



# 2022 1<sup>st</sup> Quarter Earnings Conference

May 25<sup>th</sup>, 2022





# 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.

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# Changes of Accounting Treatment

- Since January 1<sup>st</sup>, 2022, according to the current investment strategies of subsidiaries, the "gain (loss) on financial assets at fair value through profit or loss" has been adjusted from the item of "operating revenue" to "non-operating profit and loss".
- Disclosed in Note 14, operating segments information in 2022 1<sup>st</sup> Quarter Financial Statements.
- The historical financial data in this presentation are readjusted with the new accounting treatment.



# Financial Highlights 1Q22

• 2022 Q1 Financials

	1Q 2022	4Q 2021	QoQ	1Q 2021	YoY
Net Sales	13,897	13,749	1.1%	11,540	20.4%
Gross Margin	21.9%	21.0%	90bps	23.5%	-160bps
Operating Margin	8.3%	8.2%	10bps	7.2%	110bps
EPS (TWD)	0.17	0.42	-59.5%	0.53	-67.9%

The Three Business Groups Operating Performance

Recap of Recent Major Events

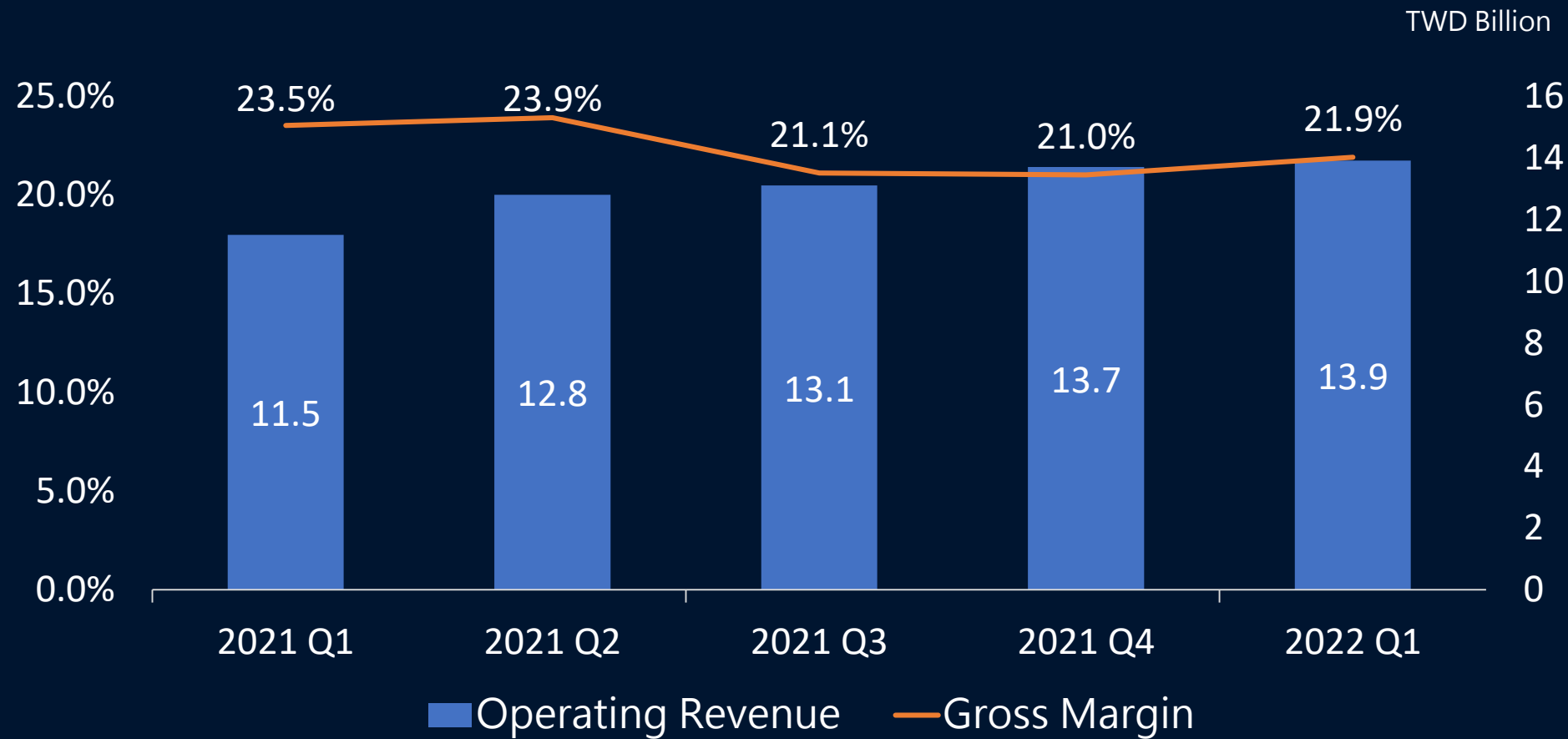
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- 1Q 2022 net sales increased by 20.4% YoY and 1.1% QoQ due to continual growth of the motor and automation business in China, North America and Motovario in Europe, as well as engineering projects and home appliance business in Taiwan.
- The gross margin was 21.9%, less than the same period last year level by 1.6%, due to the cost pressure from raw materials and freight expense. Operating margin was higher than 1Q 2021 level by 1.1%.
- EPS reached at TWD 0.17 in Q1, decreased by TWD 0.25 versus the previous quarter and an decrease of TWD 0.36 from the same period last year, mainly because the stock market volatility resulted in a loss of TWD 540 million in financial asset evaluation.

