

2021 Q2 Operating Performance Report

Aug. 24, 2021

Content

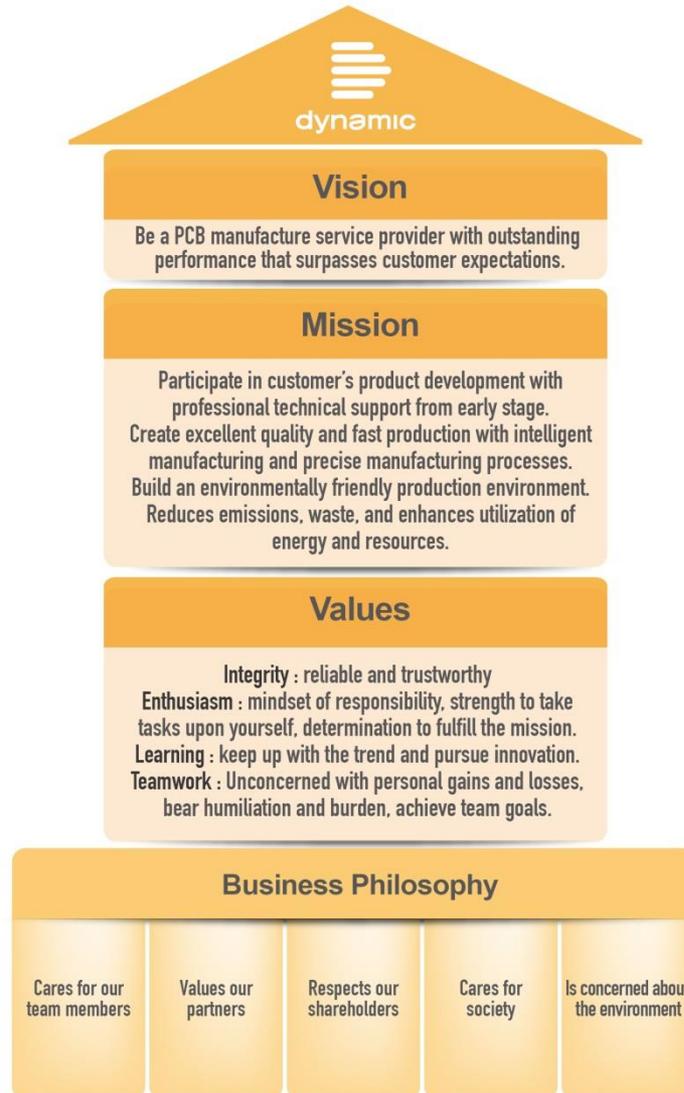
1. Company Profile
2. Market Trend
3. Overview of operation for Q2, 2021
4. Outlook for Dynamic
5. Major Recent Events

Disclaimer

- The forward-looking statements in this report contain unknown risks and uncertainties, which may cause actual operating results to be materially different from the forward-looking statements, the statements about historical events are excluded.
- The forward-looking statements in this report reflect the company's view of the future so far, the company is not responsible for reminding or updating on any changes or adjustments in these views in the future at any time.

Company Profile

Company Vision



Four Goals in 2021

Sustainability
(ESG)

Transform
(Smart
Manufacturing)

Upgrade
(Precision
Process)

Profit
(Internal
Growth)

