

The background of the slide is a photograph of several blue industrial robotic arms in a factory environment. The image is darkened with a blue overlay to make the white text stand out. On the left side, there is a vertical bar with a gradient from grey to orange.

2022 2nd Quarter Earnings Conference

August 16th, 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.

Financial Highlights 2Q22

• 2022 Q2 Financials

	2Q 2022	1Q 2022	QoQ	2Q 2021	YoY
Net Sales	14,544	13,897	4.7%	12,813	13.5%
Gross Margin	23.0%	21.9%	110bps	23.9%	-90bps
Operating Margin	8.9%	8.3%	60bps	8.2%	70bps
EPS (TWD)	0.48	0.17	182.4%	0.68	-29.4%

The Three Business Groups Operating Performance

Recap of Recent Major Events

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- 2Q 2022 net sales increased by 13.5% YoY and 4.7% QoQ due to continual growth of Green Mechatronic Solutions in North America, Europe, and Taiwan, as well as engineering projects of Intelligence Energy.
- The gross margin was 23.0%, less than the same period last year level by 0.9%, due to the cost pressure from raw materials, freight expense, logistics labor costs, and warehouse rental costs. Operating margin was higher than 2Q 2021 level by 0.7% due to expense control.
- EPS reached at TWD 0.48 in Q2, increased by TWD 0.31 versus the previous quarter, mainly due to dividend income of TWD 730 million; and an decrease of TWD 0.2 from the same period last year, mainly because the loss of TWD 420 million in financial asset evaluation, compared to the same period last year, the financial asset evaluation benefit was TWD 710 million.

Financial Highlights 1H22

- 2022 Q2 Financials

	1H22	1H21	YoY
Net Sales	28,441	24,353	16.8%
Gross Margin	22.5%	23.7%	-120bps
Operating Margin	8.6%	7.7%	90bps
EPS (TWD)	0.65	1.21	-46.3%

Net sales in the first half of 2022 was TWD 28.44 billion, with 16.8% YoY growth, and EPS in the first half of 2022 reached at TWD 0.65, an decrease of TWD 0.56 over the same period last year, mainly due to the loss in financial asset evaluation.

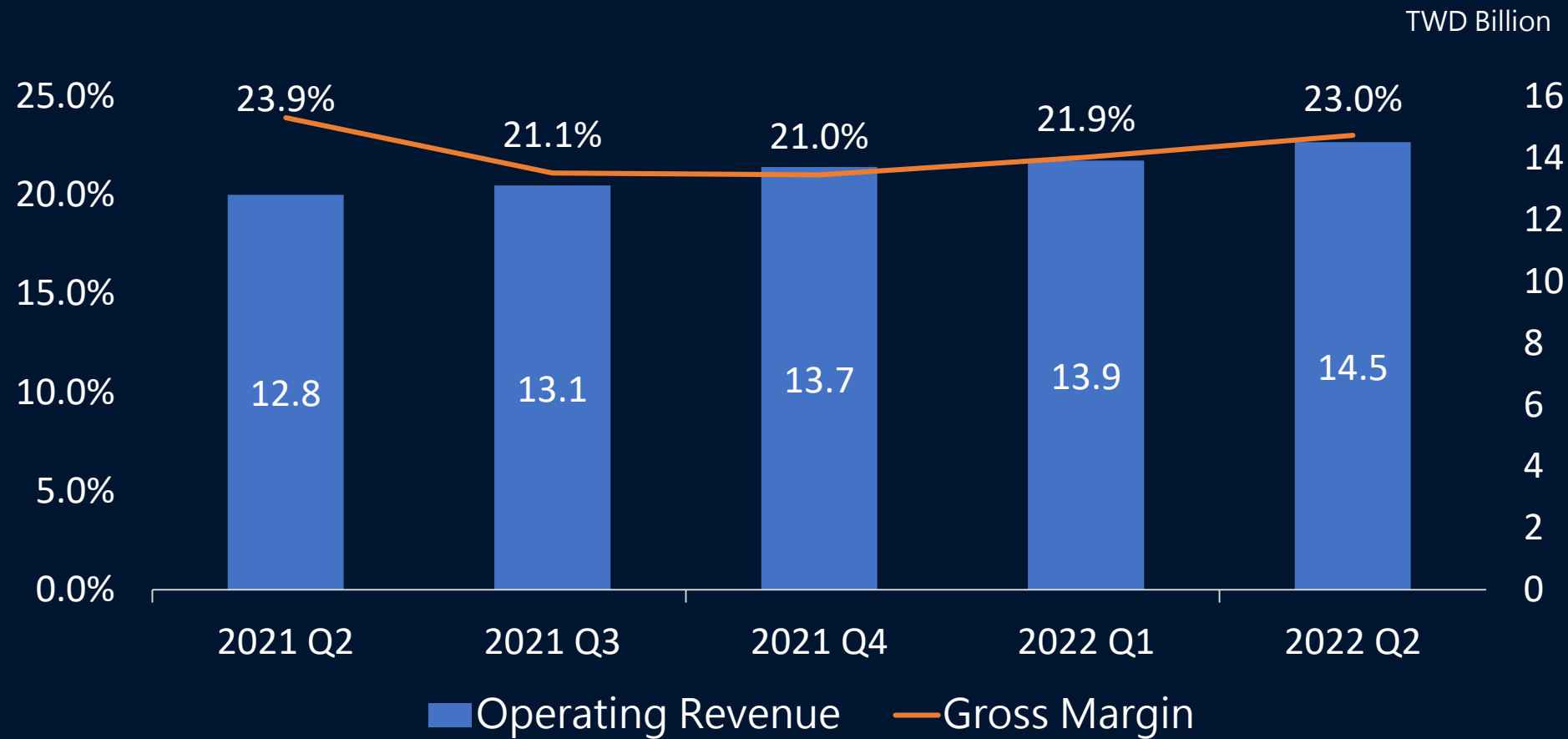
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Operating Revenue vs. Gross Margin