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# Operating Revenue vs. Gross Margin

- 2022 Q1 Financials



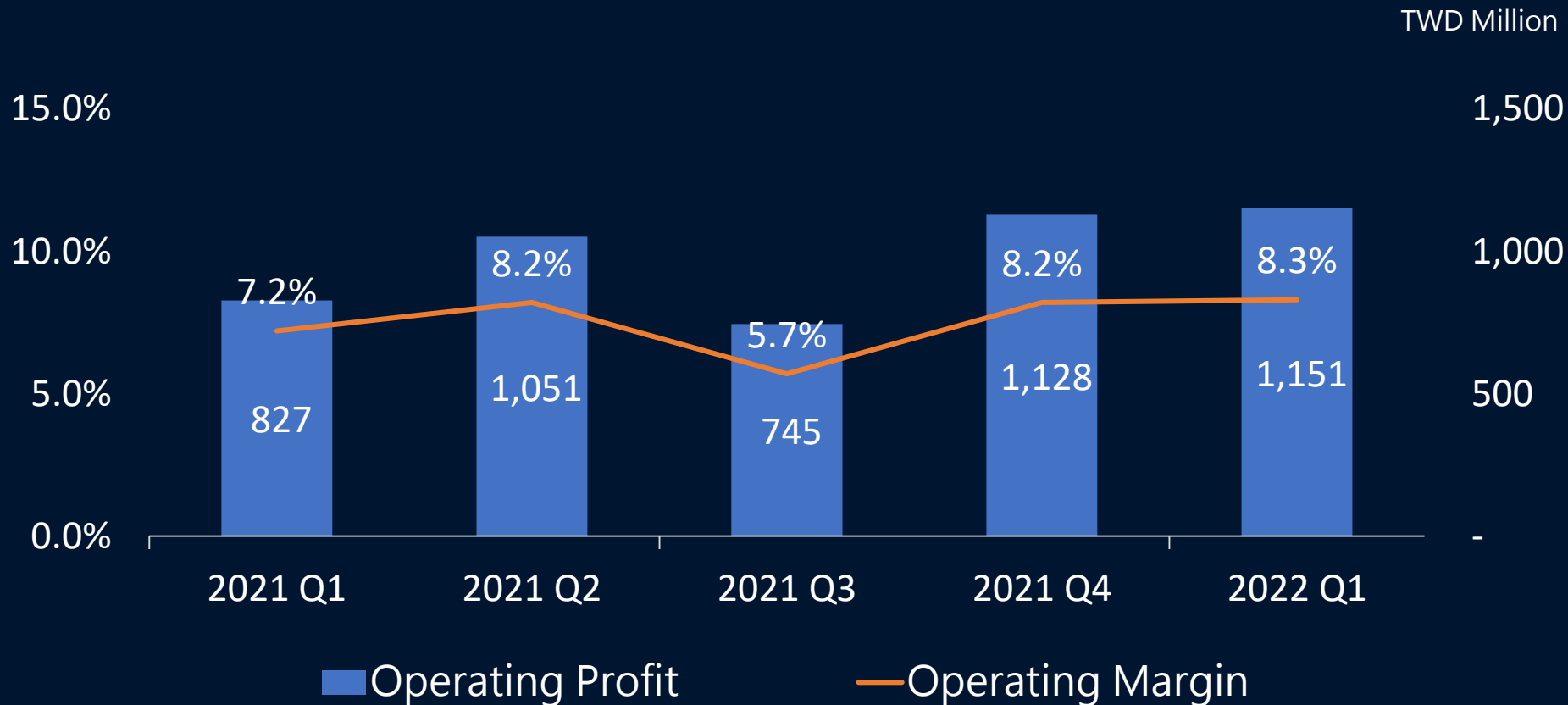
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# Operating Profit vs. Operating Margin