Company Snapshot



Founded in
1988



Capital
USD **92.50** M



Employee
6,000



Revenues (2020)
USD **420** M



Global Operations
Taiwan, China, America, Europe, Asia

Global Landscape



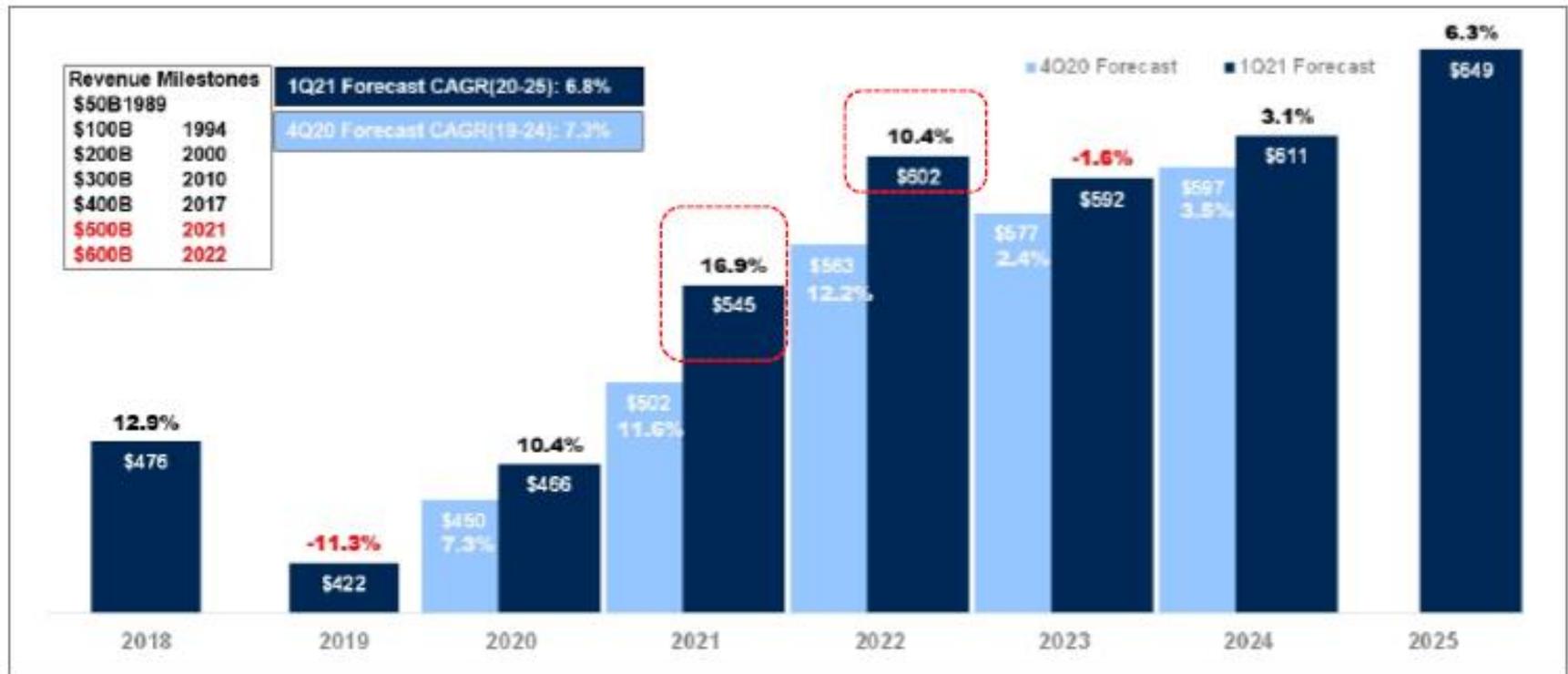
- ◆ Operation Center
- ◆ Factory
- ◆ Customer Service Center

Mexico	Europe
Guadalajara	Germany
Reynosa	Czech Republic
	Macedonia

Market Trend

Prediction of global electronic product demand

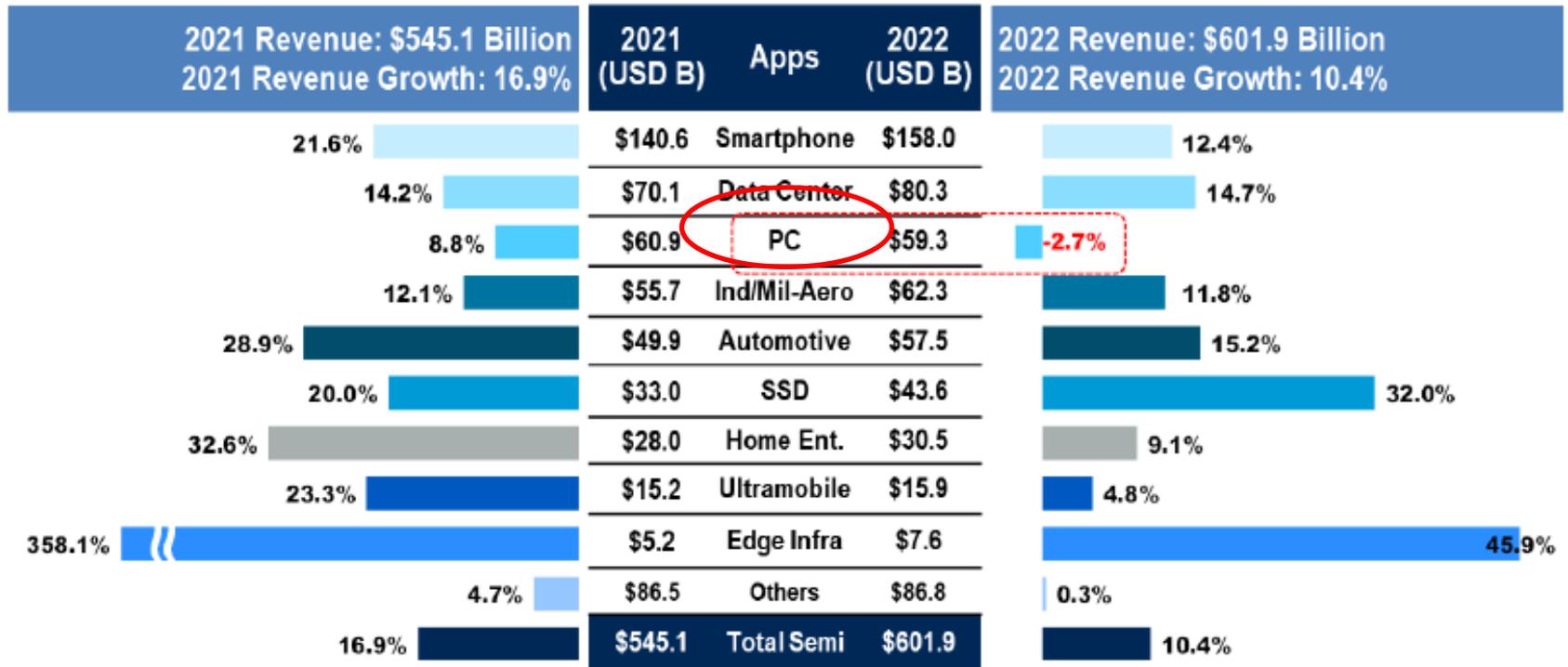
- Gartner predicts that the global demand for electronic products will grow at a rate of 16.9% in 2021, and will remain high growth momentum in 2022, with a growth rate of 10.4%.



