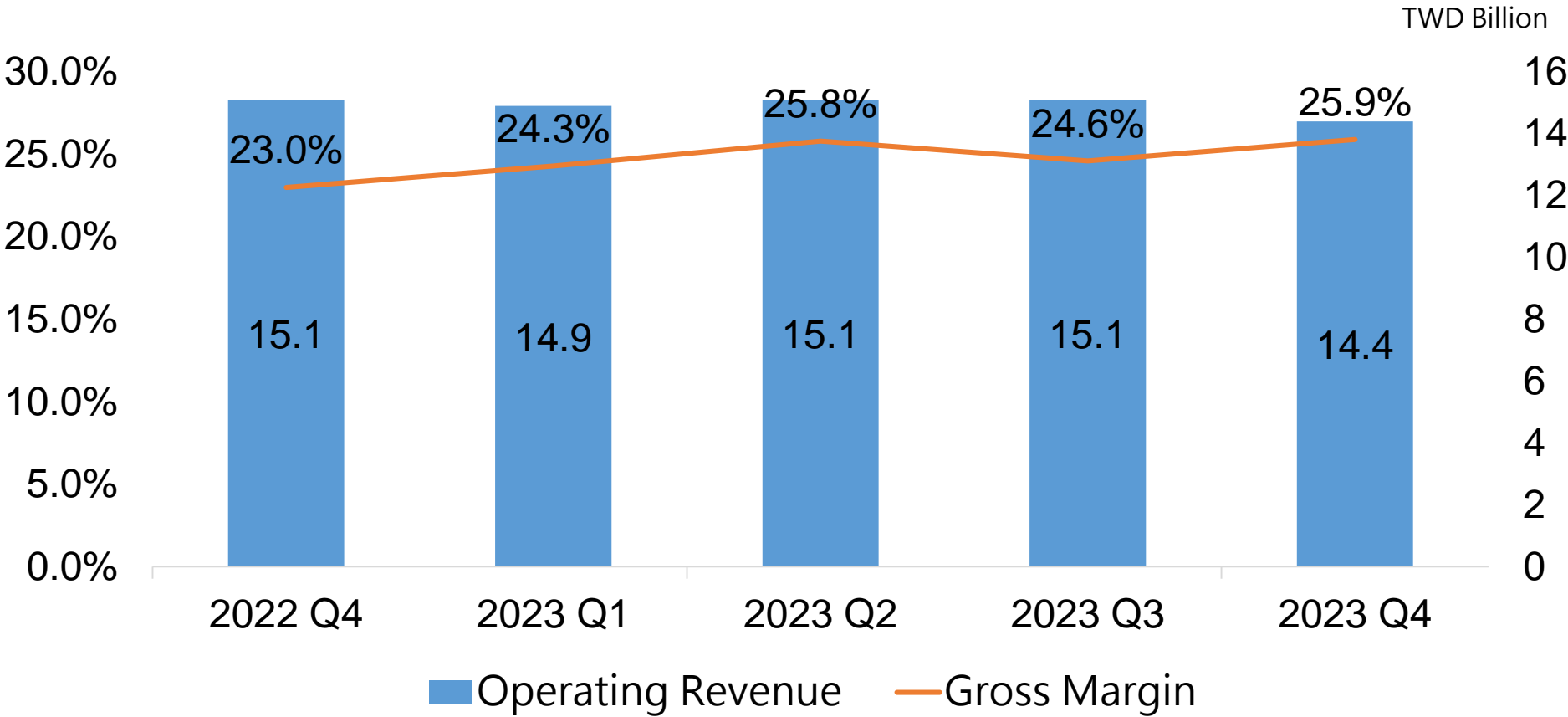
Financial Highlights 2023

	2023	2022	YoY
Net Sales (TWD Million)	59,394	58,315	1.9%
Gross Margin	25.2%	22.6%	260bps
Operating Margin	11.2%	8.7%	250bps
EPS (TWD)	2.76	1.64	68.3%

EPS in 2023 reached at TWD 2.76, an increase of TWD 1.12 over the same period last year, mainly due to the increase of operating profit in this period and the unrealized loss in financial asset evaluation in the same period last year.

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Operating Revenue vs. Gross Margin