- 2022 Q1 Financials

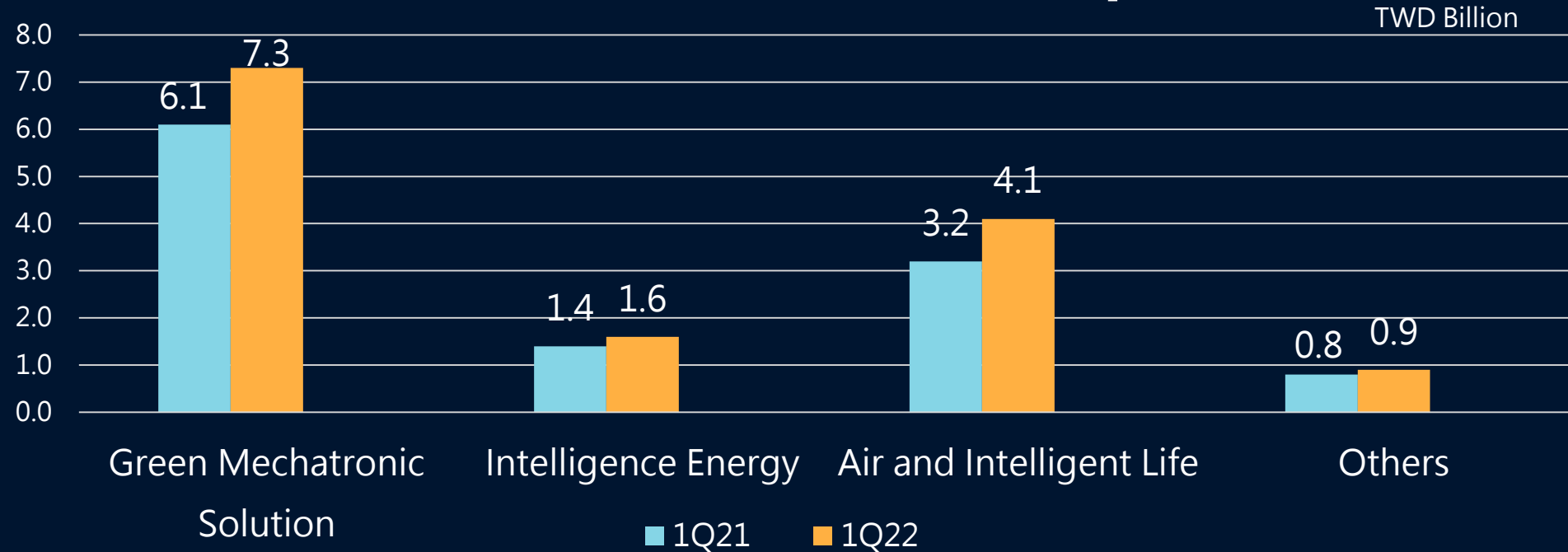


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# Performance of Business Groups



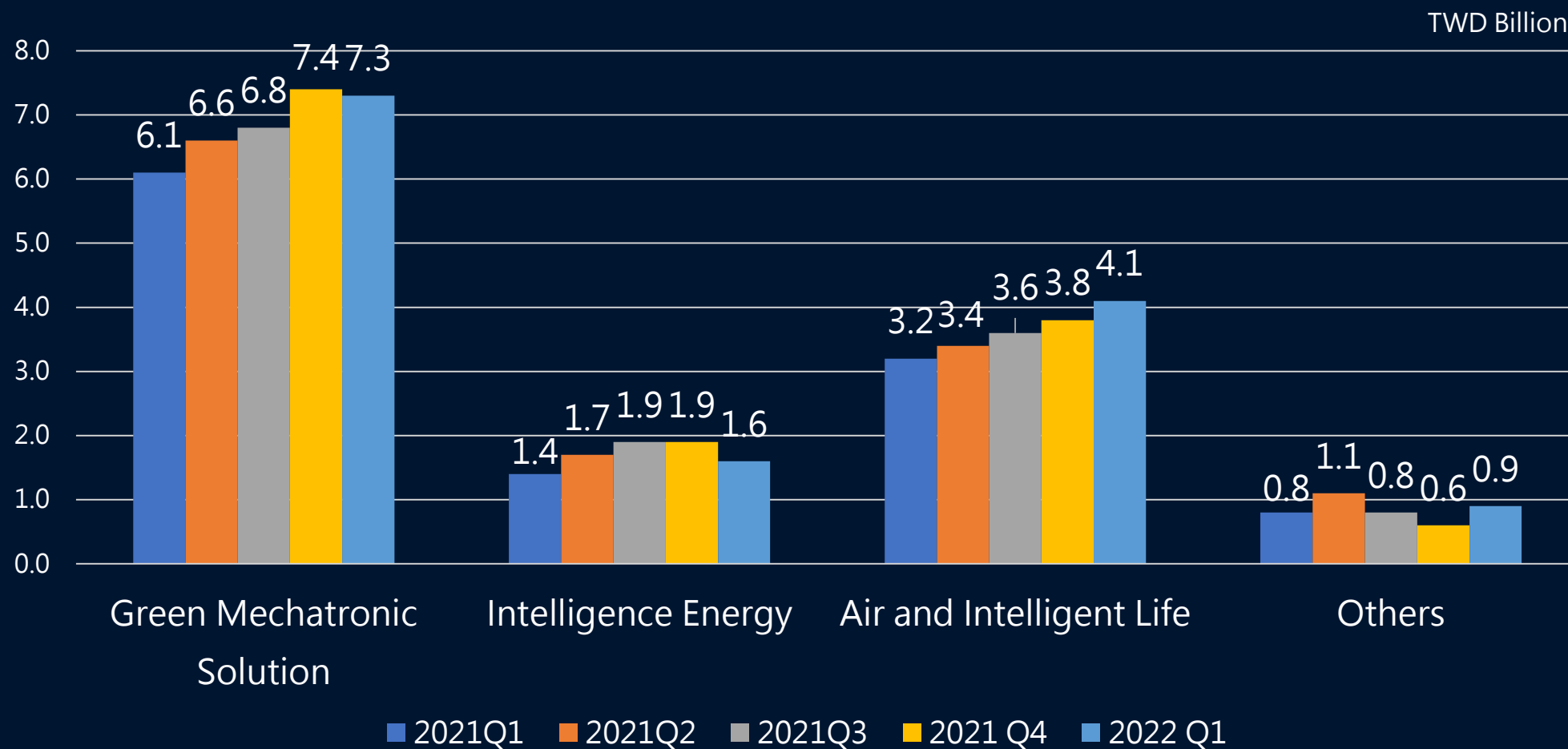
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- ✓ "Green Mechatronic Solution" revenue increased by 19.9% YoY, thanks to strong demand for global industrial products, the continuous growth of the motor and automation business in China, North America and Motovario in Europe.
- ✓ The revenue growth of "Intelligence Energy" increased by 13.7% YoY, mainly due to the growth of TECO's engineering project revenue (including onshore substation of offshore wind farm, IDC projects and BOT case of Nankang Biotechnology Park, etc.)
- ✓ The YoY revenue growth of "Air and Intelligent Life" was 27.9%, mainly due to the revenue growth of TECO's home appliance (including Air-conditioning project for elementary and high schools and residential AC)