Gartner 2021/05

Forecast on growth momentum of applications

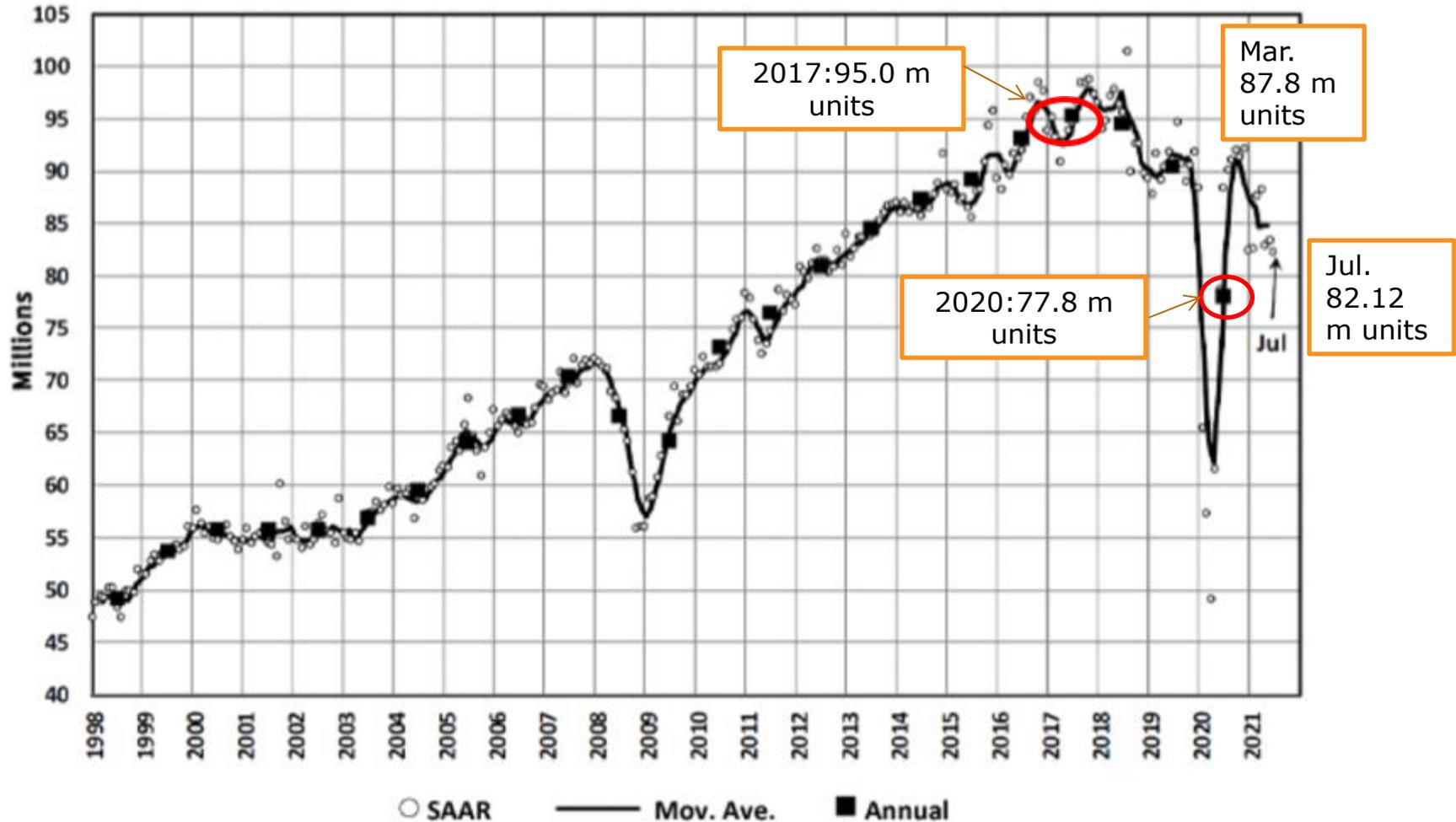
- Gartner's forecast on the growth momentum of global major applications.