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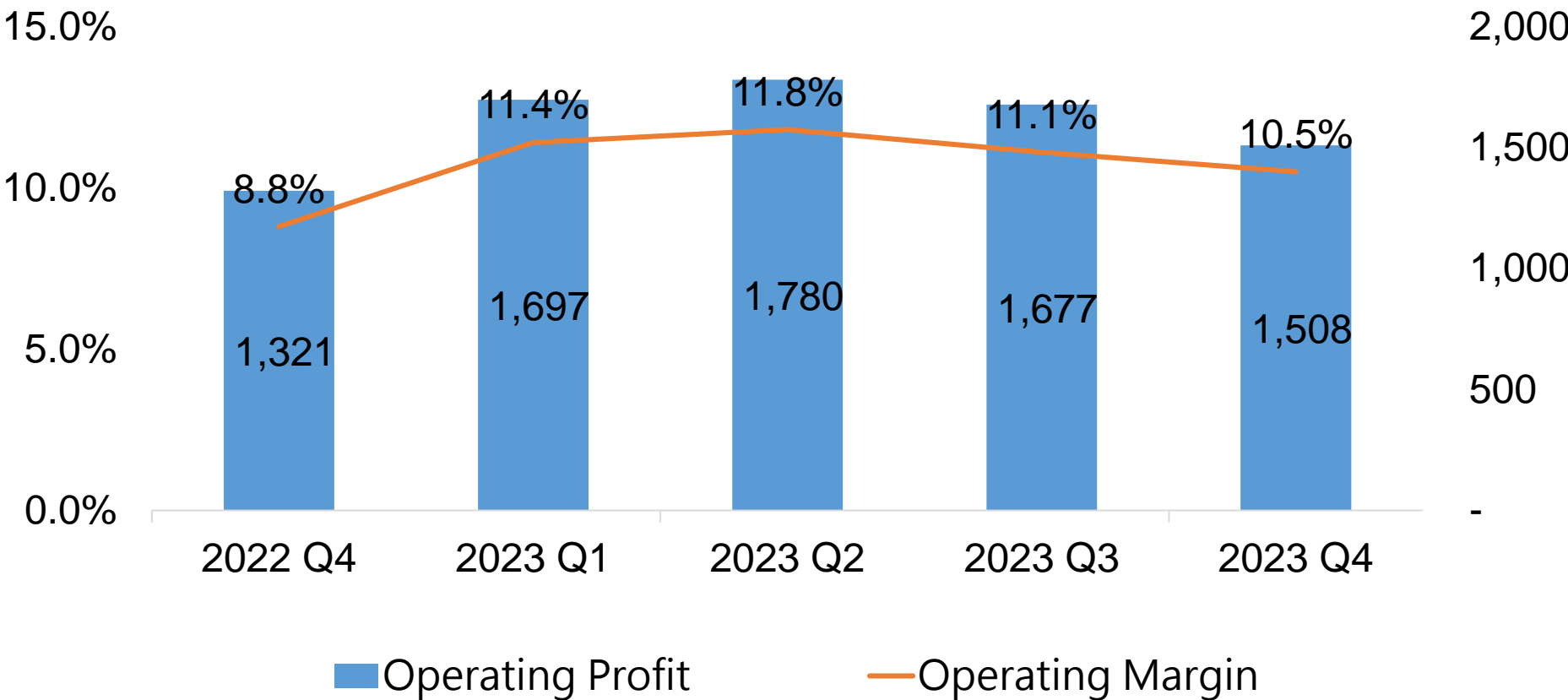
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The gross margin was higher than the same period last year level by 2.9%, mainly due to the increase in the proportion of high-voltage products and the decrease in raw material prices and freight charges, which increased the margin of low-voltage products; higher than last quarter level by 1.3%, mainly due to the increase in gross profit margin of Intelligence energy and the decrease in its proportion of overall revenue.

Operating Profit vs. Operating Margin

TWD Million



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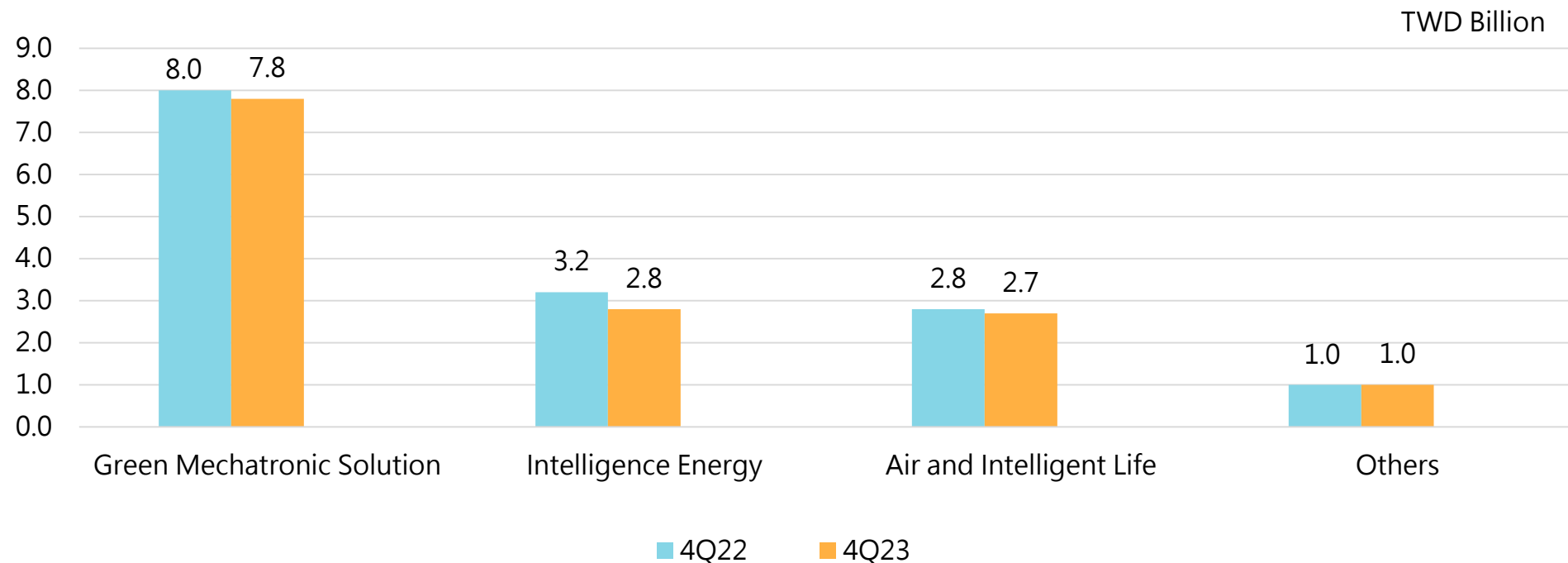
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Operating margin was higher than 4Q 2022 level by 1.7% mainly due to an increase in gross margin; lower than last quarter level by 0.6%, in addition to the decline in single-quarter revenue, it was mainly due to the incremental operating expenses from the newly set-up plants in Mexico and India.

