



2022 4th Quarter Earnings Conference

March 21st, 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 4Q22

• 2022 Q4 Financials

	4Q 2022	3Q 2022	QoQ	4Q 2021	YoY
Net Sales	15,058	14,816	1.6%	13,758	9.4%
Gross Margin	23.0%	22.5%	+50bps	21.0%	+200bps
Operating Margin	8.8%	8.9%	-10bps	8.3%	+50bps
EPS (TWD)	0.48	0.51	-5.9%	0.42	14.3%

The Three Business Groups Operating Performance

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- 4Q 2022 net sales increased by 9.4% YoY due to continuous growth of Green Mechatronic Solution in North America, as well as engineering projects of Intelligence Energy.
- The gross margin was 23.0%, higher than the same period last year level by 2.0%, due to price increase in motor products and USD appreciation.
- EPS reached at TWD 0.48 in Q4, decreased by TWD 0.03 versus the previous quarter (mainly due to the dividend income of TWD 355 million recognized in Q3), increased by TWD 0.06 from the same period last year.

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Financial Highlights 2022

- 2022 Q4 Financials

	2022	2021	YoY
Net Sales	58,315	51,248	13.8%
Gross Margin	22.6%	22.3%	+30bps
Operating Margin	8.7%	7.3%	+140bps
EPS (TWD)	1.64	2.38	-31.1%

Net sales of 2022 was TWD 58.32 billion, with 13.8% YoY growth, both gross margin and operating margin increased, but EPS of 2022 was TWD 1.64, a decrease of TWD 0.74 over the same period last year, mainly due to the unrealized loss of TWD 1.13 billion in financial asset evaluation.

The Three Business Groups Operating Performance

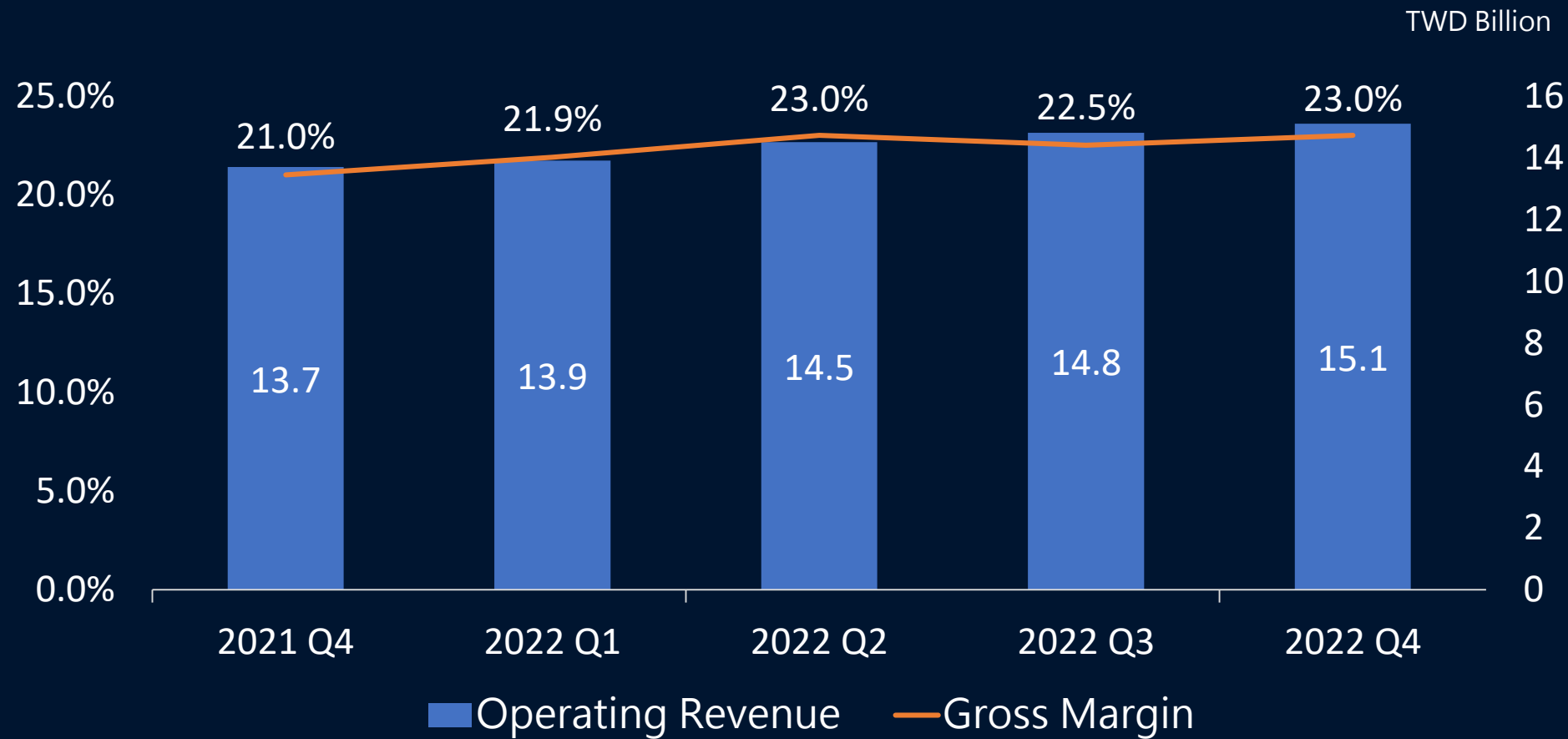
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Operating Revenue vs. Gross Margin