- 2022 Q2 Financials



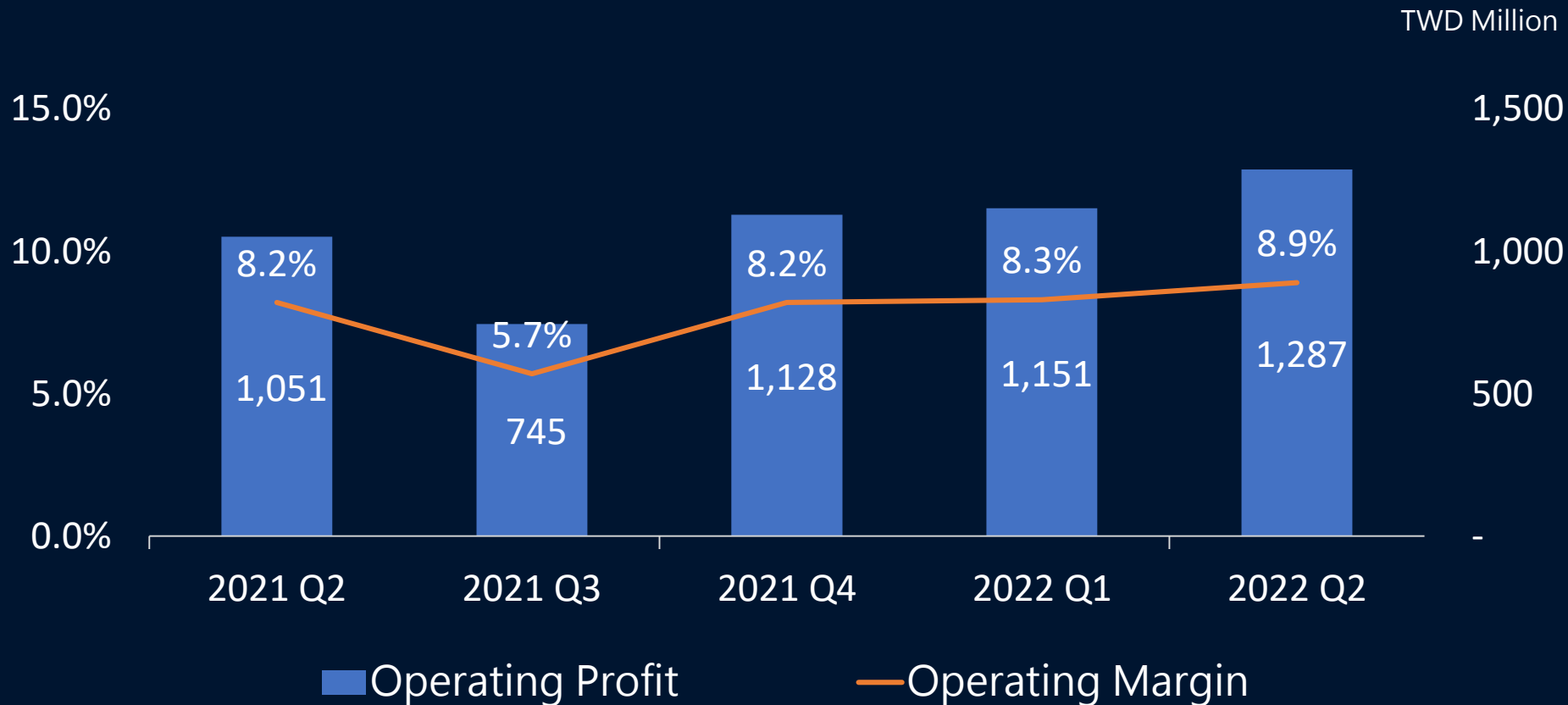
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Operating Profit vs. Operating Margin