Performance of Business Groups



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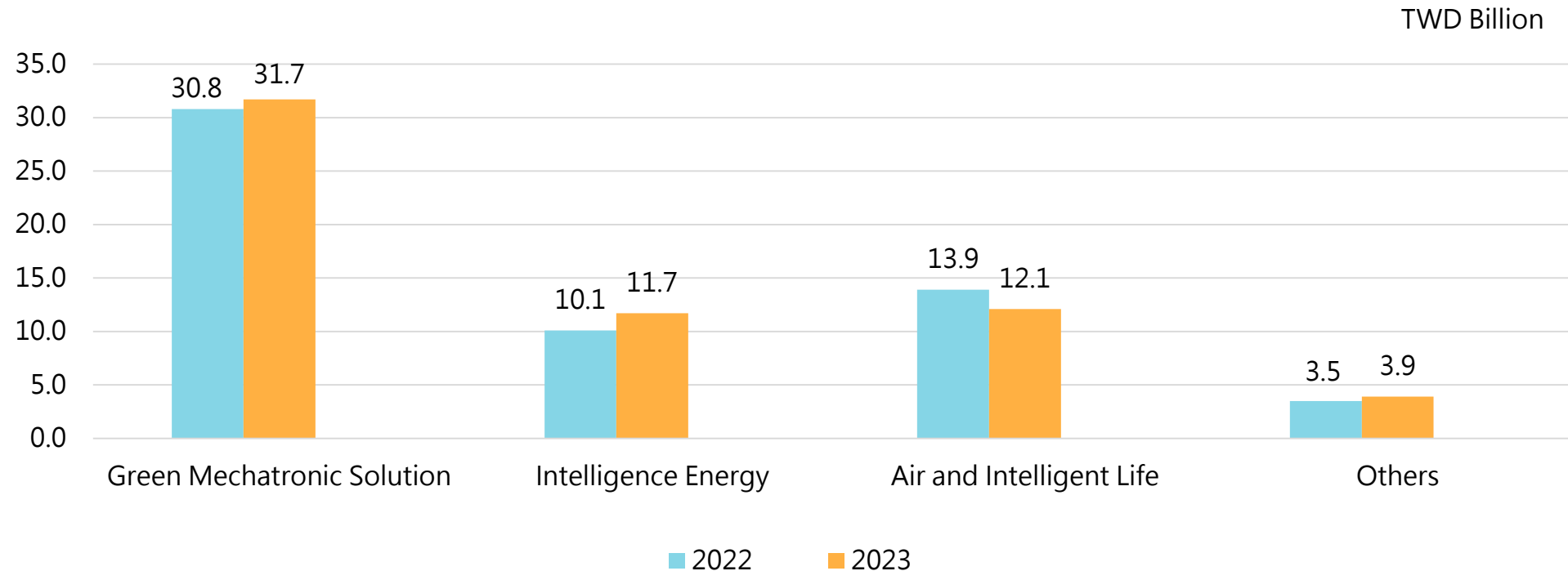
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- ✓ “Green Mechatronic Solution” revenue decreased by 3.0% YoY, mainly due to the decline in demand in Taiwan and Europe.
- ✓ The revenue of “Intelligence Energy ” decreased by 13.8% YoY, mainly due to the differences in the timing of engineering project revenue recognition.
- ✓ “Air and Intelligent Life ” revenue decreased by 2.9% YoY, mainly due to the slight decline in revenue from communication products, as well as logistics services.