- 2022 Q4 Financials



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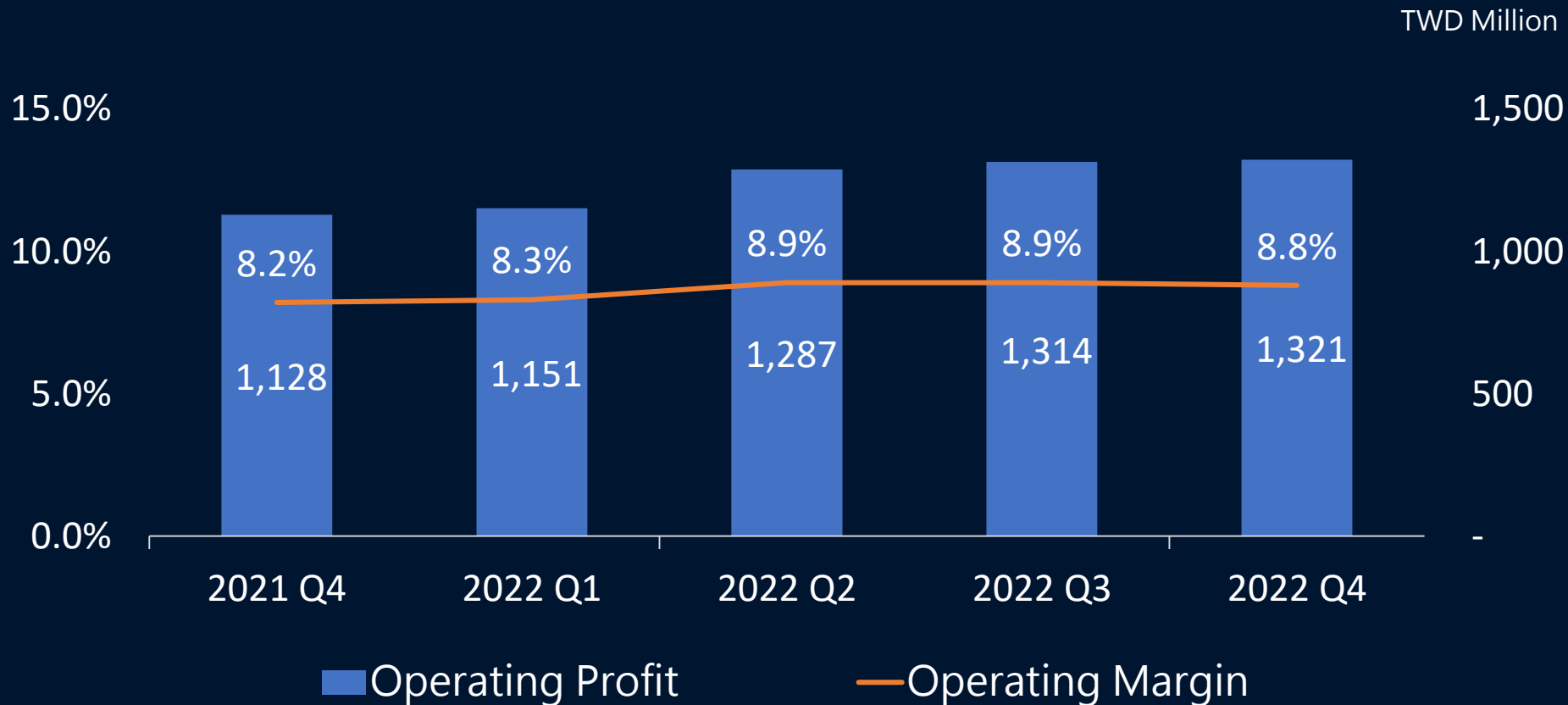
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Operating Profit vs. Operating Margin

• 2022 Q4 Financials



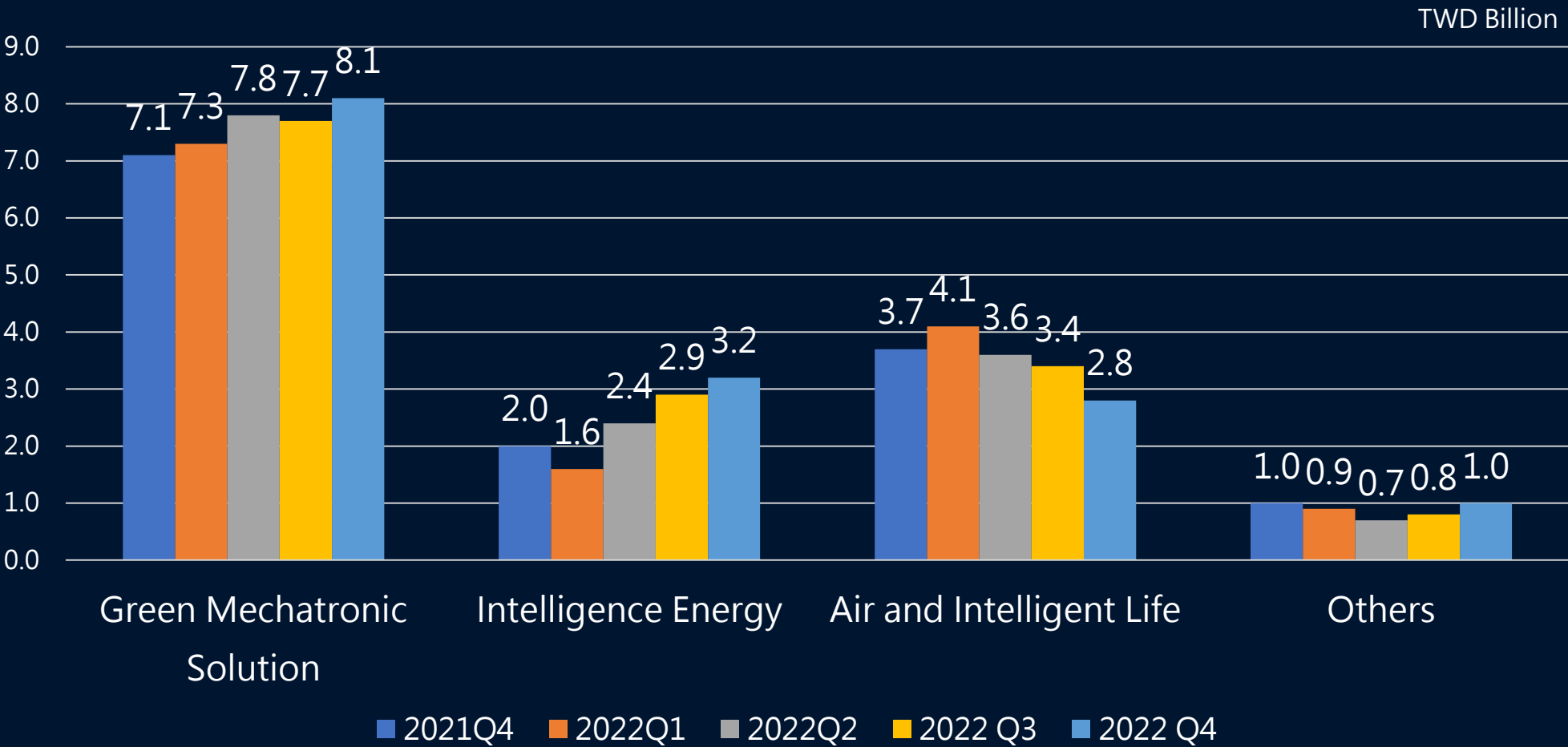
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Sales Trend of Business Groups