Gartner 2021/05

Global Light Vehicle Sales (I)

Global Light Vehicle Sales



LMC Automotive July 2021

Global Light Vehicle Sales (II)

- The global light vehicle sales in July continued the weaker trend of the previous 3 months.
- The US market continued to be impacted by low inventories caused by chip shortage. The imbalance of supply and demand saw average transaction prices soar, meanwhile incentives fell to a record low.
- The European selling rate was impacted by chip shortage, holding back the post-lockdown recovery.
- Chinese market regained momentum in July, up 10% from a weak June and was the highest rate since Dec, 2020. NEV sales remained the key driver of the market. However, the fast spread of the Delta variant across the country and tightened social restrictions present a risk to economic activity and new vehicle sales.
- Japanese selling rate was up slightly from June, but that was the second lowest rate in a year. The chip shortage and supply-chain disruption due to virus spread in other parts of Asia led to supply constraints.

Automotive Sales v.s. Inventory Trends-USA

Federal Reserve Economic Data July 30, 2021



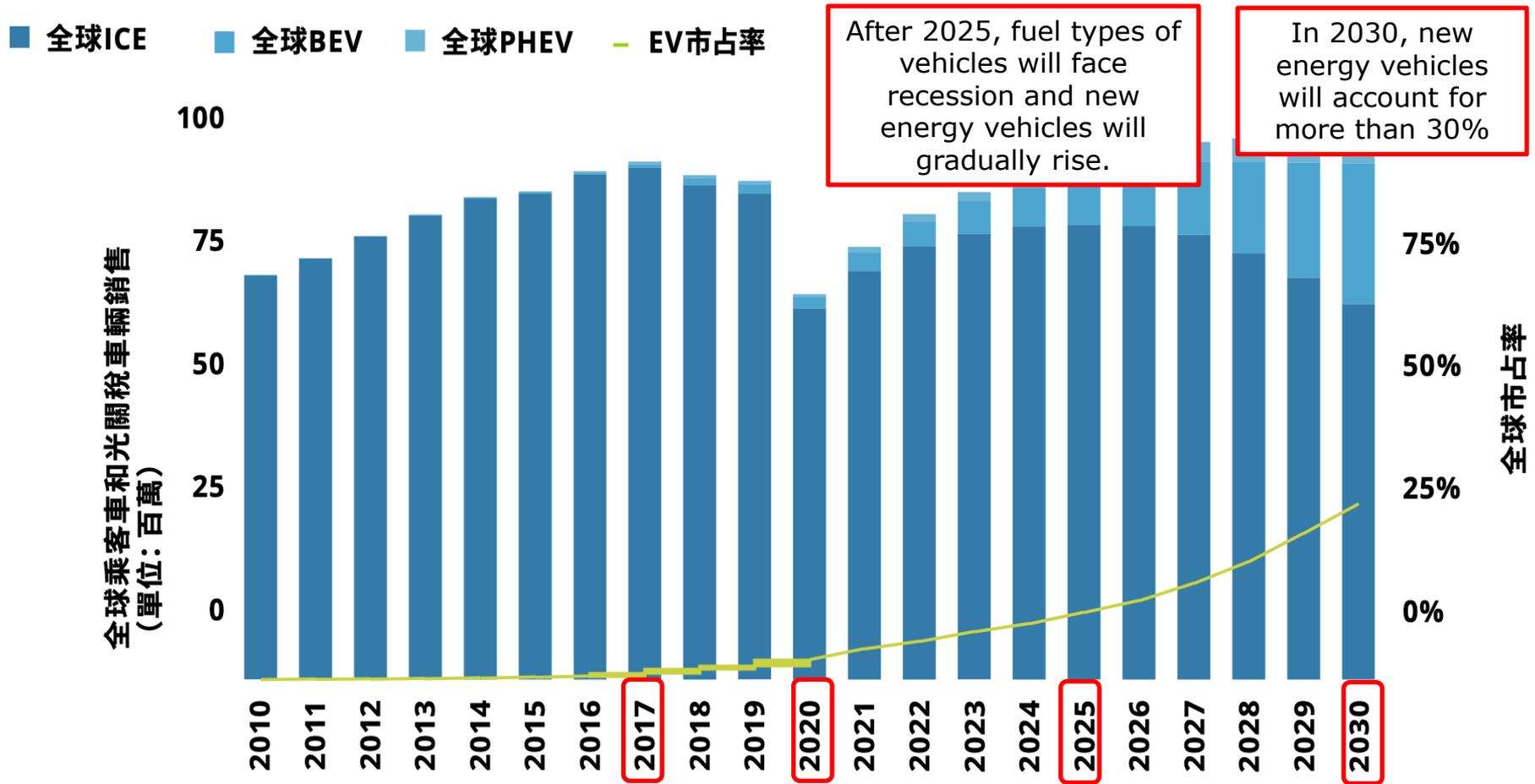
- Shaded regions depict recessions (2008/2009; 2020)
- Prior to 2008, US sales rates around 17M vehicles before decline in 2008/2009. Did not recover back until 2014.
- Compared to 2008/2009 recession, 2020 experienced sharper and larger drop in sales but also faster recovery.
- Despite continued “waves” of COVID, vehicles sales remains strong therefore the “V” recovery appears be real.
- Auto inventories remain at very low levels which clearly indicate the OEMs will continue to try to produce as many vehicles as possible.