Performance of Business Groups



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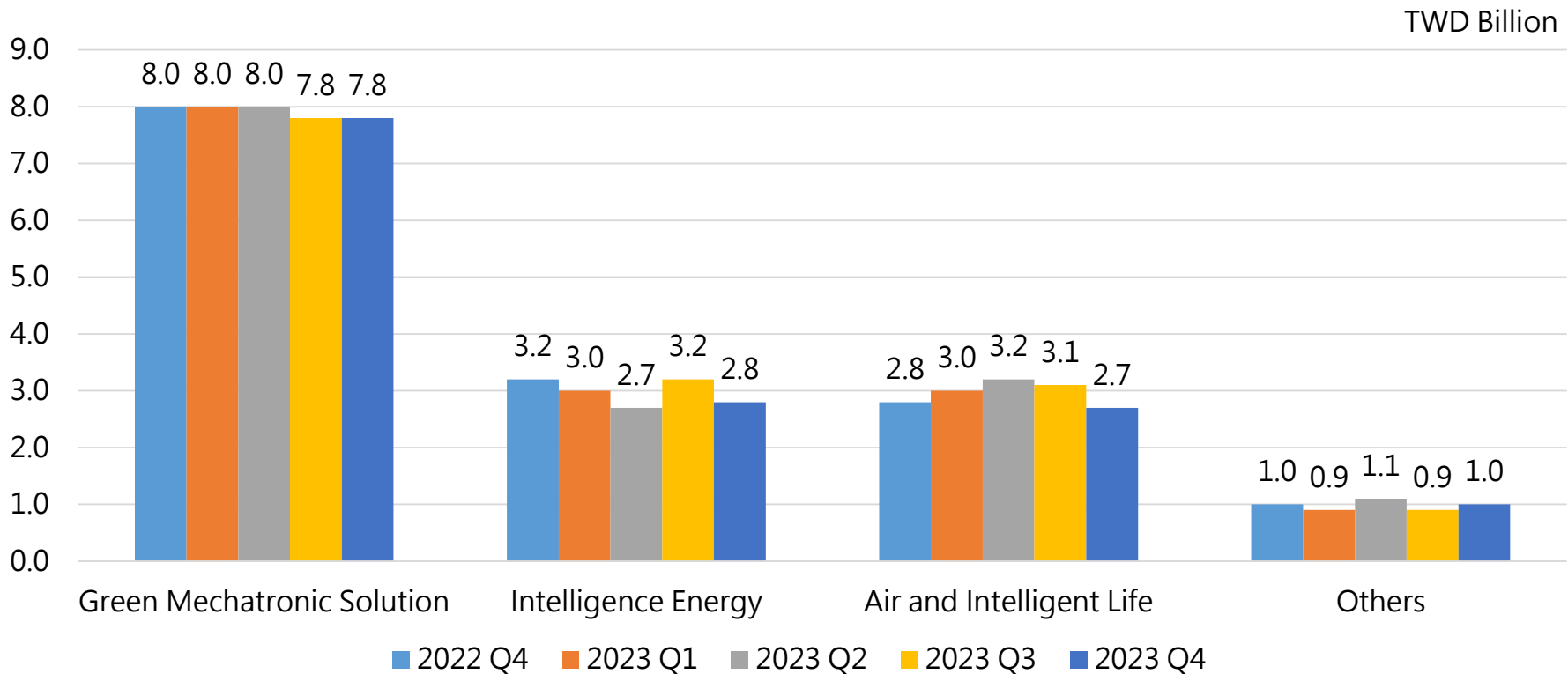
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- ✓ “Green Mechatronic Solution” revenue increased by 2.8% YoY, although the demand in Taiwan and Europe declined, the overall revenue maintained growth as revenue in North America continued to grow.
- ✓ The revenue growth of “Intelligence Energy” increased by 16.2% YoY, mainly due to the growth of engineering project revenue.
- ✓ “Air and Intelligent Life” revenue decreased by 13.3% 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 7.9%.

Sales Trend of Business Groups



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- ✓ The growth of “Green Mechatronic Solution” slowed down in 2023, mainly due to weak demand caused by the recession in Taiwan and Europe, which offset the growth in North America.
- ✓ The single-quarter revenue changes of “Intelligence Energy” are mainly due to differences in timing of project revenue recognition.
- ✓ “Air and Intelligent Life” revenue trend is mainly due to seasonal changes in demand for air conditioners and home appliances.