# Sales Trend of Business Groups



- The Three Business Groups Operating Performance

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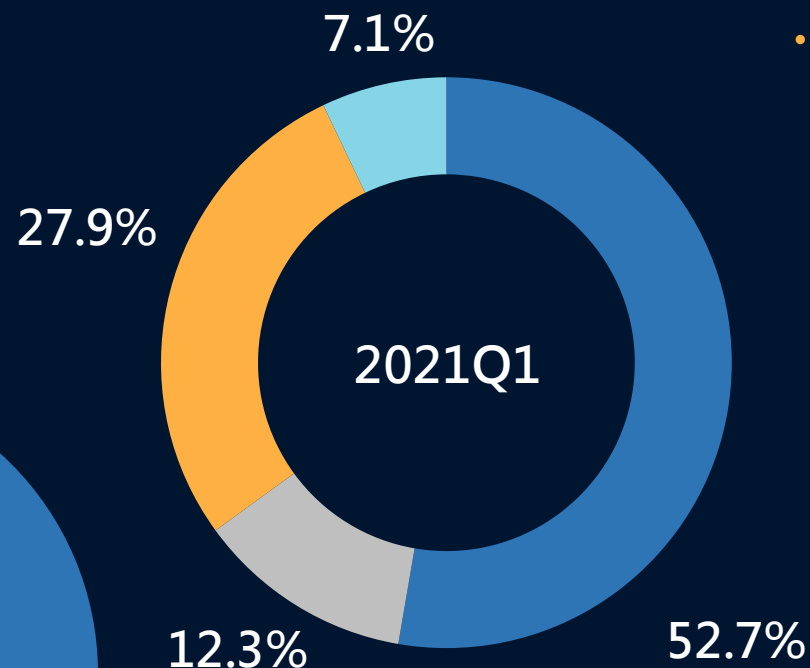
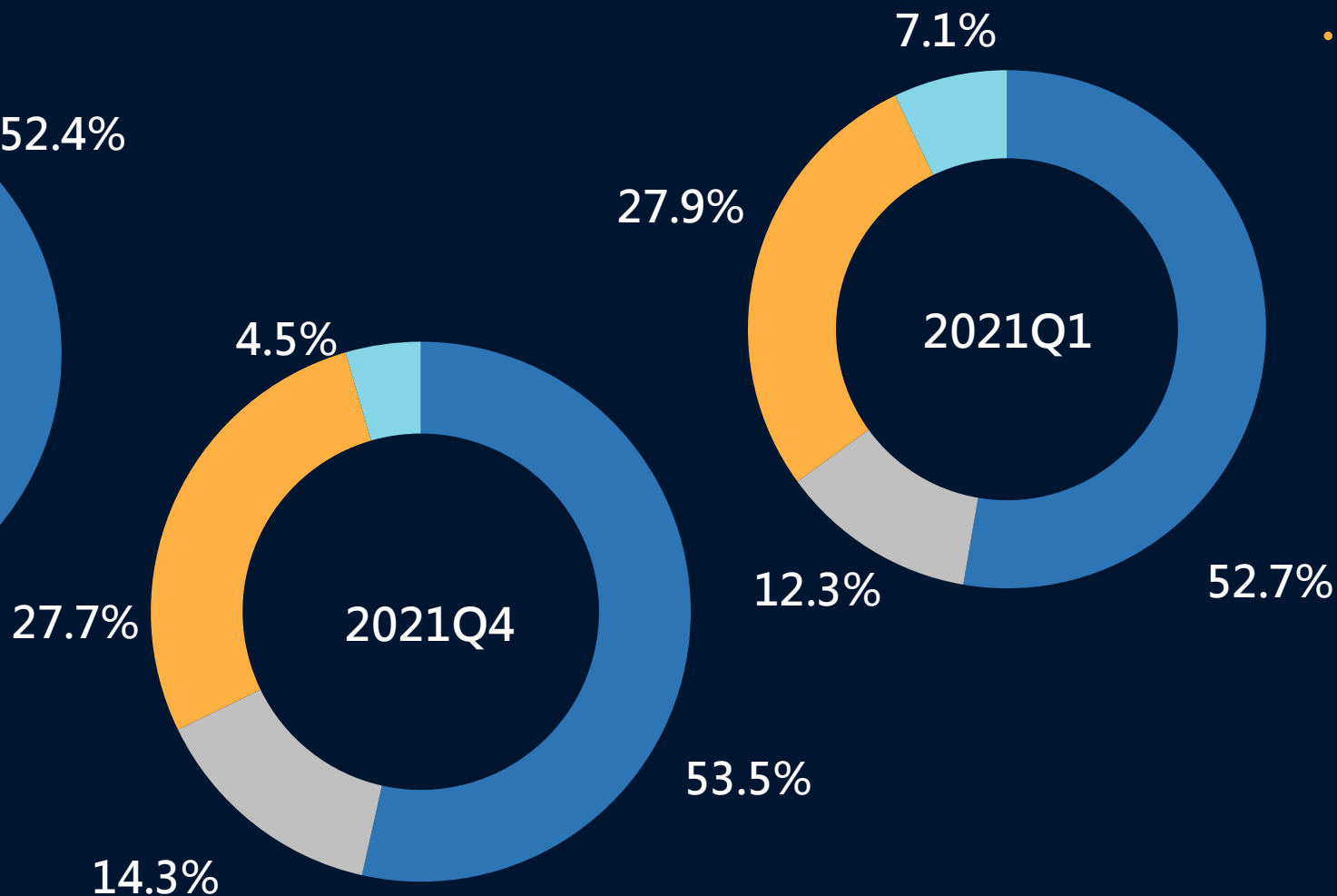