• 2022 Q2 Financials



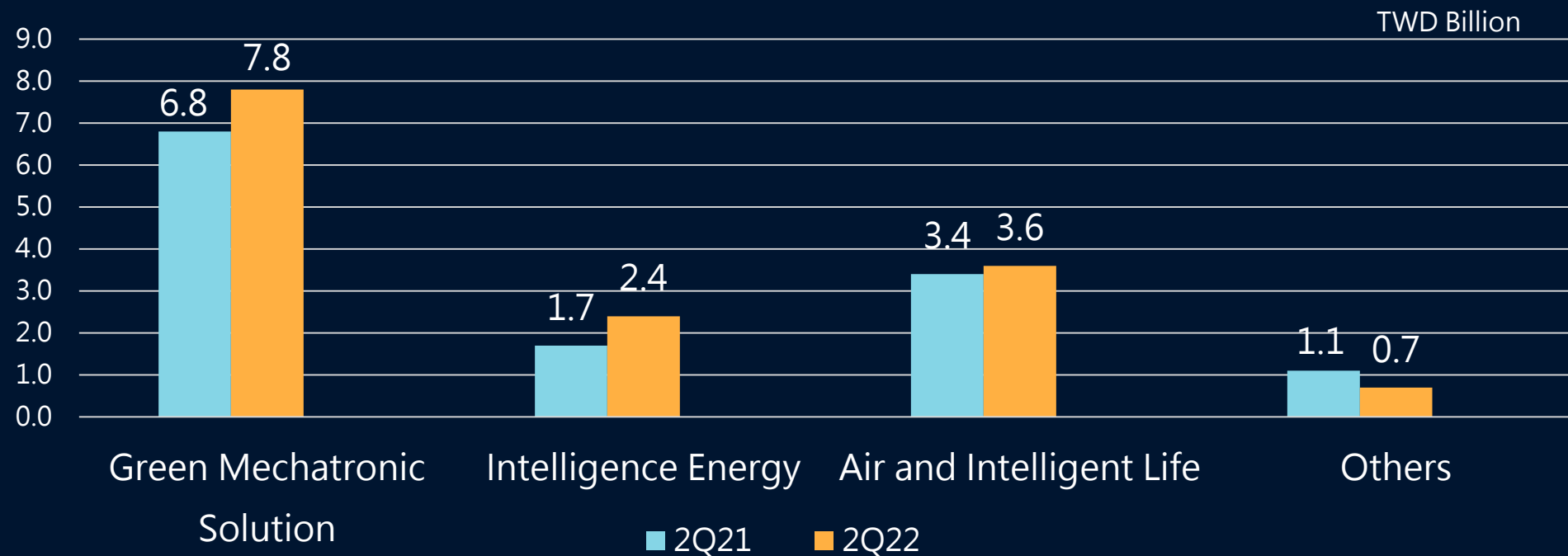
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Performance of Business Groups