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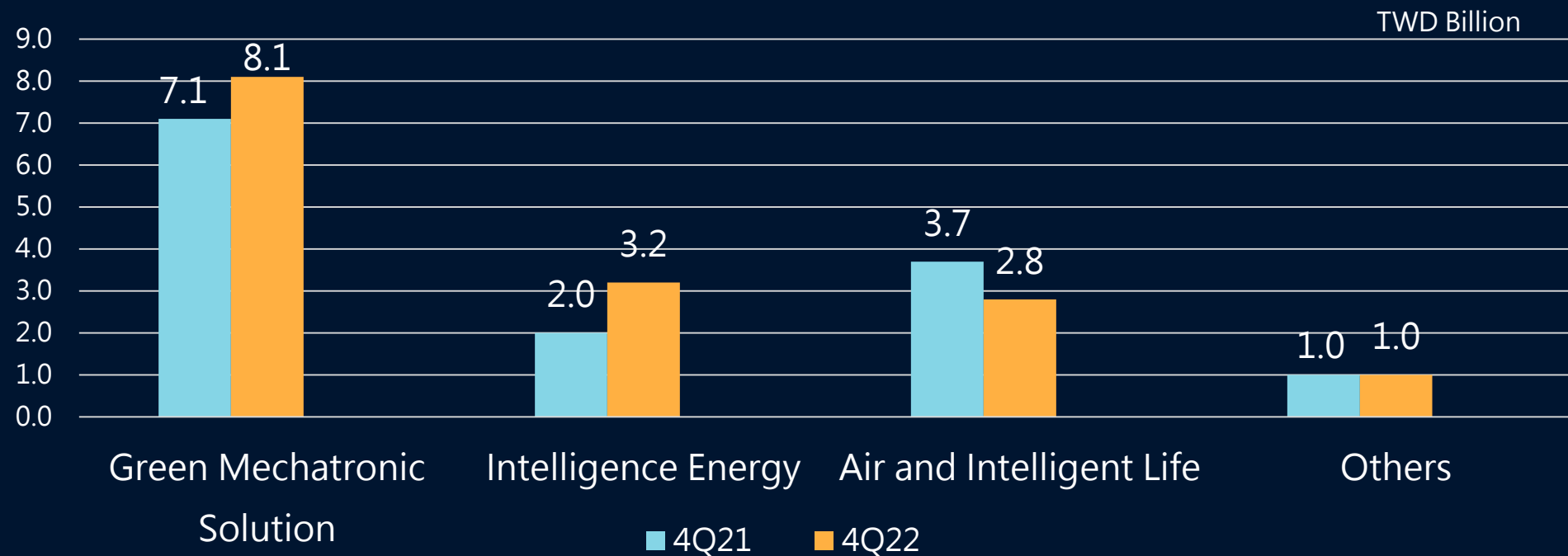
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Performance of Business Groups

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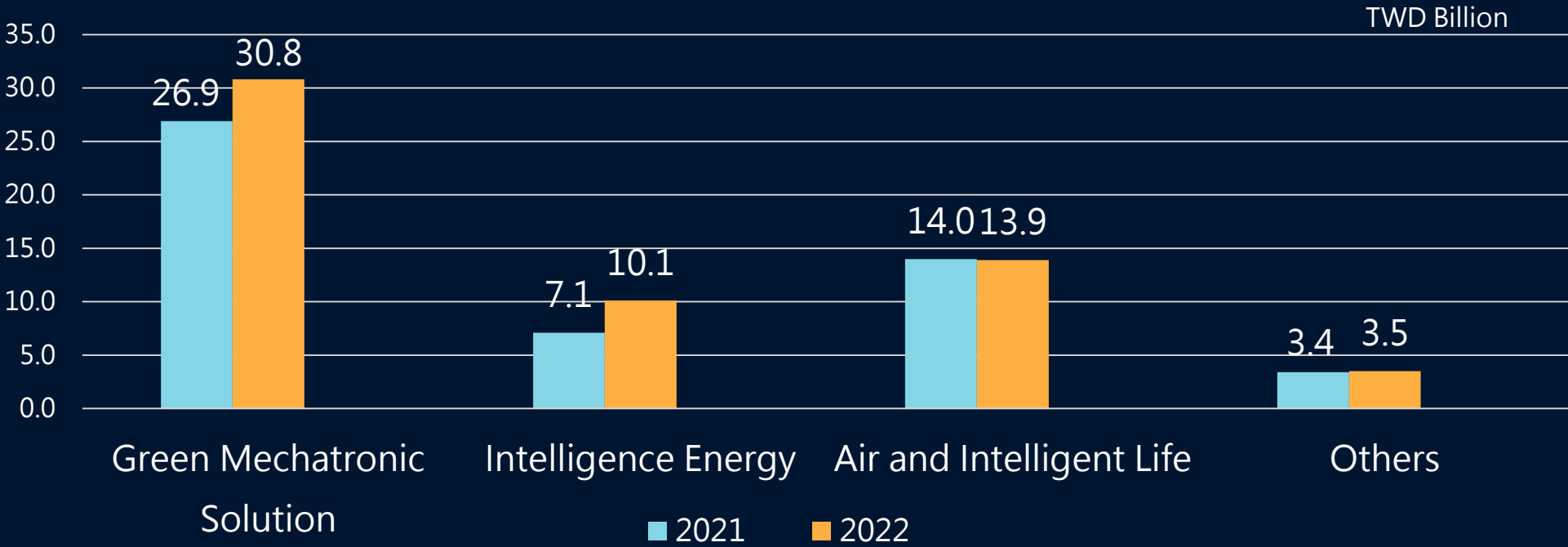
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- ✓ "Green Mechatronic Solution" revenue increased by 12.9% YoY, thanks to the continuous growth in North America.
- ✓ The revenue growth of "Intelligence Energy" increased by 63.7% YoY, mainly due to the growth of engineering project revenue (including IDC projects and energy storage system, etc.)
- ✓ "Air and Intelligent Life" revenue decreased by 24.1% YoY, mainly due to the one-off government project in the same period last year, resulting in the higher base period of comparison.

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Performance of Business Groups