The Development of EV is Unstoppable

- The timelines of each country's policies have become clear, and the development of EV is unstoppable.
- Three major driving forces of EV in the world: global warming, carbon emission standard, and favorable policies



Diesel-Powered Vehicles v.s. New Energy Vehicles

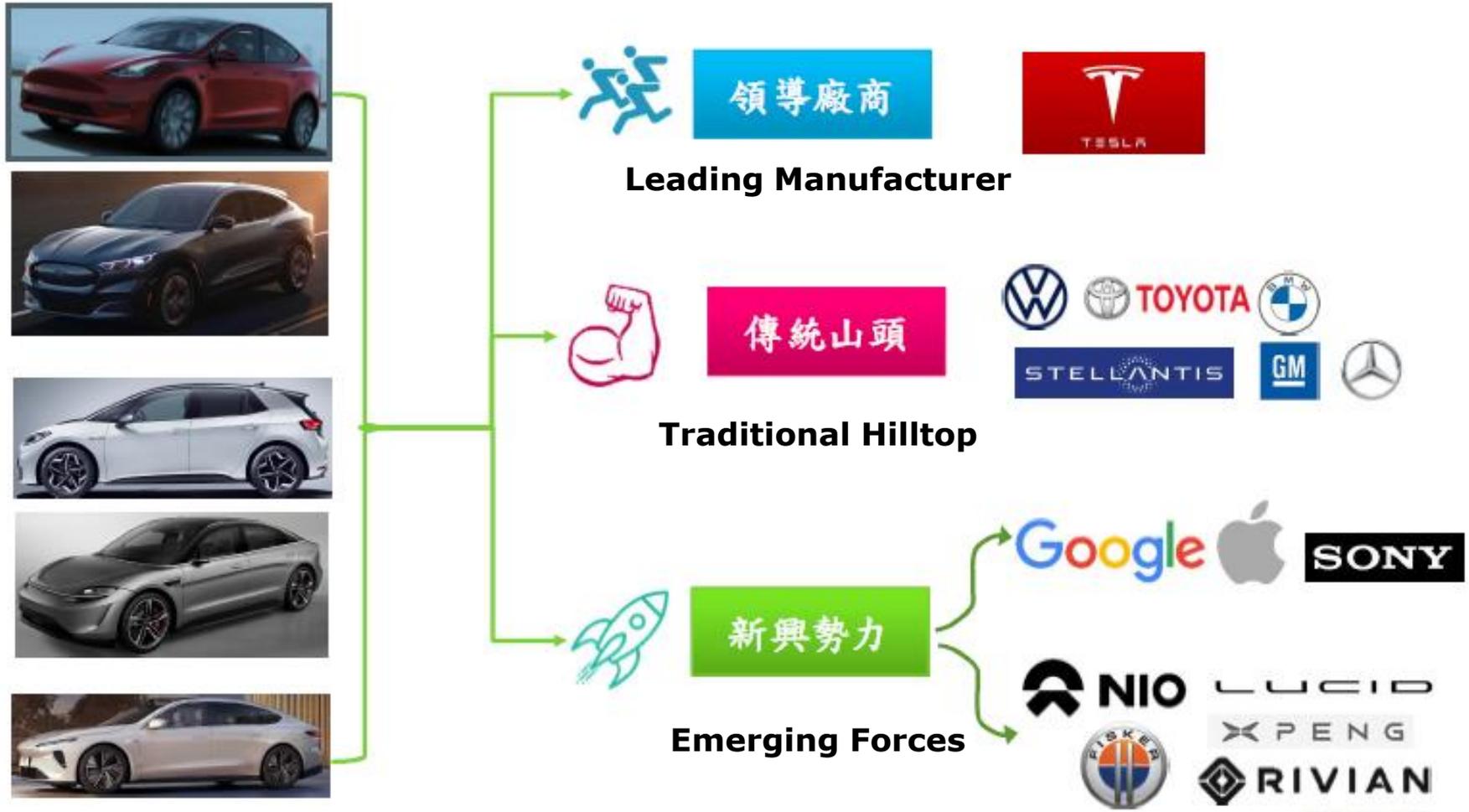


資料來源: Deloitte analysis, HIS Markit. EV-Volumes.com¹⁸

Deloitte 2021/04/03

- It is estimated that the sales of electric vehicles in the next 10 years will increase from 2.5 million in 2020 to 31.1 million in 2030, with a compound annual growth rate of 29%.