2022 Q2
Financials



- The Three Business Groups Operating Performance

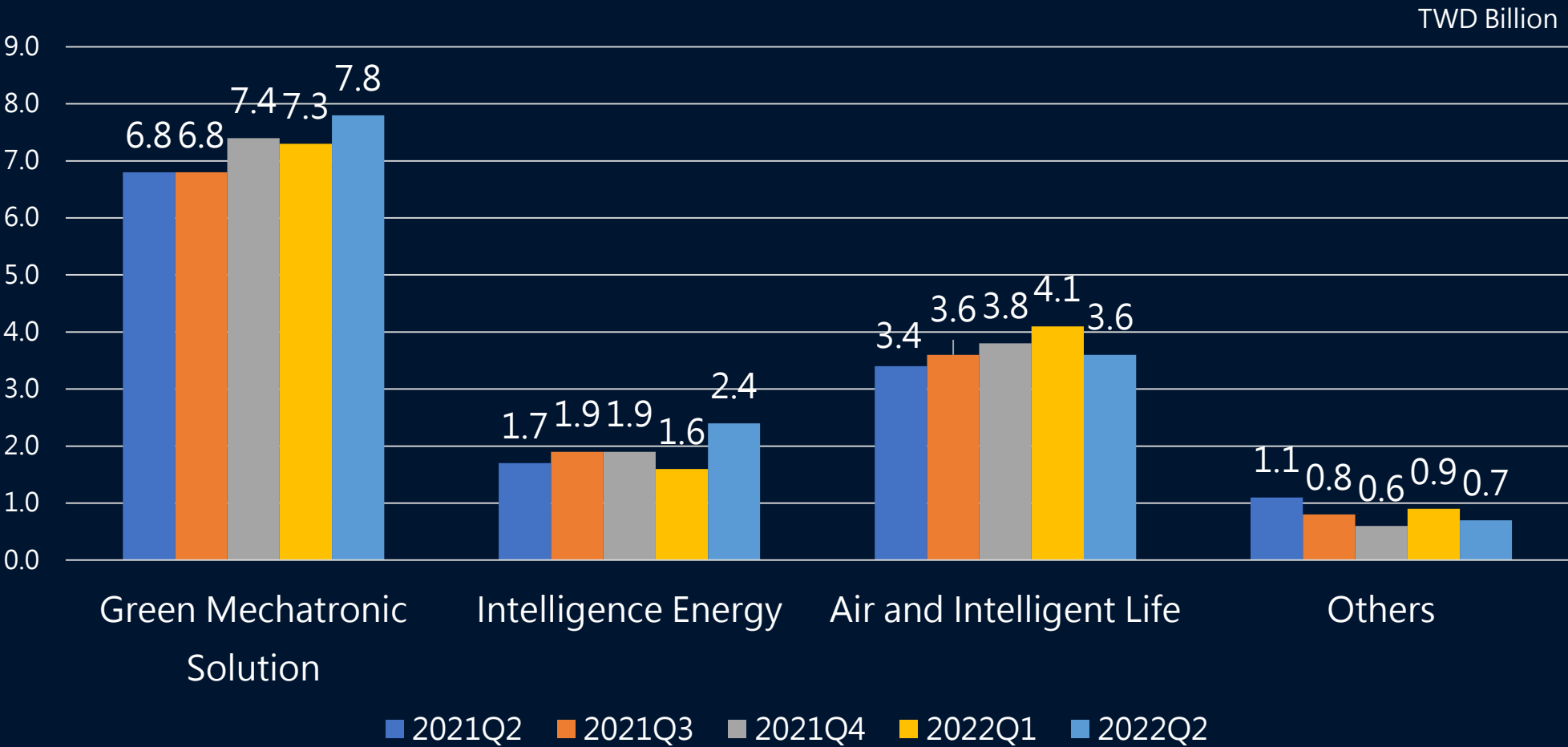
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- ✓ "Green Mechatronic Solution" revenue increased by 13.9% YoY, thanks to the continuous growth in North America, Europe and Taiwan.
- ✓ The revenue growth of "Intelligence Energy" increased by 37.5% YoY, mainly due to the growth of engineering project revenue (including IDC projects and , Longtan UHV substation energy storage system, etc.)
- ✓ The YoY revenue growth of "Air and Intelligent Life" was 5.6%, mainly due to the revenue growth of air conditioning products.

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Sales Trend of Business Groups



• The Three Business Groups Operating Performance

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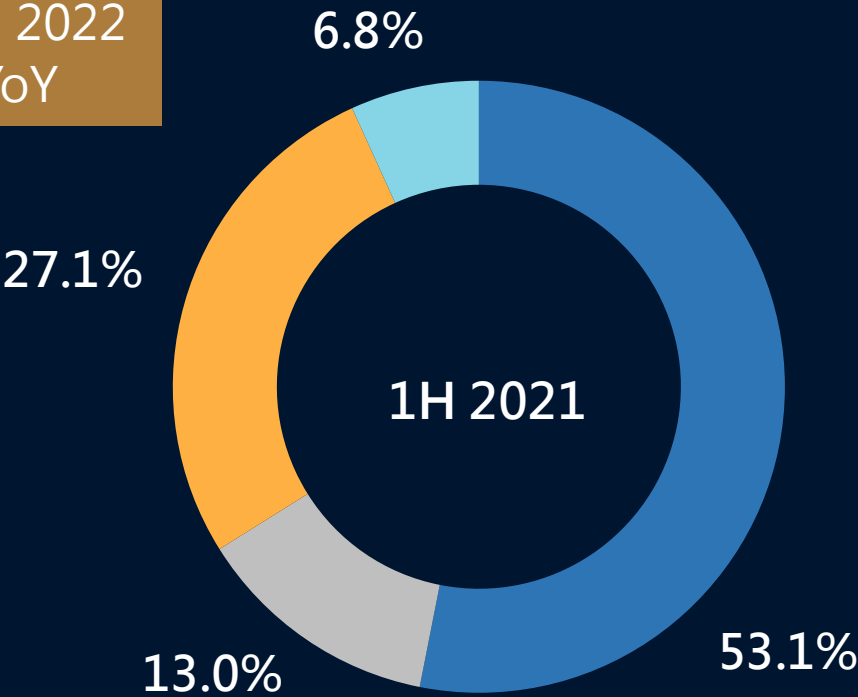
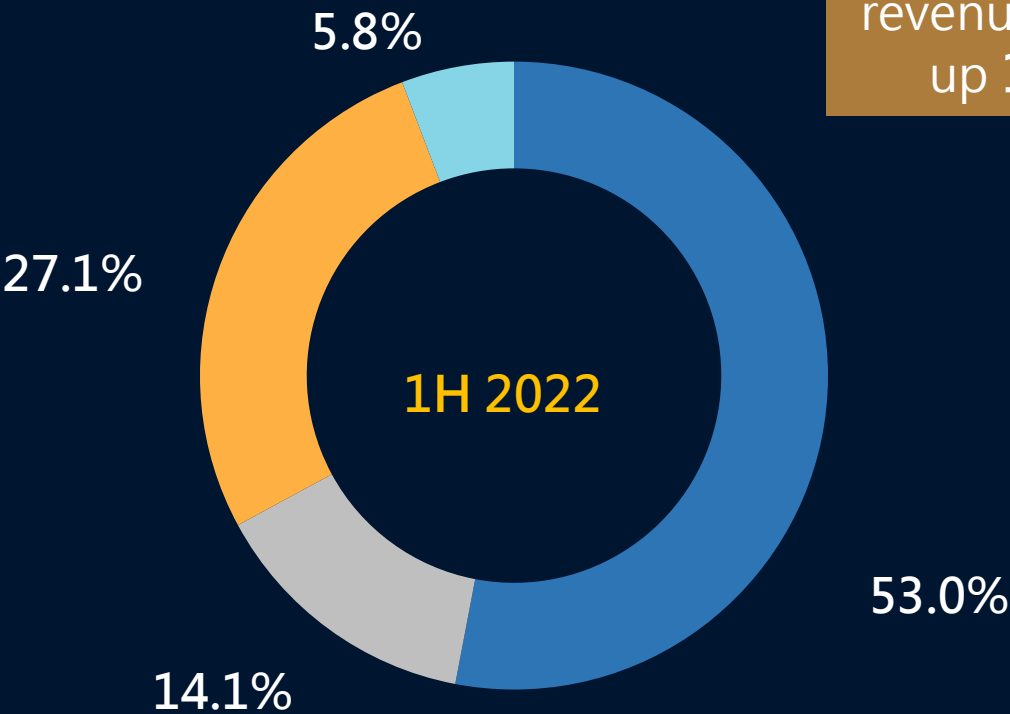
Revenue Breakdown by Business Group 1/2