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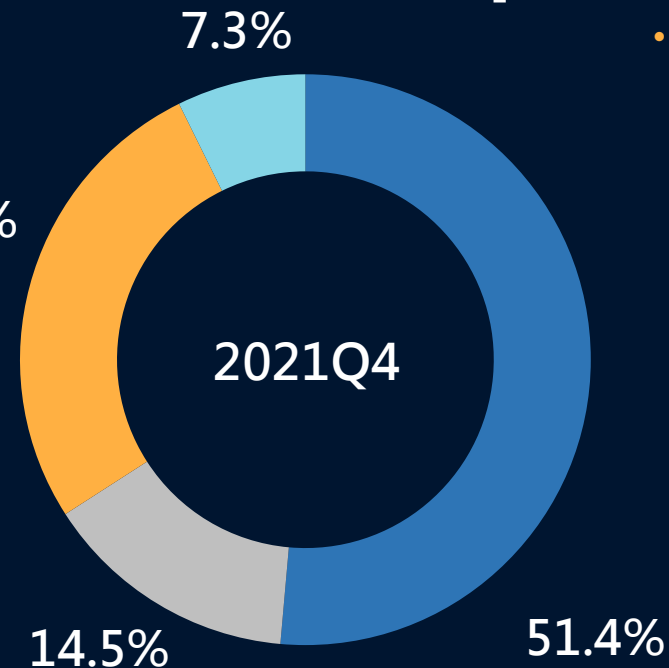
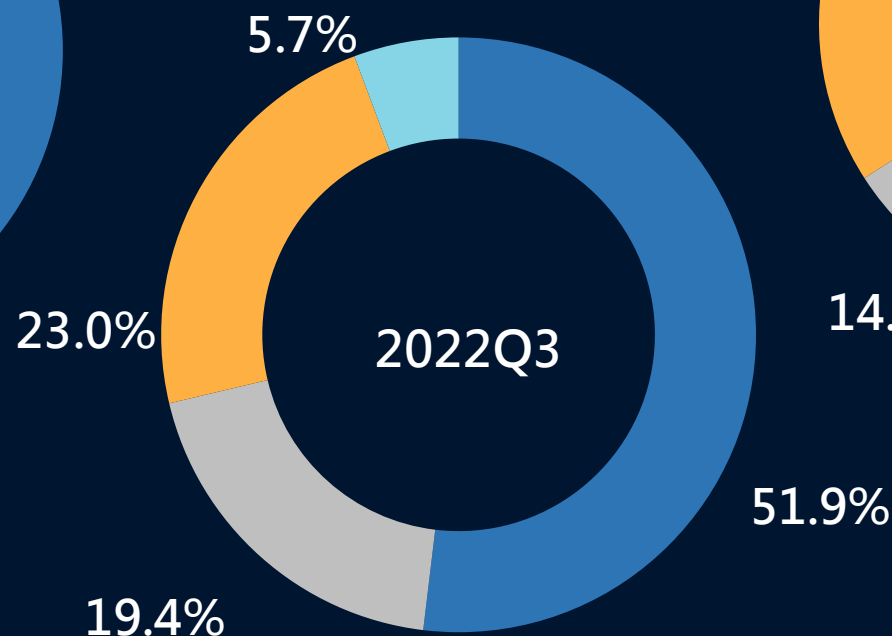
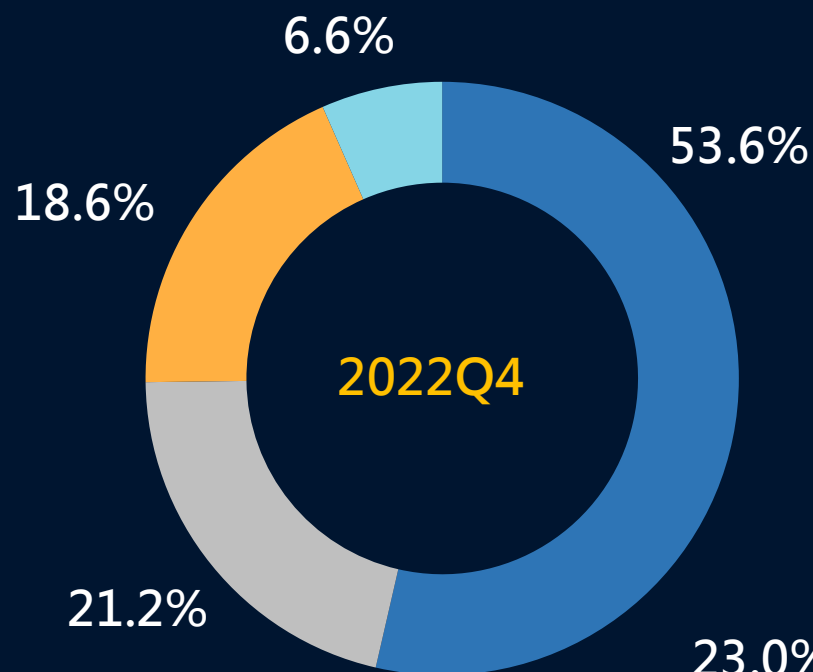
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- ✓ "Green Mechatronic Solution" revenue increased by 14.7% YoY, thanks to the continuous growth in North America and Europe.
- ✓ The revenue growth of "Intelligence Energy" increased by 43.1% YoY, mainly due to the growth of engineering project revenue (including IDC projects, substation of offshore windfarm, energy storage system, etc.)
- ✓ "Air and Intelligent Life" revenue decreased by 0.6% YoY, mainly due to the one-off government project in the same period last year, resulting in the higher base period of comparison.

Revenue Breakdown by Business Group 1/2

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Consolidated revenues of 2022 up
1.6% QoQ
9.4% YoY

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

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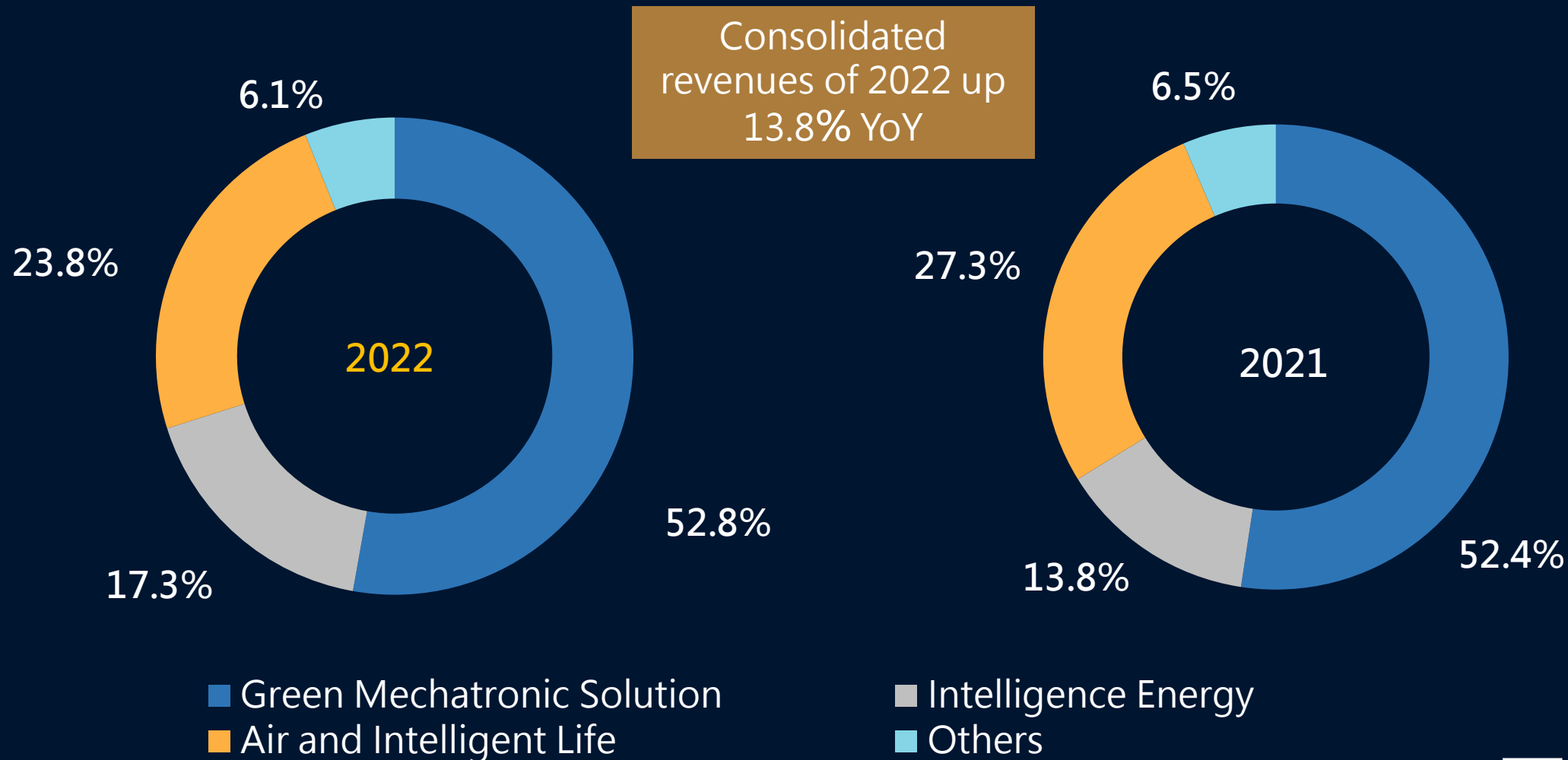
Revenue Breakdown by Business Group 2/2