Revenue Breakdown by Business Group 1/2

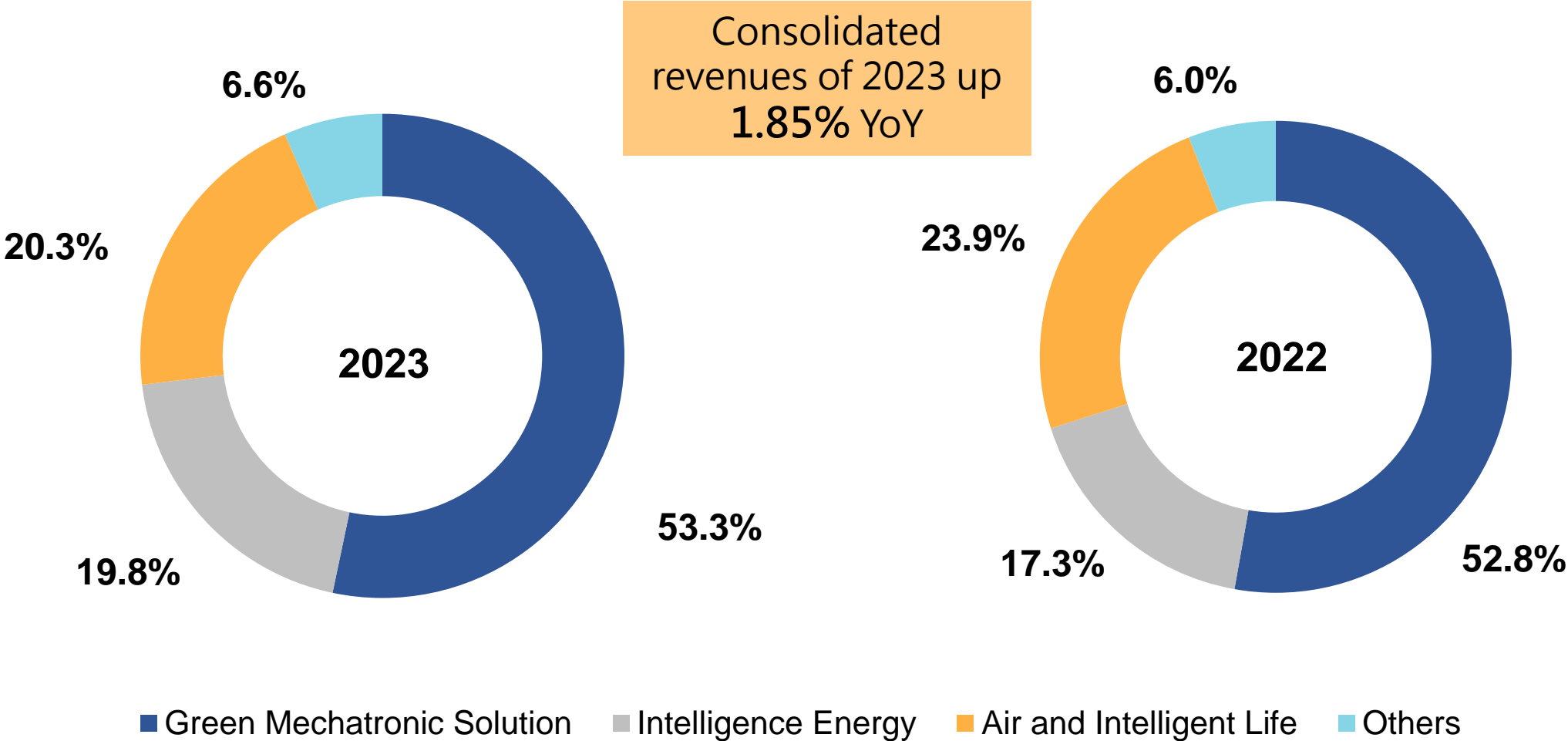
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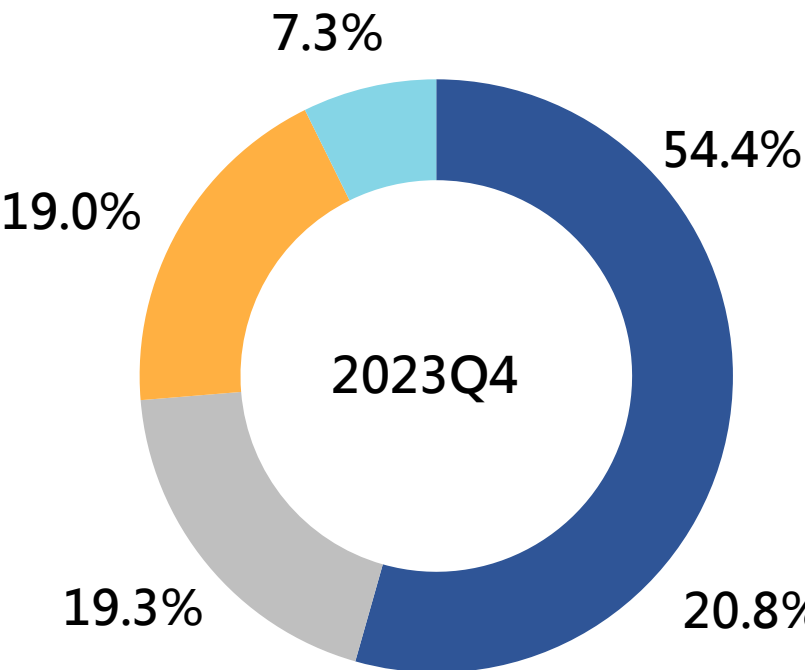
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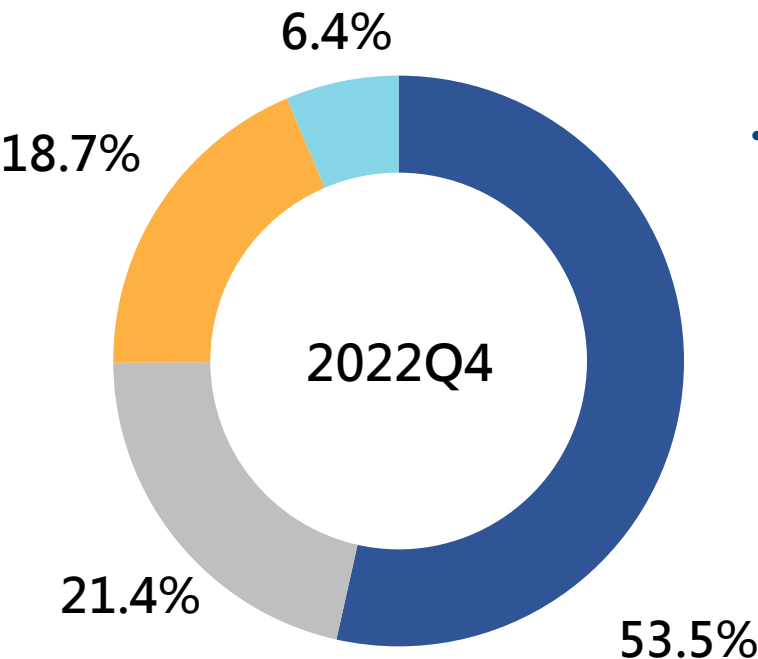
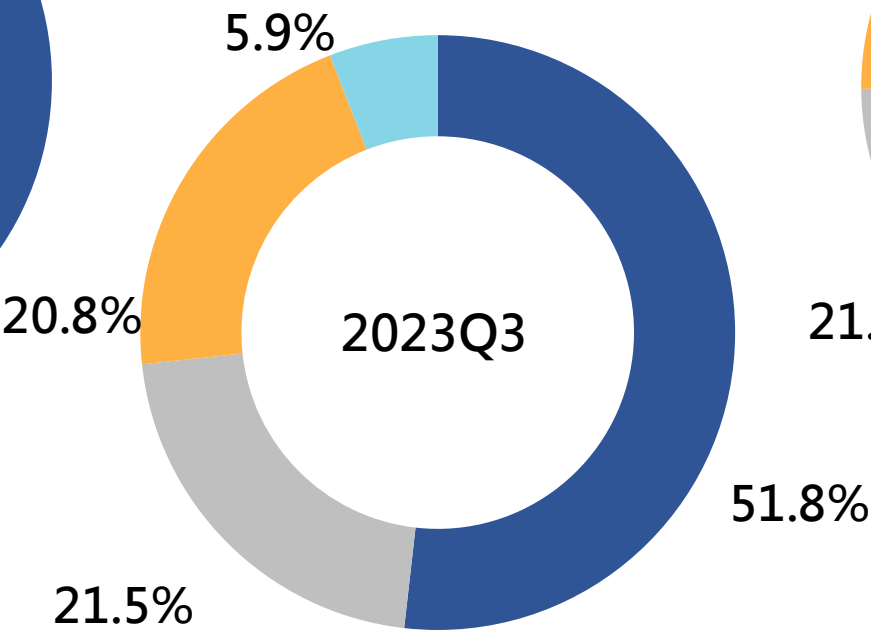
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Revenue Breakdown by Business Group 1/2