- The Three Business Groups Operating Performance

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Consolidated revenues of 1H 2022 up 16.8% YoY



■ Green Mechatronic Solution
■ Air and Intelligent Life

■ Intelligence Energy
■ Others

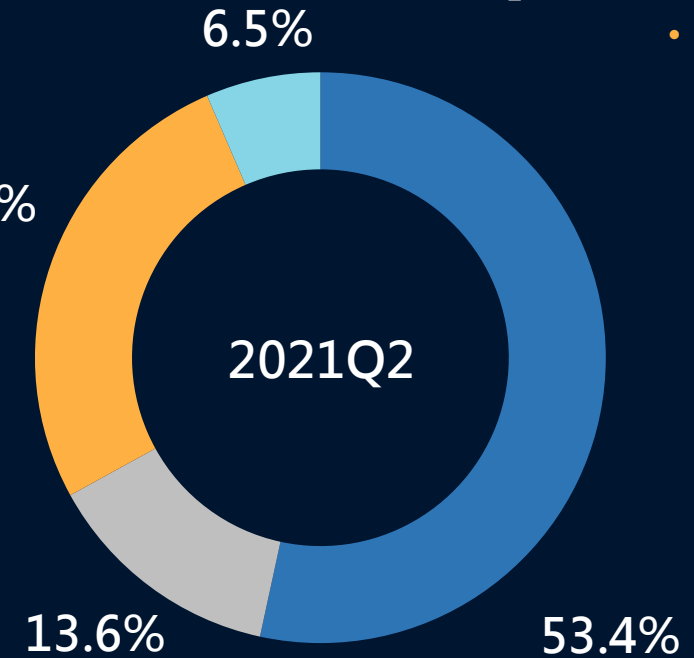
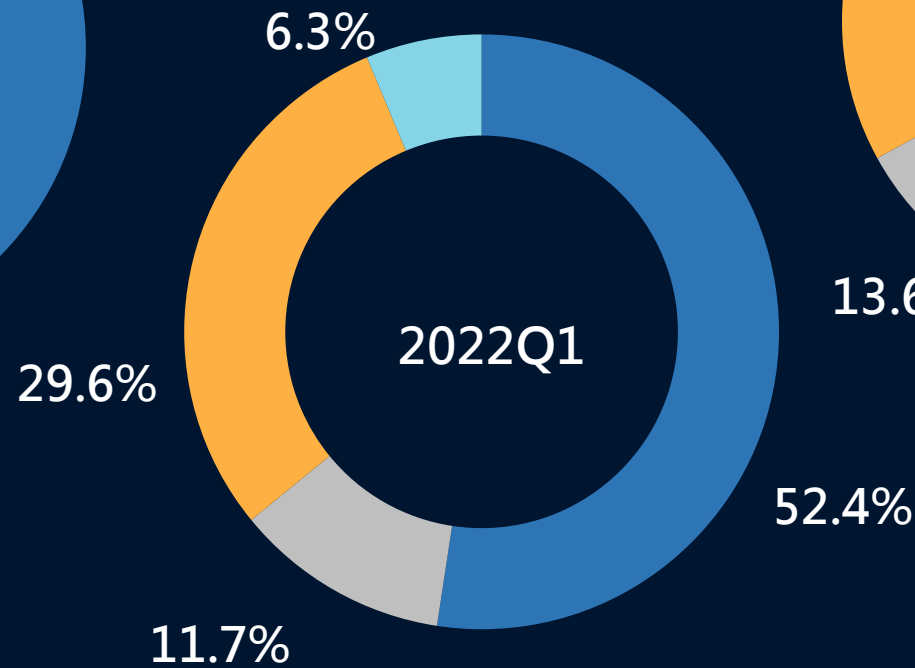
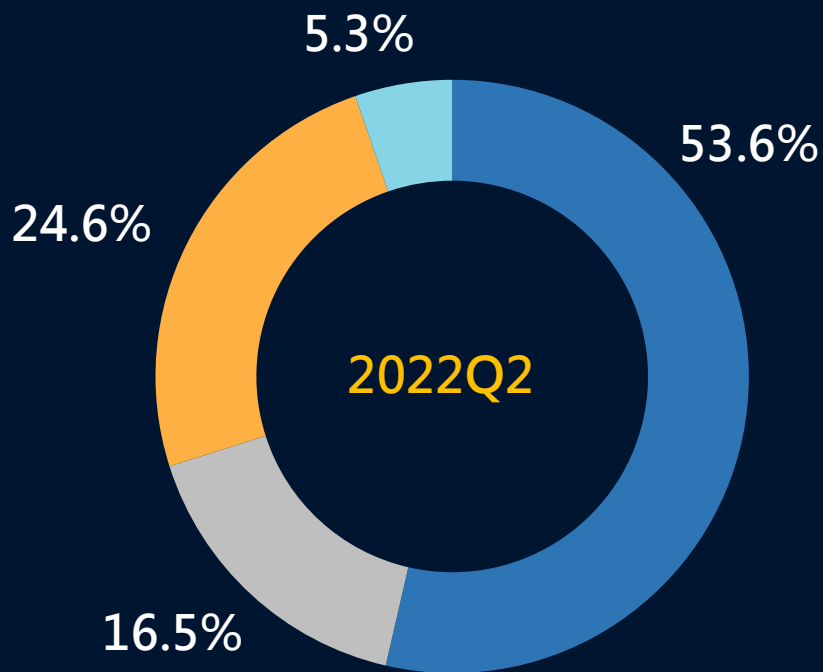
Revenue Breakdown by Business Group 2/2