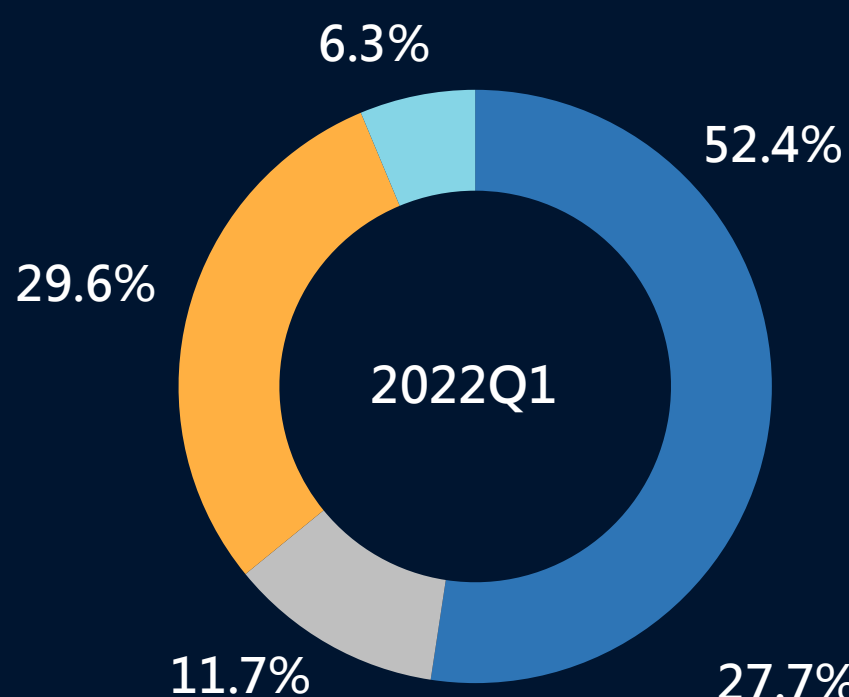
# Revenue Breakdown by Business Group

2022 Q1  
Financials

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Consolidated revenues of 2022Q1  
up **1.0% QoQ**  
**20.4% YoY**