Consolidated
revenues of 2023Q4
down 4.7% QoQ
down 4.6% YoY



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

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Progress of Green Energy related businesses

Green Mechatronic Solution :

- ✓ Revenue of energy-saving and EV related products (excluding IE3 motor) in 2023 increased by 11.3% YoY, percentage to the overall business group is 13.3%.

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Intelligence Energy :

- ✓ Revenue of green energy related engineering and products in 2023 increased by 7.7% YoY, percentage to the overall business group is 33.9%.
- ✓ Unexecuted orders for projects and equipment on hand exceed TWD 25 billion, of which green energy-related business accounts for 53.0%.

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Air and Intelligent Life :

- ✓ Revenue of inverter commercial AC in 2023 increased by 15.9% YoY, percentage to total commercial AC business is 25.9%.
- ✓ Green energy related products account for 41.8% of the business group's revenue in 2023.

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Estimated Revenue

Green Mechatronic Solution	YoY ↓	QoQ ↓
Intelligence Energy	YoY ↓	QoQ ↓
Air and Intelligent Life	YoY ↑	QoQ ↑
<hr/>		
Company-Wide Gross Margin	YoY ↑	QoQ <->

TEMICO High-Efficiency Motor Factory Inaugurated A TECO/Mitsui Joint Venture in India



TEMICO kicked off operations on Nov. 29, with TECO holding more than 50% of the shares. TECO will undertake e-vehicle powertrain manufacturing, as well as the production and sales of high-efficiency industrial motors, while Mitsui spearheads India's domestic e-vehicle market.

The short-term mass production goal is 50,000 units. Negotiations for the sales of industrial motors are already underway with several large OEM customers. Additionally, ongoing discussions are taking place for the sales of e-vehicle powertrains with two major Indian companies.

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Taipower Kicks Off TECO-Constructed Longtan Energy Storage System



Taipower held an opening ceremony for the Longtan Energy Storage System, the largest self-built energy storage field in Taiwan. It covers an area of 0.66 hectares, is equipped with 25 containers, has an installation capacity of 60MW/80MWh, and has a total power storage of 80MWh, accounting for 37.5% of Taipower's self-built energy storage capacity. The revenue contribution is approximately TWD\$2.6 billion.

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Outlook On TECO Revised To Positive From Stable On Improved Profitability



Taiwan Ratings has revised the outlook on the long-term issuer credit rating on TECO to positive from stable. This reflects Taiwan Ratings' assessment that TECO will maintain enhanced profitability and low debt leverage over the next two years.

The strengthened profitability of TECO's Green Mechatronic Solution business group could sustain the company's overall EBITDA margin at slightly above 14% in 2024-2025.

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Recap of Recent Major Events | Achievement of ESG



2023.11.15 TECO has been granted, **for the 10th year in a row**, Taiwan Corporate Sustainability Awards (TCSA), in the four major items of "award for 100 Taiwanese corporate sustainability paradigms," "corporate sustainability report platinum awards," "talent development leadership award," and "information security leadership award."

Member of Dow Jones Sustainability Indices

Powered by the S&P Global CSA

2023.12.10 Included in Dow Jones Sustainability Index for four consecutive years and ranked **1st in the ESG evaluation of electromechanical stocks in emerging markets**, **3rd in the global electromechanical industry group**, ahead of major well-known international brands.

TECO Electric & Machinery Co., Ltd. 東元電機
Electrical Components & Equipment

Sustainability Yearbook Member

S&P Global Corporate Sustainability
Assessment (CSA) Score 2023

S&P Global CSA Score 2023: 79/100
Score date: February 7, 2024
The S&P Global Corporate Sustainability Assessment (CSA) Score is the S&P Global ESG Score without the inclusion of any modelling approaches.
Position and scores are industry specific and reflect exclusion screening criteria.
Learn more at <https://www.spglobal.com/esg/csa/yearbook/methodology/>

2024.02.07 Covered by S&P Sustainability Yearbook for four consecutive years, **ranking 1st in the ESG evaluation of electromechanical stocks in emerging markets**. The overall score has improved compared with last year, especially in innovation management, supply chain management, business ethics, and talent cultivation projects, which all received high scores.