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Consolidated revenues of 2022Q2 up 4.7% QoQ
13.5% YoY

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

Green Mechatronic Solution |

Rising Electricity Prices Drive Business Opportunities

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Factory Equipment	Products	Energy-saving Efficiency
High Efficiency Motor Drive System	High Efficiency Sensing Motor (IE3/IE4)	2 ~ 8%
	High Efficiency Permanent Magnet Motor (IE4)	more than 4~5% efficiency improved compared with IE4 Sensing Motor
	Medium and Low Voltage Inverters	Up to 50%
Cooling Tower	IE5 Ultra High Efficiency Cooling Water Tower Permanent Magnet Direct Drive System	Up to 15%

- Since July 1st, Taiwan's electricity rates has been raised by an average of 8.4%, and 15% for energy-heavy industries. As the energy and electricity costs for businesses are rising, TECO has launched low-carbon smart solutions for factories last year to save electricity, reduce costs, and reduce carbon emissions step by step.
- According to statistics, TECO's energy-saving products and services have a year-over-year growth of 30+%. Its annual revenue is expected to reach NT\$4 billion this year.

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Green Mechatronic Solution | Electrification of U.S. O&G

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- The compressors of O&G transmission stations in the U.S. used to be driven by diesel generators. After the passage of the “Clean Competition Act” in the U.S., the electrification of the O&G industry has become a long-term trend.
- TECO has obtained more than 20 million USD of E-Skid orders, and business opportunities for more than 100 sets are under negotiation.

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Intelligence Energy |

Business Opportunities which TECO is Striving for

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- Onshore Substation :
 - A total of 1,200MW, the amount exceeds NT\$8 billion.
- Offshore Substation – TECO's Competitive Advantages in Equipment :
 - Lightweight / high weather resistance / high shock resistance
 - Technical cooperation with experienced international manufacturers
- Taipower Dongshan E/S energy storage system :
 - 60MW of capacity, and is expected to be tendered in August, 2022, with an amount exceeds NT\$3 billion.