Various players actively enter the EV market



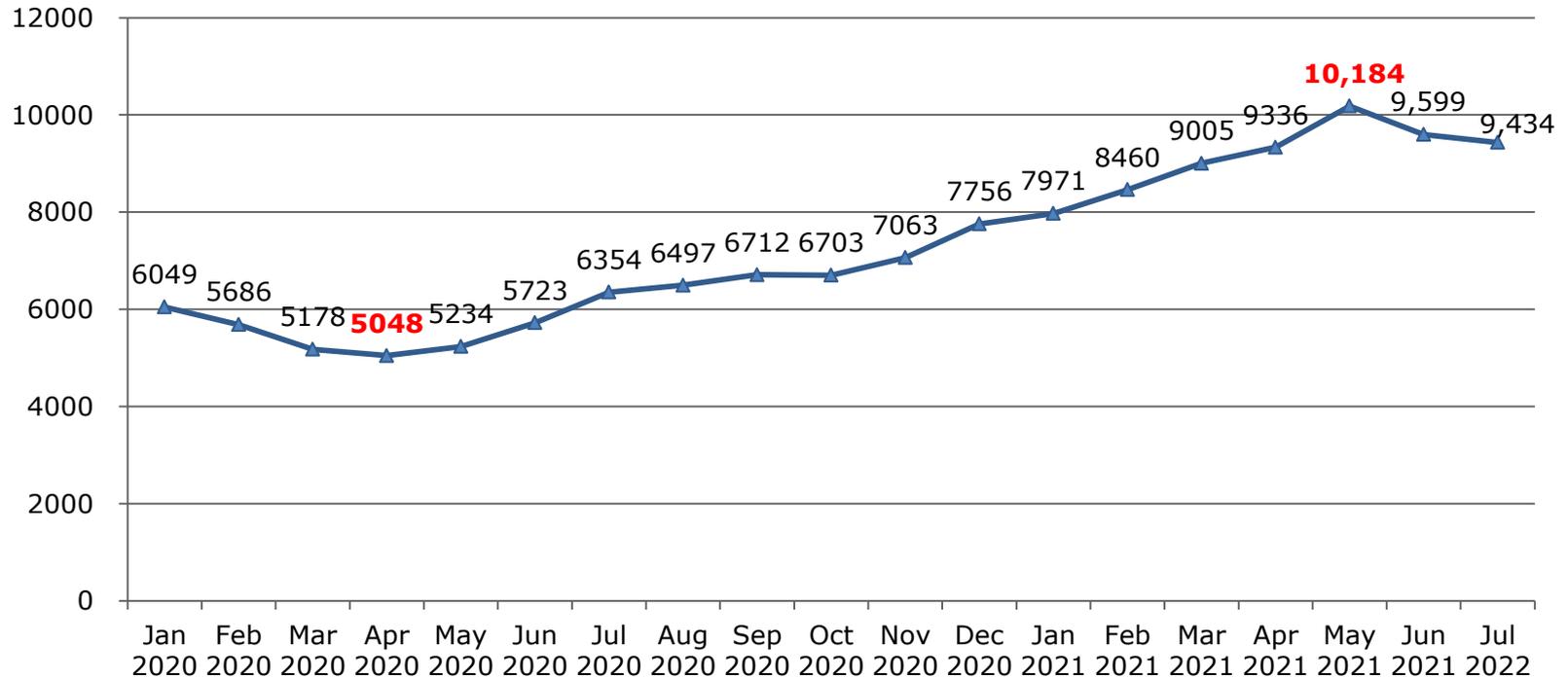
MIC June 2021

Emerging automakers subvert the supply chain

- The traditional automakers come with solid supply chain, and they are responsible for vehicle assembly, specification, and research and development of key technologies. Tier 1 suppliers are responsible for systems, sub-systems, key components with R&D and design, system integration, etc. Traditional automakers rely heavily on Tier 1 suppliers.
- The emerging automakers with the model of vertical integration are responsible for vehicle assembly, key technology research and development, software system integration, motors, body die-casting, etc. They skip Tier 1 suppliers and purchase directly from Tier 2, Tier 3.
- The emerging automakers with the integrated service model of system operators is responsible for the research and development of key technologies and software system integration. Tier 1 suppliers are responsible for the whole vehicle assembly, system, sub-system integration, and key components with the R&D and design.
- We can see that emerging automakers in a vertically integrated model are challenging the existing supply chain. Take Tesla as an example, with a solid capital base, it has built a strong vertical supply and production system which has significantly weakened the role of traditional Tier1 industry.
- New automaker with integrated service models of system operators are limited by resources or their own expertise. In the early stages of development, they tend to seek assistance from key OEM or Tier1 suppliers to make up for the gap in their professional capabilities and accelerate their time to market.
- The message that is delivered here: for traditional automaker, our PCB customers are Tier 1 supplier, and for the emerging vertical integration model, our PCB customers are emerging automakers. The products are still handed over to the SMT factories.