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

# Taiwan's net zero carbon emission policy and opportunities, 2030 budget of TWD900 billion

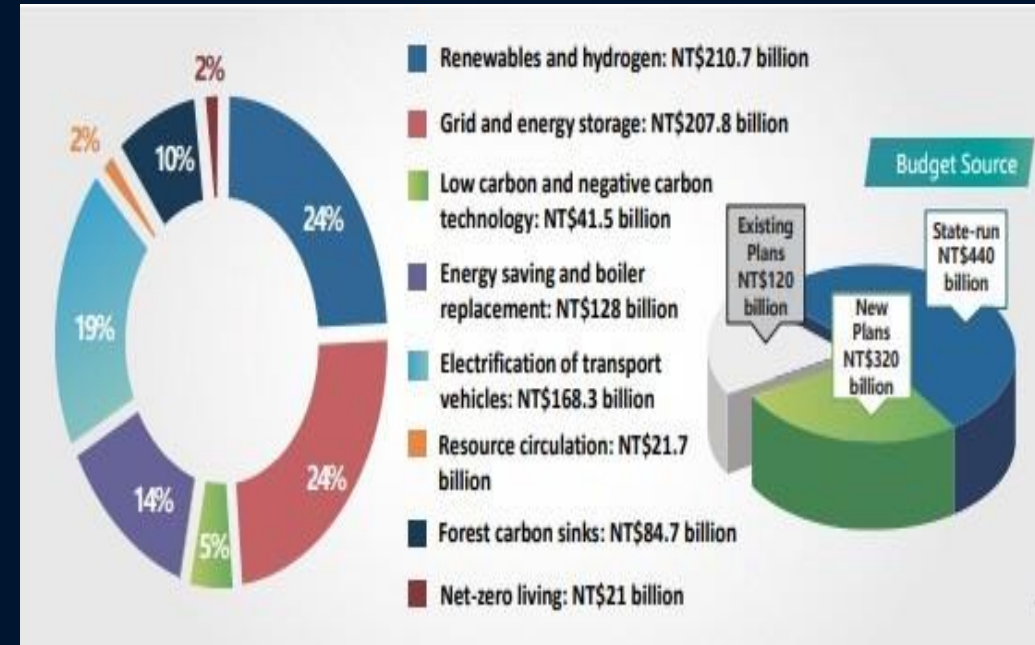
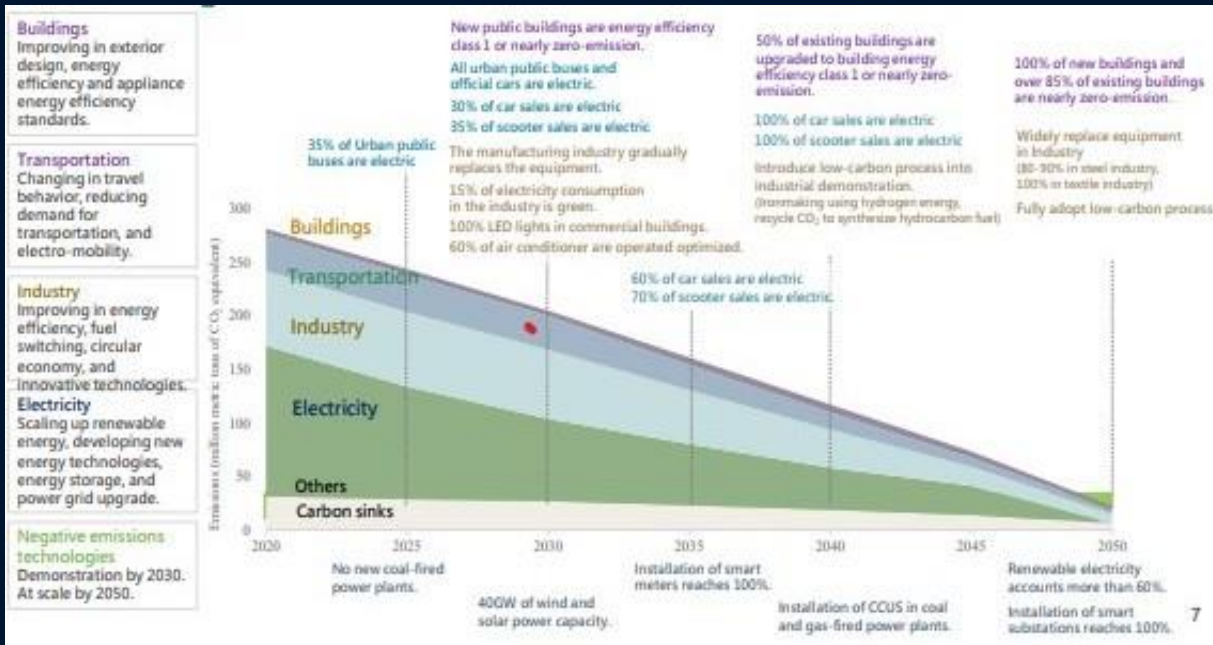
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- Corresponding to the 2050 net-zero carbon emissions made by the International Energy Organization (IEA), the National Development Council also published a blueprint for Taiwan's 2050 net-zero emissions path in April, starting with residential, transportation, industry and electricity. It is estimated that by 2030, the budget will be nearly TWD900 billion, driving new private investment to reach TWD4 trillion.
- TECO has corresponding solutions in the fields of renewable energy, energy storage, energy saving and vehicle electrification. In addition to directly linking business opportunities, TECO hopes to contribute to the energy of the enterprise and is committed to a friendly and sustainable environment.