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Hai Long and TECO Signed EPC Contract for Onshore Substation

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Hai Long and TECO signed the EPC contract of the onshore substation for the Hai Long 2A (300MW), Hai Long 2B (232MW), and Hai Long 3 (512MW) wind farms, which will be connected to the grid between 2024 and 2025 respectively.

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Recap of Recent Major Events | 2023.01.16

TECO Forays Into Solar-plus-Storage via 100% Acquisition of Taipeng Energy

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TECO will make 100% acquisition of Taipeng Energy Co., Ltd. The takeover will enable TECO to step into the investment and installation of PV power facilities, which, along with the company's existing energy storage and management systems, will pave the way for the company to foray into the huge market of power operation.

Taipeng Energy has installed PV power facilities totaling 2 MW in capacity, with several projects underway, including rooftop PV power devices in Taichung City, police station rooftop PV power facility in Kaohsiung City, and campus rooftop PV power facility in Penghu. The company expects to boost the accumulated capacity of its PV power facilities to 10-15 MW by the end of 2023.

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Recap of Recent Major Events | Achievement of ESG

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Member of
**Dow Jones
Sustainability Indices**

Powered by the S&P Global CSA

2022.12.10 Included in **Dow Jones Sustainability Index** and ranked first for three years in a row in the electrical machinery stocks in the global emerging market.

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

**Sustainability
Yearbook Member**

S&P Global ESG Score 2022

78 /100

As of February 7, 2023.

Position and Score are industry specific and reflect exclusion screening criteria. Learn more at spglobal.com/esg/yearbook

S&P Global



2023.02.07 Covered by **S&P Sustainability Yearbook** for the third straight year, thanks to the remarkable performance in the three items of innovative management, talent cultivation, and supply-chain management in 2022, outshining peers in emerging markets.

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Recap of Recent Major Events | Dividend Policy

Paying cash dividend TWD1.5 per share; payout ratio reached at 74.6%
(excluding the impact from shareholdings in Fubon Media)

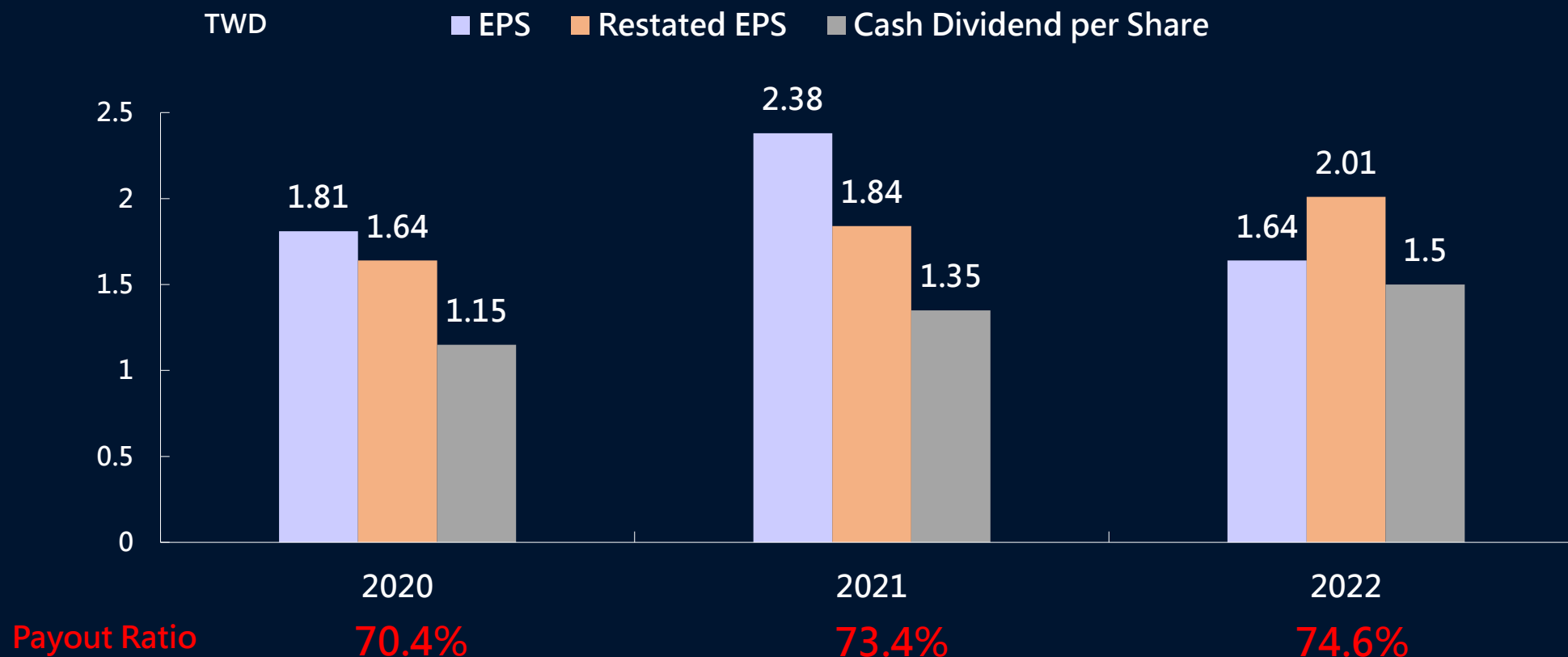
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* Restated EPS excluded the impact from shareholdings in Fubon Media

** The dividend amount for 2022 is yet to be approved by the shareholders' meeting on May 24, 2023.

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Growth Driver of Existing Business

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- IDC: 5G/big data/cloud services continue to drive growth
- Offshore wind farm: onshore and offshore substation/E-House solutions
- Energy creation and storage: Taiwan's 2025 renewable energy will account for 20% of power generation



- Full-field smart air conditioning and energy management
- variable-frequency freezers: to solve the needs of refrigerating, freezing, quick-cooling and fresh-keeping in food factories and low-temperature logistics factories for home distribution

- Carbon neutrality: Electrification of Oil & Gas equipment and waste heat recovery in America will continue to drive the growth of high-efficiency motors/inverters/energy-saving solutions.
- Rising electricity rates in Taiwan: business opportunities for energy-saving transformation of high-energy-consumption industries
- EV Powertrain: Electric Bus and Truck