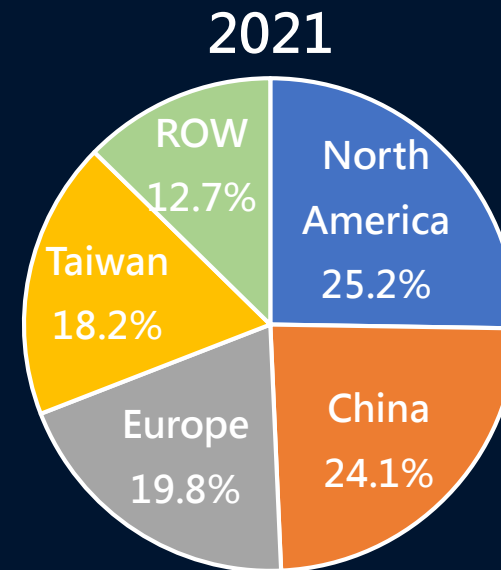
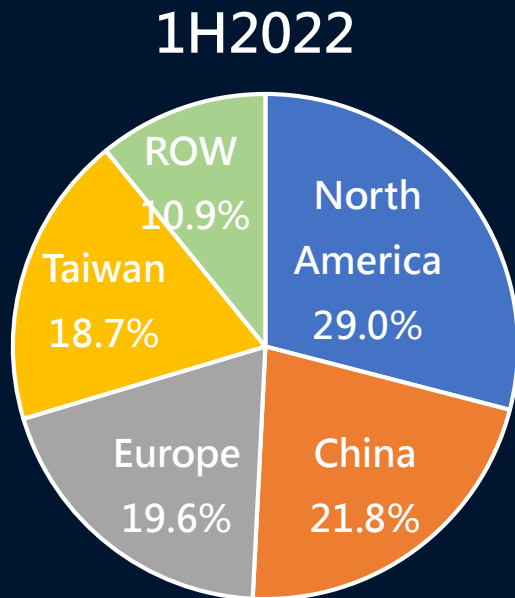
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Market Strategies |

Keeping abreast of emerging market trends

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Geographical distribution of revenue of Green Mechatronic Solution



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- Compared with major overseas markets such as North America, China and Europe, emerging markets such as ASEAN and India with higher economic growth rates currently account for a relatively low contribution to TECO, and their huge growth potential is the driver for TECO's future development.
- The focus of development will be Vietnam, Indonesia, Thailand, Malaysia and other markets in ASEAN, as well as India in the South Asia.

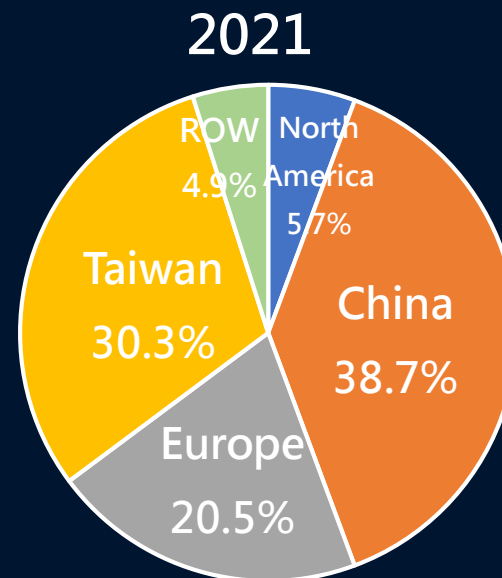
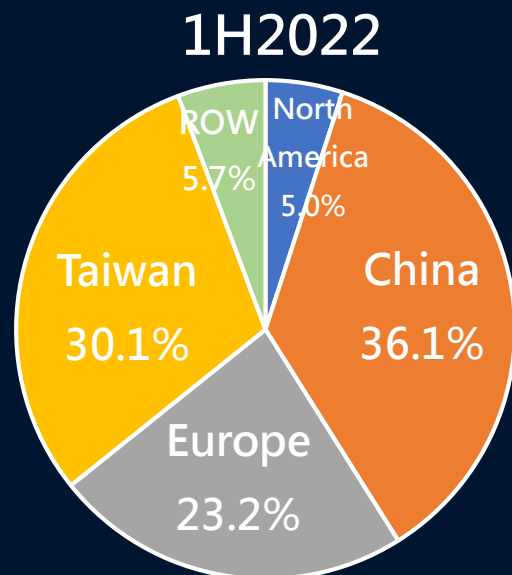
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Market Strategies |

Building a diversified and balanced supply chain

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Geographical distribution of output value of Green Mechatronic Solution



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- Compared with 2021, in the first half of 2022, the output value of China plus Taiwan decreased by 2.8%, Europe and ROW(mainly from Southeast Asia), increased by 2.7% and 0.8%, respectively. It shows that the diversification of the supply chain is already in progress. With the increasing capacity of Vietnam and the completion of India plant by 2022 end, the proportion of output value of ROW, mainly in Southeast Asia, will increase more significantly.
- Compared with the high contribution in the revenue side, output value in North America represents a relatively low percentage at present. To quickly respond to the need of local customers, reduce the uncertainty & carbon emissions caused by long-distance transportation, TECO plans to expand the scale of production in North America to increase supply chain resilience.