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# Carbon Neutrality Drives Energy-Saving Business Opportunities

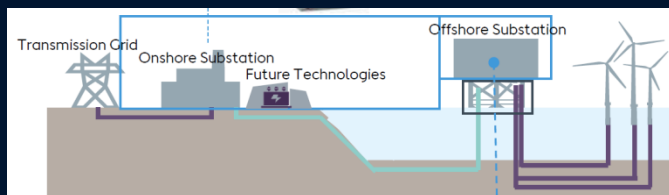
- Integrate carbon neutral business opportunities across groups and accelerate the expansion of industrial application solutions

2022 Q1  
Financials

## 1. Renewable energy

- 2030 budget of TWD900 bn
  - ✓ Renewable energy TWD210.7bn
  - ✓ Grid and energy storage TWD207.8bn
  - ✓ Energy saving and boiler replacement TWD 128.0bn
  - ✓ Vehicles Electrification TWD168.3bn

- Supply of key components for MW-class wind turbines
- Solar power station EPC and maintenance
- Offshore Wind Power Onshore Substation Turnkey
- Construction of multi-field monitoring platform



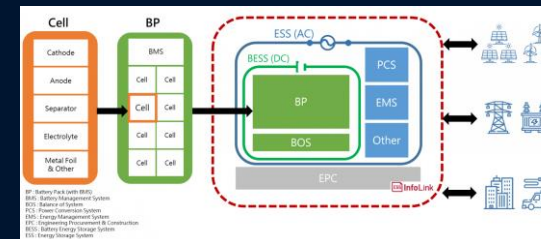
## 3. Energy saving

- IE4/IE5 High Efficiency Motor
- Low-voltage & mid to high-voltage inverter
- Permanent magnet direct drive system
- The most efficient magnetic levitation chiller



## 2. Grid and energy storage

- EPC and maintenance of energy storage system
- Photovoltaic & storage integration project construction and monitoring
- Energy storage main equipment supply
- Taipower AFC Service



## 4. Vehicles Electrification

- Electric vehicle power system (T-power train)
- Automated guided vehicles (AGVs)
- Smart logistics/multi-vehicle management
- Charging pile construction



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Taiwan's net zero carbon emission opportunities  
In response to the transformation of energy policy, develop towards new energy with energy storage system construction, high-efficiency products, systems and overall solutions, and strengthen energy management services

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# USD1.2 trillion of US infrastructure bill in the next 5 years

- New investment of USD550 bn, TECO's opportunities of USD530 bn

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Implementation Projects and Latest Budget Size of U.S. Infrastructure Program

Project and Amount	Major Project	Budget Size (USD billion)
1. Replace the old with the new USD 377 billion	Roads, Bridges and Main Plan	109
	Traffic Safety	11
	Public Transportation	49
	Passenger and Freight Railway	66
	Airports	25
	Ports and Waterways	16
	Financing of Infrastructure Construction	20
	Water Resources	55
	Environmental Maintenance	21
2. Decarbonization & Electrification USD 88 billion	Western Water Storage	5
	Electric Vehicle	7.5
	E-Buses, Buses, Ferries	7.5
	Electricity, Smart Grid	73
3. Digital new infrastructure USD 66 billion	High Speed Broadband Network	65
	Reconnecting Communities	1
Others	Flexible Applications	47

Source: Nomura Date: 2021/12 Table-making: Bin Shoun Sun

## TECO's Opportunities

Infrastructural  
electromechanical  
facilities: USD377bn

EV: USD15bn

Power: USD73bn

High Speed Network:  
USD65bn

## TECO's Offerings



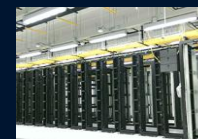
- O&G Electrification Equipment:  
Motor/Inverter/Servo Drive System  
Switch control cabinet  
Intelligent monitoring system



- Electric vehicle power system (T-power train)
- Charging pile construction



- Electromechanical system + energy storage



IDC

**TECO**

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# RMB10.6 trillion of China's new infrastructure in 5 years

2022 Q1  
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- TECO's opportunities are RMB7 trillion

New Infrastructure	Estimated Opportunities (RMB) trillion
Construction of 5G Base Station	1.2
EV	1.1
Big Data Center	3
AI	1.3
Intercity Traffic	1.1
Industrial Internet	2.3
High Efficiency Super High Voltage Grid	0.6

## TECO's Opportunities

## TECO's Offerings

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EV: RMB1.1 trillion

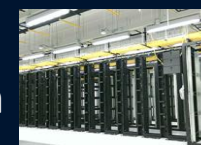
Facilities: RMB3 trillion

AI: RMB1.3 trillion

Power: RMB600bn



- Electric vehicle power system (T-power train)
- Charging pile construction



IDC



- Mechanical/Process Automation System Integration
- Remote Synchronized Intelligent War Room Management System
- Equipment operation and predictive maintenance system



- Electromechanical system + energy storage

Source: China Academy of Information and Communication Technology

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# Outlook for 2<sup>nd</sup> Quarter

2022 Q1  
Financials

## Revenue YoY Growth

Green Mechatronic Solution 13%~17%

Intelligence Energy 35%~39%

Air and Intelligent Life 8%~12%

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Company-Wide Gross Margin 21%~25%

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# Recap of Recent Major Events | New President, Thomas Fann Assumes Office

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(From left to right) former President, George Lien; Chairman, Sophia Chiu; new President, Thomas Fann

The new President, Mr. Thomas Fann has a doctorate degree in mechanical engineering from the University of Michigan. He boasts abundant management experience with such as President of Ford Lio Ho Motor Co., Ltd., President and executive committee Chairman of Jiangling Motors Co., Ltd., an affiliate of Ford Motor in mainland China, and Executive Assistant of Foxconn Interconnected Technology Ltd., and worksites spanning Taipei, China, and Europe.