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Business Opportunities of Taipower Grid Resilience Strengthening Construction Plan - Engineering

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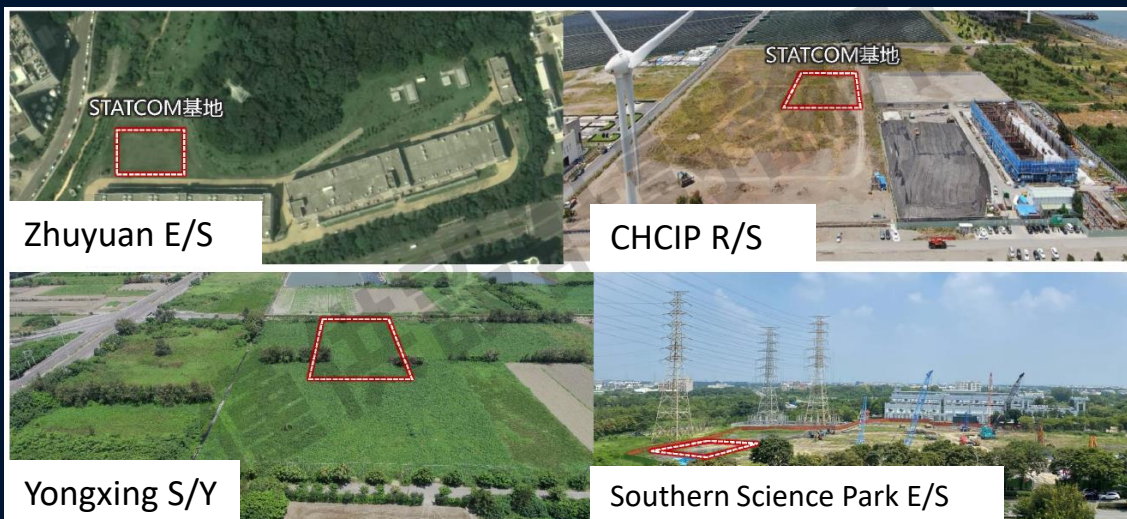
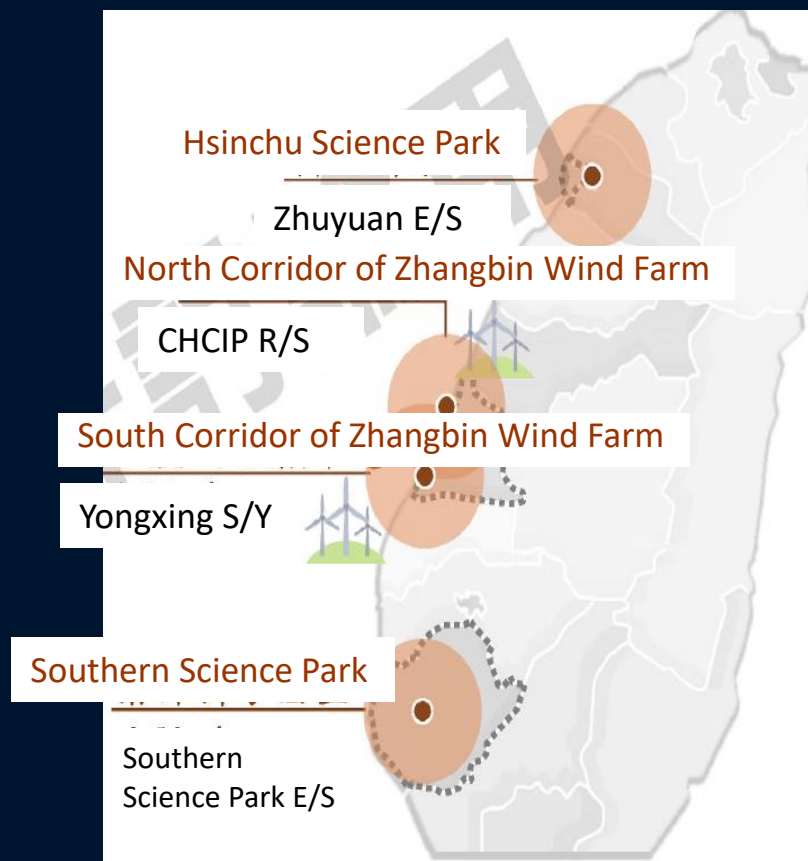
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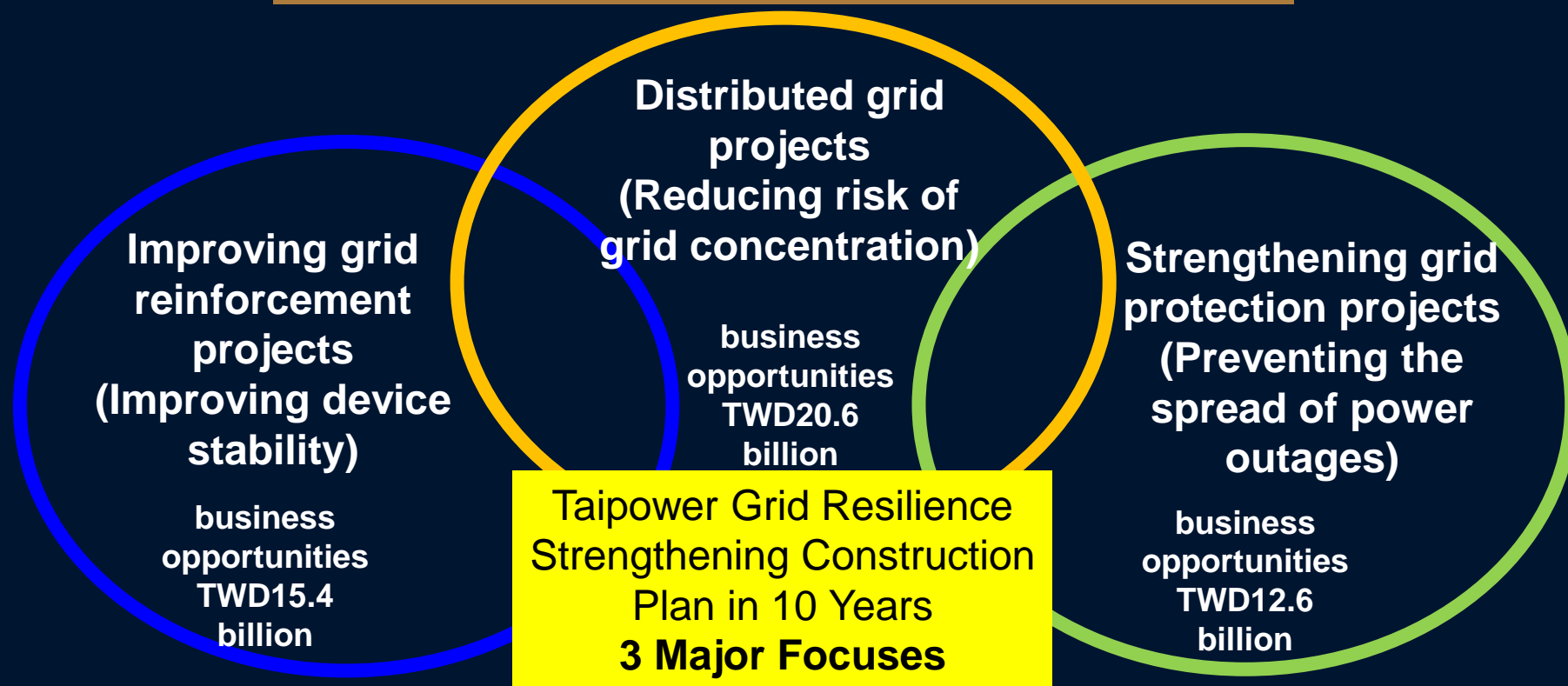
In 2023, Taipower invited bids for the STATCOM case*4 (STATCOM: Static Synchronous Compensator)
Market Opportunity TWD8.4 Billion