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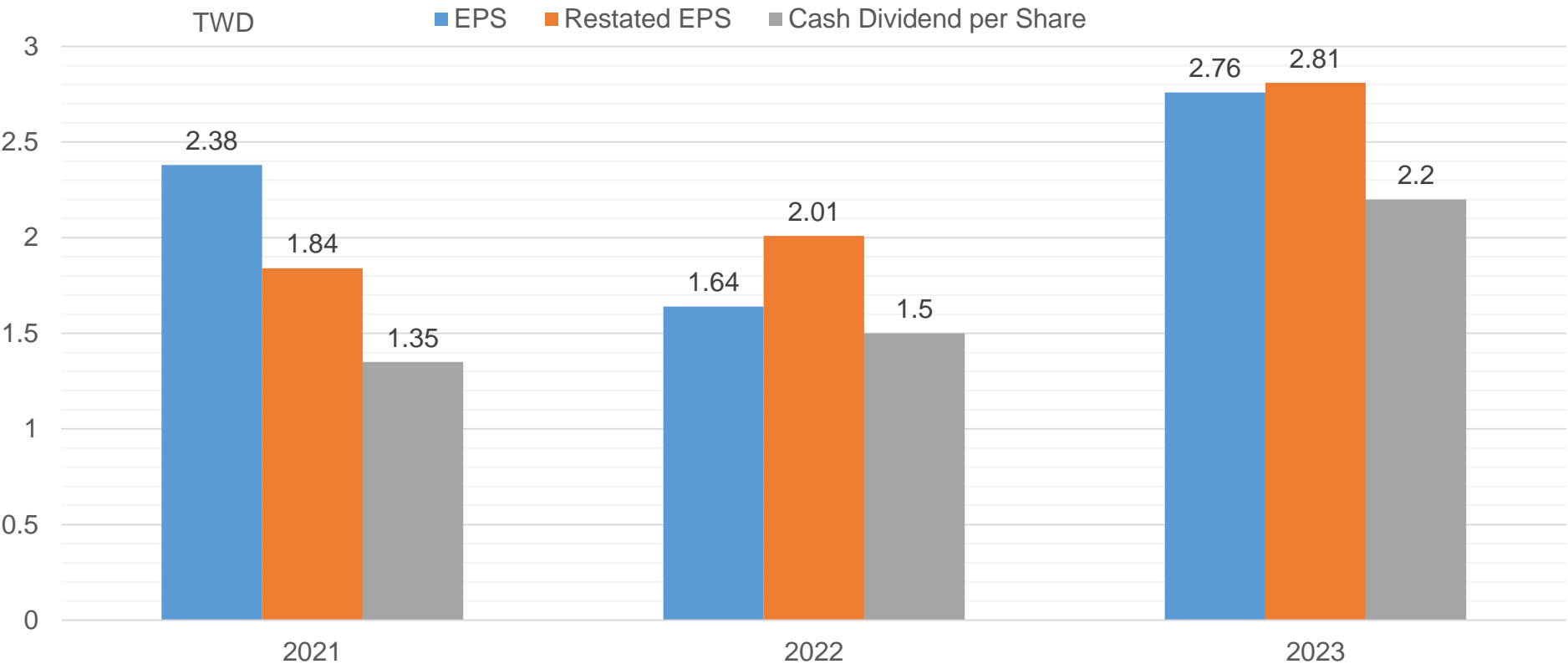
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Recap of Recent Major Events | Dividend Policy

Paying cash dividend TWD2.2 per share; payout ratio reached at 80%



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* Restated EPS excluded the impact from shareholdings in Fubon Media

** The dividend amount for 2023 is yet to be approved by the shareholders' meeting on May 24, 2024.

Overview of the Three Major Markets

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US

Recent Economic Situation

- In February, ISM manufacturing industry 47.8 (previously 49.1) fell slightly, but new export orders 51.6 (previously 45.2), unfinished orders 46.3 (previously 46.3) rebounded, client inventory 45.8 (previously 43.7) and other indicators hinted at the trend of manufacturing inventory replenishment will continue.
- For crude oil, OPEC+ countries reduced production, but North American countries released production capacity accordingly, stabilizing oil prices and fluctuating between 75 and 80 USD.

Impact on TECO

- With inflation under control and a strong job market, demand for low-voltage motors that are highly relevant to people's livelihood industries is expected to be stable;
- The performance of the oil and gas industry is still very stable, and the demand for large motor-related equipment remains unabated. However, the bottleneck of power grid equipment may affect short-term business opportunities for electrification-related equipment.

Taiwan

- The prosperity signal score in January increased significantly by 5 points compared with the previous month, and the signal turned green after 17 months. Although the export signal has changed from a red light (score higher than 38 points) to a green light, the indicator scores of production, investment, sales, finance and other indicators have all increased compared with the previous month. In addition, the leading and simultaneous indicators continue to rise, indicating that the domestic prosperity maintain the recovery trend.

- Although the domestic economy continues to recover, the manufacturing PMI in February was still 48.1, which was lower than the recession line, indicating that investment in capital and equipment is still on the sidelines, and the demand for mechanical and electrical products has not yet seen a significant increase.

China

- The official manufacturing PMI in February was 49.1 (previously 49.2), which was roughly the same as in January. Production 49.8 (previously 51.3) fell due to the seasonal impact of the Lunar New Year holiday. Finished product inventory 47.9 (previously 49.4) dropped significantly, indicating that manufacturers' inventory reduction progress is stable.
- A combined observation of the first two months of this year shows that the performance of China's manufacturing industry did not deteriorate further, continuing the pace of weak recovery and slow bottoming, which was slightly better than the overall performance of Q4 last year.

- People's consumption capacity has not yet seen a clear improvement, and the market demand for low-voltage motors is still quite challenging.
- The announcement of a GDP growth target of 5% indicates that large-scale subsidies will be introduced, and demand in key industries such as electric vehicles, solar energy and lithium batteries is expected to increase. °

Outlook for 2024 1/2

Overall environment :

- ✓ The North American economy is relatively stable. Although the economies of Taiwan and the Chinese market have not recovered significantly, they are gradually stabilizing.
- ✓ In response to the global 2050 net-zero goal, energy costs are expected to continue to rise. Meanwhile, Taiwan and China are about to increase electricity prices, which will drive demand for energy-saving and emission reduction-related products and services.
- ✓ It is expected that the US and China governments will speed up the implementation of various policy subsidies, which will further expand demand for energy conservation and emission reduction.