LME Copper Price Trend

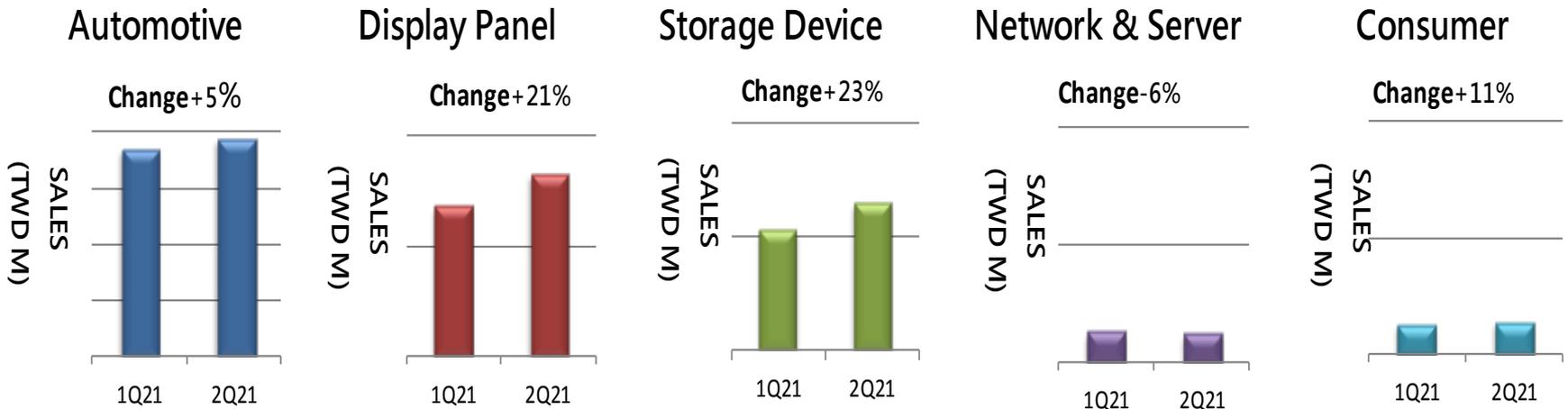
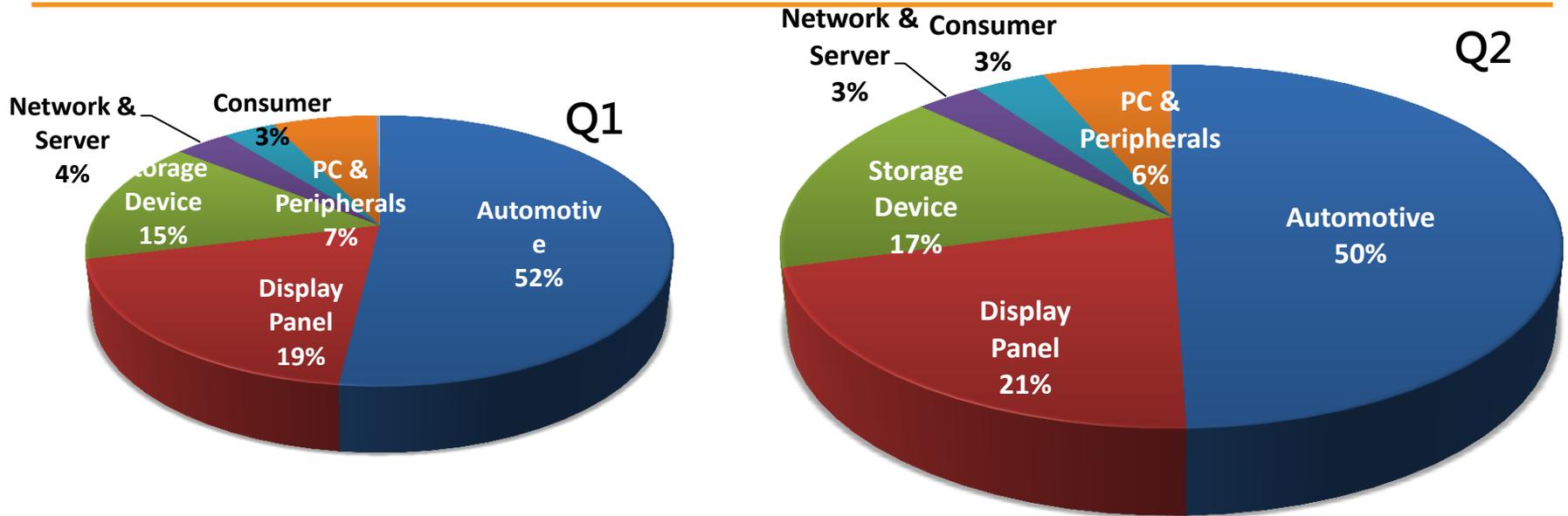
LME Copper Price (USD)



- April 2020~May 2021 copper prices have rose by 102%.
- The main reason for the decline in copper prices since June was that the China government released copper from its national reserves in order to ease inflation. Although copper prices have decreased, copper foil processing fees continue to reach new highs.
- Financial Times: "Copper" has become a new strategic resource in the green energy era. For example, the copper content of electric vehicles is five times or more than fuel types of vehicles.