From 2024, Taipower expects to invite 1~2 bids every year



Business Opportunities of Taipower Grid Resilience Strengthening Construction Plan - Products

Product business opportunities exceed TWD37 billion



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Taiwan's Net-Zero Transition – Become a virtual green power plant 1/2

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Green Electricity Market Simulation

- ✓ Electrification is the main trend of net zero, and the average annual growth rate of electricity demand is estimated to be 2.0% in 2025-2050
- ✓ It is estimated that the total electricity sales in 2025 will be 317.5 TWh, of which renewable energy will account for 20%, about 63.5 TWh, and the overall green electricity market will be about TWD339.4 billion. Assuming that 50% of large-scale users choose self-construction (including 10% of heavy electricity consumers), the total addressable market is about TWD169.7 billion per year.
- ✓ If renewable energy accounts for 40% in 2050, it is estimated that the total addressable market size of green electricity sales in 2050 will be about TWD552.1 billion per year.

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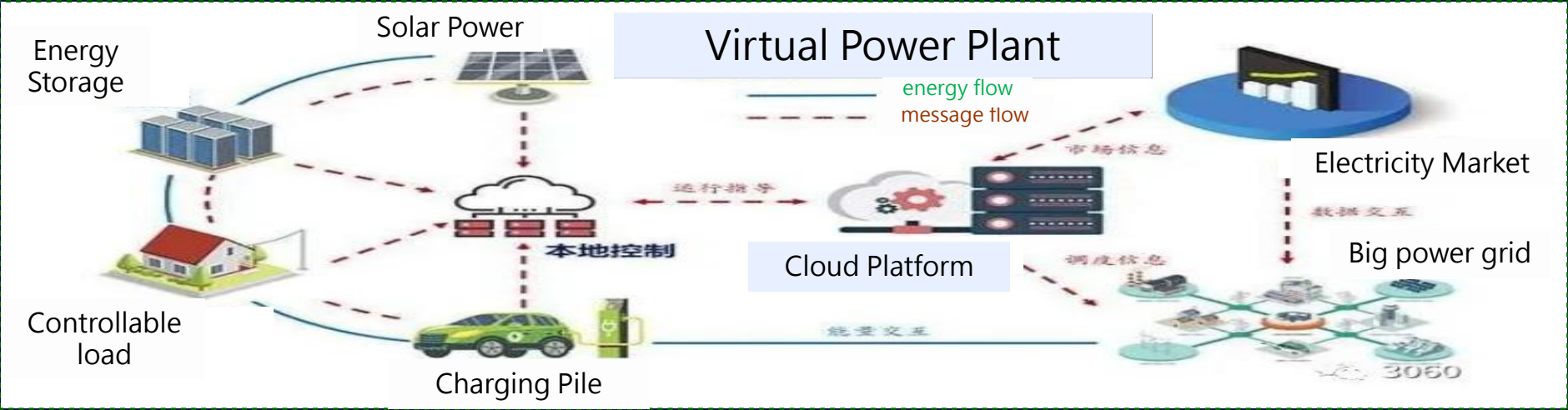
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Power demand ↑ , carbon-free/low-carbon, multiple distributed renewable energy solutions → virtual green power plant

Taiwan's Net-Zero Transition – Become a virtual green power plant 2/2

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Virtual Power Plant Architecture



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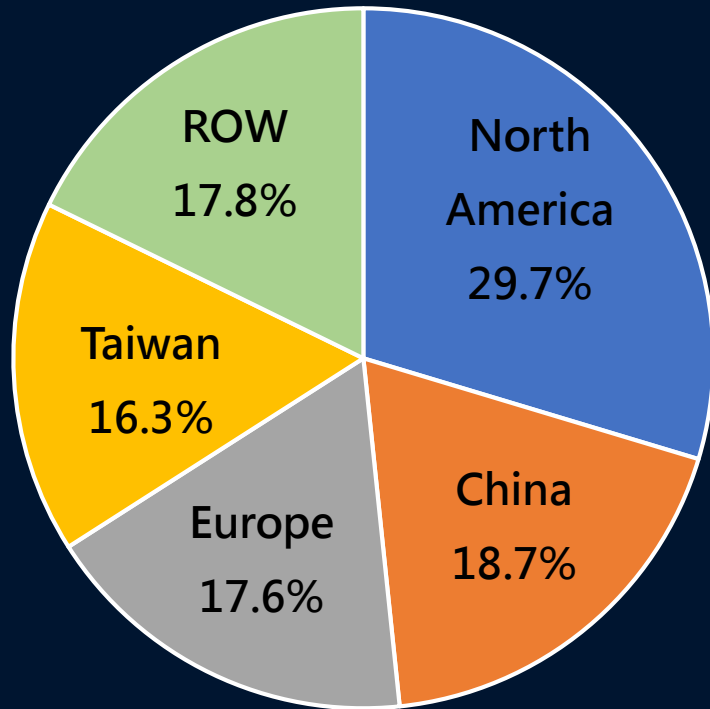
TECO's development plan:
Establishing "Innovative Energy Storage Operation & Development Division"

	Self-owned case field/EPC	Maintenance/ Service/ Electricity Sales	escrow/management	Integrated operations
Operation content	<ol style="list-style-type: none"> Investment in solar power plants Energy storage EPC/SI business Equipment ~PCS/Inverter 	Increase electricity sales, operation and maintenance, warranty, and service	Increase escrow/management business	Consolidation/Virtual Power Plant Operations

Expand North American operation scale 1/2

In 2022, North American market contributed nearly 30% to Green Mechatronic
YoY 50.2%

2022



U.S. Policy-Related Business Opportunities

American Job Plan

Inflation Reduction Act (IRA)

Buy American

- Invest USD620 billion to modernize transportation infrastructure
- Invest USD174 billion in projects to **drive clean energy development, power grid modernization, electric vehicle charging facilities, energy efficiency, etc.**
- Invest USD580 billion in programs to **modernize manufacturing**, research and develop technology, train workers, support small businesses, etc.
- Infrastructure: Invest about USD300 billion in infrastructure projects such as transportation, energy, water, and communications
- Invest approximately USD200 billion in clean energy and climate change related projects such as **wind power, solar power, electric vehicle charging facilities, energy efficiency retrofits and carbon capture**
- Strengthen Made in America. Emphasizing that 62.5% are made in the United States (**including Canada and Mexico**).
- It is required that in 2029, the proportion of domestic manufacturing of US federal procurement products will increase to 75%.