Based on his years-long experience, notably in the automotive field, President Fann strives to combine the company's technologies in **e-vehicle powertrain, energy conservation, energy storage, and energy management** for the creation of green-energy ecological system, providing customers solutions and value-added services to tap the climate issue-related global market.

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# Recap of Recent Major Events |

## Won the biggest bid among Taipower Energy Storage Projects

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- ✓ 2022.4.20 TECO Group has won the bid for the Longtan ultra-high voltage (UHV) substation energy storage system at NT\$2.6 billion, joined by Fluence Energy, Inc. (Nasdaq: FLNC), a leading global energy storage technology and services provider.
- ✓ The Longtan UHV substation energy storage system has the largest installed capacity of 60 MW, accounts for 37.5% of Taipower's total storage capacity (160 MW).
- ✓ The project is expected to start in April 2022 and be completed and launched in 2023.



- Recap of Recent Major Events



# Recap of Recent Major Events | Achievement of ESG

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Ranked **Top 5% of Corporate Governance Evaluation** for eight consecutive years



Sophia Chiu Awarded 2021 "Asia's **Top Sustainability Superwomen** "

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A blue industrial robotic arm is the central focus, set against a blurred background of a factory floor. The arm is positioned diagonally, with its joints and wiring visible. 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, located on the left side of the image.

[Http://www.teco.com.tw](http://www.teco.com.tw)  
[ir@teco.com.tw](mailto:ir@teco.com.tw)

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# Statements of Comprehensive Income | 1Q22

2022 Q1  
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(TWD Million)	2022Q1	2021Q4	QoQ	2021Q1	YoY
Operating Revenue	13,897	13,749	1.08%	11,540	20.42%
Net Gross Profit *	3,044	2,971	2.46%	2,717	12.04%
Operating Profit	1,151	1,217	-5.42%	826	39.35%
Non operating Income	(351)	(370)	5.14%	606	-157.92%
Income Before Tax	800	847	-5.55%	1,432	-44.13%
Income Tax	(346)	136	-354.41%	(201)	72.14%
Net Income**	348	896	-61.16%	1,102	-68.42%
EPS (TWD)	0.17	0.42	-59.52%	0.53	-67.92%

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\* Including unrealized/realized benefits of affiliated companies

\*\* Excluding non controlling interest

- Revenue in 2022Q1 increased by approximately 20.42% compared to 2021Q1, is mainly due to: Continual growth of the motor and automation business in China, North America and Motovario in Europe, as well as engineering projects and home appliance business in Taiwan.
- The net non operating expense in 2022Q1 was TWD 351 million, compared to the net non operating profit in 2021Q1 was TWD 606 million. The main reason is because: The stock market volatility resulted in a loss of TWD 540 million in financial asset evaluation.; however, compared to the same period last year, the financial asset evaluation benefit was TWD 401 million.

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# Balance Sheets | March 2022

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(TWD Thousand)	Mar. 31, 2022		Mar. 31, 2021		Dec. 31, 2021	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalents	19,298,415	16%	21,565,432	19%	17,274,143	13%
Receivables	11,522,412	9%	10,188,696	9%	11,741,329	9%
Inventories	13,053,986	10%	10,319,388	9%	12,252,098	9%
Total Assets	125,142,033	100%	116,958,623	100%	136,612,450	100%
Payables	17,755,441	14%	15,450,054	12%	15,919,185	12%
Short term Borrowings	1,672,201	1%	3,189,293	3%	2,042,697	1%
Long term Borrowings	4,165,743	3%	3,295,687	3%	4,095,257	3%
Corporate Bond Payables	6,000,000	4%	6,000,000	4%	6,000,000	4%
Total Liabilities	43,162,540	34%	41,014,568	35%	40,950,519	30%
Equities	81,979,493	66%	75,944,055	65%	95,661,931	70%

Key Indices			
AR Turnover (times)	4.91	4.51	4.69
Inventory Turnover (times)	3.26	3.30	3.42
Current Ratio	1.98	2.09	2.14
Quick Ratio	1.37	1.54	1.48
Net Debt to Equity	-9.1%	-12%	-5.4%

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- Cash and Cash Equivalents increased by TWD 2.0bn compared to Year end of 2021 mainly due to 1) the increase in both revenue and profit, 2) the redemption of OASIS Fund.
- Inventories increased by TWD 0.8bn compared to Year end of 2021 mainly due to business growth and preparation for potential inflation and shortage of raw materials.
- Equities decreased by TWD 13.7 bn compared to Year end of 2021 mainly due to the announcement of cash dividends and the increase in the loss of financial asset evaluation.