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Outlook for 3rd Quarter

Revenue YoY Growth

Green Mechatronic Solution 14%~18%

Intelligence Energy 58%~62%

Air and Intelligent Life -5%~-3%

Company-Wide Gross Margin 21%~25%

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Recap of Recent Major Events | TECO presents solutions for carbon neutrality at Hannover Messe



E-Mobility



Solutions for Carbon Neutrality

TECO Group collaborates with European affiliate partner Motovario S.p.A., an Italian manufacturing company of gear reducers to present three main themes: Solutions for Carbon Neutrality, E-Mobility, and Smart Manufacturing.



Smart Manufacturing



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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 across the frame. To the left of the text, there is a vertical bar with a gradient from grey to orange.

Q&A

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TECO 

Statements of Comprehensive Income | 2Q22

2022 Q2
Financials

(TWD Million)	2022Q2	2022Q1	QoQ	2021Q2	YoY
Operating Revenue	14,544	13,897	4.66%	12,813	13.51%
Net Gross Profit *	3,341	3,044	9.76%	3,058	9.25%
Operating Profit	1,287	1,151	11.82%	1,051	22.45%
Non operating Income	280	(351)	179.77%	706	-60.34%
Income Before Tax	1,567	800	95.88%	1,757	-10.81%
Income Tax	(396)	(346)	14.45%	(179)	121.23%
Net Income**	1,021	348	193.39%	1,436	-28.90%
EPS (TWD)	0.48	0.17	182.35%	0.68	-29.41%

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* Including unrealized/realized benefits of affiliated companies

** Excluding non controlling interest

- Revenue in 2022Q2 increased by approximately 13.51% compared to 2021Q2, is mainly due to:
Continual growth of Green Mechatronic Solutions in North America, Europe, and Taiwan, as well as engineering projects of Intelligence Energy.
- The net non operating income in 2022Q2 was TWD 280 million, compared to the net non operating profit in 2021Q2 was TWD 706 million. The main reason is because:
 - (1) The stock market volatility resulted in a loss of TWD 420 million in financial asset evaluation; however, compared to the same period last year, the financial asset evaluation benefit was TWD 710 million.
 - (2) Dividend income increased TWD 730 million compared to 2021Q2, because the shareholders' meeting of those invested companies were postponed to Q3 due to COVID 19 epidemic in 2021.

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Statements of Comprehensive Income | 1H22

2022 Q2
Financials

- Revenue in the first half of 2022 increased by 16.79% compared to the same period of 2021, mainly because three business groups all grew at double digit.
- The net non operating income in the first half of 2022 decreased by 105.41% versus the same period of 2021, mainly due to the stock market volatility resulted in a loss in financial asset evaluation.

(TWD Million)	1H2022	1H2021	YoY
Operating Revenue	28,441	24,353	16.79%
Net Gross Profit*	6,385	5,776	10.54%
Operating Profit	2,438	1,878	29.82%
Non operating Income	(71)	1,312	-105.41%
Income Before Tax	2,367	3,190	-25.80%
Income Tax	(742)	(380)	95.26%
Net Income**	1,369	2,538	-46.06%
EPS (TWD)	0.65	1.21	-46.28%

* Including unrealized/realized benefits of affiliated companies

** Excluding non controlling interest

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Balance Sheets | June 2022

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(TWD Thousand)	Jun. 30, 2022		Jun. 30, 2021		Dec. 31, 2021	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalents	20,167,428	16%	21,503,024	16%	17,274,143	13%
Receivables	12,794,020	10%	11,196,812	8%	11,741,329	9%
Inventories	13,049,064	10%	10,983,900	8%	12,252,098	9%
Total Assets	124,005,841	100%	132,972,314	100%	136,612,450	100%
Payables	18,493,412	15%	16,729,328	12%	15,919,185	12%
Short term Borrowings	1,703,444	1%	2,075,739	2%	2,042,697	1%
Long term Borrowings	3,804,406	3%	4,154,959	4%	4,095,257	3%
Corporate Bond Payables	6,000,000	5%	6,000,000	5%	6,000,000	4%
Total Liabilities	43,334,958	35%	41,847,054	31%	40,950,519	30%
Equities	80,670,883	65%	91,125,260	69%	95,661,931	70%
Key Indices						
AR Turnover (times)	4.90		4.84		4.69	
Inventory Turnover (times)	3.31		3.27		3.42	
Current Ratio	2.00		2.14		2.14	
Quick Ratio	1.39		1.57		1.48	
Net Debt to Equity	-10.7%		-10.2%		-5.4%	

- Cash and Cash Equivalents increased by TWD 2.9bn 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 the need for business growth. Inventory turnover has not changed much.
- Equities decreased by TWD 15.0 bn compared to Year end of 2021. In addition to the current period's net profit, it was mainly due to the announcement of cash dividends and the increase in the loss of financial asset evaluation.

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