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Expand North American operation scale 2/2

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Added Mexican production line to grasp North America's Growth Momentum

- ✓ The epidemic has affected the previous supply chain system centered on Asia (China/Taiwan/Vietnam), limiting the growth momentum of sales in the North American market.
- ✓ Establish a North American production base in Mexico, transfer the production capacity of the Vietnam factory for short-chain production, supply the market nearby, and grasp the business opportunities driven by policies.
- ✓ Vietnam factory transformed to provide local domestic sales and produce products for Southeast Asia, Australia and European markets.



EV Powertrain – Overseas business opportunities 1/2

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Overview of US EV Policy

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American Job Plan

- Infrastructure construction: USD 1.2 trillion, including a 100 billion clean school bus plan and a USD106 billion zero-emission electric bus replacement plan.

Inflation Reduction Act (IRA)

- Starting from August 16, 2022, general consumption purchases of electric passenger vehicles (EV/PHEV) can be credited up to USD 7,500 per vehicle.
- Commercial vehicles (EV/PHEV) below 6.35 tons (including) can be credited up to USD 7,500 per vehicle.
- Commercial vehicles (EV/PHEV) over 6.35 tons can be credited up to USD 40,000 per vehicle

US, Mexico and Canada Agreement

- 2019/12 The United States, Canada and Mexico signed a tariff-free agreement among the three countries, including tariff-free for auto parts.

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EV Powertrain – Overseas business opportunities 2/2

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TECO Main product: T Power + series 200/250kW



Most of the 8-12m medium and large electric buses in North America uses mid-mounted motors



Business Opportunities

1. 2023-2026 Subsidized school bus and bus replacement every year: 50,000 school buses, 28,000 urban buses. Business opportunities: about USD400 million per year.
2. 2023-2026, subsidize new commercial vehicles and second-hand refitted vehicles. **The targeted medium-sized truck market is about 150,000 vehicles per year, with potential business opportunities of about USD 800 million.**

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TECO Main product: T Power 2-in-1 powertrain



Most of the 3-5 ton light commercial vehicles in India adopts a compact powertrain design, integrating motors and drives.



Business Opportunities

1. Indian government rewards car manufacturing and subsidizes purchase of electric vehicles.
2. TEMICO is expected to be completed in 2023/Q2, **entering the Indian localized commercial vehicle market and targeting the commercial vehicle power market.**

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Outlook for 1st Quarter

Revenue YoY Growth

Green Mechatronic Solution 7%~11%

Intelligence Energy 55%~59%

Air and Intelligent Life* -28%~-24%

(* : if excluding the impact of the one-off project in Q1 last year -6~-10%)

Company-Wide Gross Margin 24%~28%

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 overall 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)
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TECO 

Statements of Comprehensive Income | 4Q2022

2022 Q4
Financials

(TWD Million)	2022Q4	2022Q3	QoQ	2021Q4	YoY
Operating Revenue	15,058	14,816	1.63%	13,758	9.45%
Net Gross Profit *	3,459	3,340	3.56%	2,891	19.65%
Operating Profit	1,322	1,314	0.61%	1,138	16.17%
Non operating Income	184	235	-21.70%	-290	-
Income Before Tax	1,506	1,549	-2.78%	847	77.80%
Income Tax	-380	-307	23.78%	136	-379.41%
Net Income**	1,005	1,083	-7.20%	896	12.17%
EPS (TWD)	0.48	0.51	-5.88%	0.42	14.29%

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* Including unrealized/realized benefits of affiliated companies

** Excluding non controlling interest

- Revenue in 2022Q4 increased by approximately 9.45% compared to 2021Q4, is mainly due to:
Continual growth of Green Mechatronic Solution in North America, as well as engineering projects of Intelligence Energy.
- The net non operating income in 2022Q4 was TWD 184 million, compared to the net non operating loss in 2021Q4 was TWD 290 million. The main reason is because:
 - (1) The stock market volatility resulted in a loss of TWD 86 million in financial asset evaluation; however, compared to the same period last year, the financial asset evaluation benefit was TWD 137 million.
 - (2) About TWD 367 million impairment losses were recognized last year, but there is no such case this year.

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Statements of Comprehensive Income | 2022

2022 Q4
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- Revenue in 2022 increased by 13.79% compared to the same period of 2021, mainly due to the revenue growth of Green Mechatronic Solution and Intelligence Energy business group.
- The net non operating income in 2022 decreased by 85.45% versus the same period of 2021, mainly due to the loss in financial asset evaluation.

(TWD Million)	2022	2021	YoY
Operating Revenue	58,315	51,248	13.79%
Net Gross Profit*	13,184	11,437	15.27%
Operating Profit	5,074	3,761	34.91%
Non operating Income	348	2,391	-85.45%
Income Before Tax	5,422	6,152	-11.87%
Income Tax	(1,430)	(650)	120.00%
Net Income**	3,458	5,013	-31.02%
EPS (TWD)	1.64	2.38	-31.09%

* Including unrealized/realized benefits of affiliated companies

** Excluding non controlling interest

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Balance Sheets | December 2022

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(TWD Thousand)	Dec. 31, 2022		Sep. 30, 2022		Dec. 31, 2021	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalents	21,069,325	17%	20,094,083	16%	17,274,143	13%
Receivables	11,832,976	9%	11,802,928	10%	11,741,329	9%
Inventories	12,895,287	10%	13,331,277	11%	12,252,098	9%
Total Assets	126,544,110	100%	122,471,116	100%	136,612,450	100%
Payables	15,845,792	13%	15,876,566	13%	15,919,185	12%
Short term Borrowings	1,751,344	1%	2,071,374	2%	2,042,697	1%
Long term Borrowings	3,655,514	3%	4,660,173	4%	4,095,257	3%
Corporate Bond Payables	5,000,000	4%	5,000,000	4%	6,000,000	4%
Total Liabilities	40,225,611	32%	41,300,729	34%	40,950,519	30%
Equities	86,318,499	68%	81,170,387	66%	95,661,931	70%
Key Indices						
AR Turnover (times)	5.08		4.94		4.69	
Inventory Turnover (times)	3.41		3.31		3.42	
Current Ratio	2.22		2.24		2.14	
Quick Ratio	1.53		1.53		1.48	
Net Debt to Equity	-12.35%		-10.30%		-5.40%	

- Cash and Cash Equivalents increased by TWD 3.8 bn compared to Year end of 2021 mainly due to the increase in both revenue and profit.
- Inventories increased by TWD 0.64 bn compared to Year end of 2021 mainly due to the need for business growth and the impact of exchange rate. Inventory turnover has not changed much.
- Equities decreased by TWD 9.3 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 unrealized loss of financial asset evaluation.