Green Mechatronic Solution :

- ✓ The overall environment is conducive to the stable growth of high-efficiency and energy-saving products and services.
- ✓ EV related : Has successively obtained orders from Taiwan and North America, and is exploring the Indian electric bus market. A new 350kw product with higher power will be released in Q2 to further enhance product competitiveness.
- ✓ Hydrogen energy and carbon capture : Actively seeking business opportunities for related equipment in the North American and Taiwan markets of approximately TWD 300 million.
- ✓ The Mexico and India plant start mass production and are expected to expand business scale in North America and India.

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Intelligence Energy :

- ✓ Continue to win orders related to offshore wind farm, grid resilience projects, etc., with business opportunities exceeding TWD 30 billion.
- ✓ The unexecuted orders on hand exceed TWD 25 billion, which will be gradually converted into revenue. The proportion of revenue contribution in the first and second half of this year is approximately 45% : 55%.
- ✓ Expand Southeast Asian markets, such as Vietnam, Indonesia, etc.

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Air and Intelligent Life :

- ✓ The domestic market is the main source of revenue, and the overall economic situation has gradually stabilized this year.
- ✓ The government's extension of energy-saving subsidies and the expected increase in electricity prices will boost demand for various energy-saving products and services.
- ✓ Expand overseas markets such as Australia and Southeast Asia

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Other :

- ✓ Innovative Energy Storage Operation & Development continues to develop towards virtual power plants (VPP) and further expands renewable energy-related revenue.
- ✓ Other companies such as Century Development Corporation are operating steadily. The Taipei Bioinnovation Park , which has been completed and leased in November 2023, will further increase rental income levels.

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Q&A

<https://www.teco.com.tw>
ir@teco.com.tw

Statements of Comprehensive Income | 4Q23

(TWD Million)	2023Q4	2023Q3	QoQ	2022Q4	YoY
Operating Revenue	14,365	15,065	-4.65%	15,058	-4.60%
Net Gross Profit *	3,720	3,711	0.24%	3,459	7.55%
Operating Profit	1,508	1,677	-10.08%	1,322	14.07%
Non operating Income	192	-68	-382.35%	184	4.35%
Income Before Tax	1,700	1,609	5.66%	1,506	12.88%
Income Tax	(474)	(450)	5.33%	(380)	24.74%
Net Income**	1,092	981	11.31%	1,005	8.66%
EPS (TWD)	0.52	0.47	10.64%	0.48	8.33%

* Including unrealized/realized benefits of affiliated companies

** Excluding non controlling interest

- Revenue in 2023Q4 was TWD 14.4 billion, decreased by approximately 4.60% compared to 2022Q4, is mainly due to the decrease in revenue from Green Mechatronic Solution in Taiwan and Europe , as well as the difference in the timing of projects revenue recognition of Intelligence Energy.

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Statements of Comprehensive Income | 2023

- Revenue in 2023 increased by 1.85% and gross profit increased by 13.33% compared with the same period in 2022, mainly because the revenue growth of Green Mechatronic Solution and Intelligence Energy and the increase in gross profit margin of orders received.
- The net non-operating income in 2023 increased by 362.93% versus the same period in 2022, mainly due to the impact of stock market volatility in 2022, which led to the recognition of unrealized losses in financial asset evaluation, while this period is evaluation benefit.

(TWD Million)	2023	2022	YoY
Operating Revenue	59,394	58,315	1.85%
Net Gross Profit*	14,941	13,184	13.33%
Operating Profit	6,663	5,074	31.32%
Non operating Income	1,611	348	362.93%
Income Before Tax	8,274	5,422	52.60%
Income Tax	(1,942)	(1,429)	35.90%
Net Income**	5,830	3,458	68.59%
EPS (TWD)	2.76	1.64	68.29%

* Including unrealized/realized benefits of affiliated companies

** Excluding non controlling interest

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(TWD Thousand)	Dec. 31, 2023		Sep. 30, 2023		Dec. 31, 2022	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalents	23,640,536	19%	22,763,522	18%	21,156,796	17%
Receivables	11,976,212	9%	11,884,730	9%	11,804,505	9%
Inventories	11,631,793	9%	12,443,736	10%	12,895,287	10%
Total Assets	127,313,790	100%	126,703,507	100%	126,603,110	100%
Payables	15,744,193	12%	15,744,969	12%	15,904,792	13%
Short term Borrowings	1,357,111	1%	1,594,834	1%	1,751,344	1%
Long term Borrowings	3,549,846	3%	5,920,219	5%	3,655,514	3%
Corporate Bond Payables	5,000,000	4%	5,000,000	4%	5,000,000	4%
Total Liabilities	40,871,010	32%	41,482,160	33%	40,284,611	32%
Equities	86,442,780	68%	85,221,347	67%	86,318,499	68%
Key Indices						
AR Turnover (times)	5.08		5.21		5.08	
Inventory Turnover (times)	3.43		3.37		3.41	
Current Ratio	2.32		2.45		2.22	
Quick Ratio	1.61		1.64		1.53	
Net Debt to Equity	-15.89%		-12.03%		-12.45%	

- Cash and Cash Equivalents increased by TWD 2.3 bn compared to Year end of 2022 mainly due to the increase in net income.
- Inventories decreased by TWD 1.3 bn compared to Year end of 2022 mainly related to its sales and inventory control. AR turnover has not changed much.



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TECO — Your Partner for Net Zero and Sustainability

TECO Group