Overview of operation for Q2, 2021

2021 Q2 Revenue by Application



Consolidated Income Statement

Accounts (TWD 100M)	2Q21	1Q21	Q-o-Q Change%	2Q20	Y-o-Y Change%	Q1-Q2 2021	Q1-Q2 2020	Y-o-Y Change%
Sales Revenue	39.16	35.62	9.9 %	27.15	44.3 %	74.78	57.50	30.0 %
Gross Profit %	12.6 %	8.6 %	4.0 %	16.5 %	(3.9)%	10.7 %	15.7 %	(5.0)% ppts
Operating expenses	3.05	2.69	13.2 %	2.70	13.0 %	5.74	5.82	(1.5)%
Operating Income%	4.8 %	1.0 %	3.8 %	6.6 %	(1.8)%	3.0 %	5.6 %	(2.6)% ppts
Non-operating income/expenses	(0.12)	(0.03)	(361.9)%	(0.37)	66.6 %	(0.15)	4.00	(103.7)%
Net Income (loss)	1.52	0.17	781.1 %	1.04	45.9 %	1.69	6.49	(73.9)%
Net Income (loss)%	3.9 %	0.5 %	3.4 %	3.8 %	0.0 %	2.3 %	11.3 %	(9.0)% ppts
EPS(NTD)	0.55	0.06	816.7 %	0.37	48.6 %	0.61	2.27	(73.1)%
ROE (%)	11.7 %	1.4 %	10.3 %	8.5 %	3.3 %	3.3 %	13.2 %	(9.9)% ppts
Average exchange	28.19	28.39	(0.7)%	30.04	(6.2)%	28.19	30.04	(6.2)%

* The weighted average shares to 277,514,032 of ordinary shares outstanding during the second quarter of 2021.

** The ROE is the annualized data calculated by the average equity of the parent company.

Consolidated BS & Financial Indicator

Accounts (TWD 100M)	2Q21		1Q21		2Q20	
	Amount	%	Amount	%	Amount	%
Cash and cash equivalents	25.27	15.5%	18.19	12.4%	8.51	7.1%
Accounts receivable	41.98	25.7%	39.33	26.8%	30.97	25.8%
Inventories	26.99	16.5%	20.33	13.9%	17.15	14.3%
Property, plant and equipment	54.02	33.1%	54.08	36.9%	50.53	42.1%
Total Assets	163.43	100.0%	146.76	100.0%	120.05	100.0%
Current liabilities	92.53	56.6%	88.63	60.4%	56.22	46.8%
Long-term loans	11.29	6.9%	-	0.0%	6.28	5.2%
Total liabilities	111.52	68.2%	96.59	65.8%	70.77	59.0%
Total equity	51.91	31.8%	50.16	34.2%	49.28	41.0%
Important Financial Indicator						
Average collection turnover	102		103		117	
Average inventory turnover	63		54		64	
Current ratio (Times)	1.1		1.0		1.1	
Asset productivity(Times)	1.1		1.0		0.9	

Ps. Asset productivity= Sales Revenue/ Average total Assets.

Consolidated Cash Flow Statement

(TWD 100M)	2Q21	1Q21	2Q20
Cash at beginning of period	18.19	9.99	16.45
Cash Flow from Operating	0.76	2.48	2.63
Capital Expenditure	(1.48)	(3.76)	(1.01)
Cash Dividends Paid			
Cash Flow from Financing	8.17	7.46	(9.27)
Investment & Other	(0.20)	0.11	(0.29)
Cash at end of period	25.27	18.19	8.51
Free Cash Flow	(0.72)	(1.27)	1.62

Ps. Free Cash Flow=Cash Flow from Operating-Capital Expenditure

2021Q2 Summary

- Q2 revenue was 3.92 billion, with a growth of 9.9% compared with Q1, mainly due to increased customer demand.
- The gross profit margin in Q2 was 12.6%, an increase of 4 percentage points compared with Q1, mainly due to customers' supports for sharing cost pressure and the improvement in production efficiency.
- The operating expense ratio was 7.8%, which is held steady.
- The industry's foreign exchange loss was about NT\$25 million, mainly due to the appreciation of both NTD and RMB in Q2.
- Net profit after tax is NT\$152 million and EPS is \$0.55.
- The ratio of new energy vehicles to total revenue continued to increase (Q1 10% -> Q2 12%).
- Product technology continues to develop in the high-end direction.

Application of New Energy & ADAS

- **Application of new energy vehicles:**
 - Charging system
 - Battery storage system
 - Power distribution system
 - Electricity distribution system
 - Inverter/converter/power filter, etc.

- **ADAS application (used in both new energy vehicles and fuel types of vehicles):**
 - Assisted/Autonomous Driving Control Unit
 - Adaptive Cruise Control Systems
 - Parking Aid System
 - Blind spot/dozing off/passenger detection
 - Long/medium/short range Radar system
 - Infrared/Ultrasonic System
 - Vision/camera system
 - Lidar system

Outlook for Dynamic

Outlook for the 2021H2 and 2022

- 2021Q3 orders are full, but the impact of semiconductor shortages and Covid-19 has led to a slight variation in customer demand. Still facing the pressure of rising raw material prices.
- The operation in the second half of 2021 is optimistic and positive.
- Product technology continues to develop in a high-level direction:
 - Technical category is classified into: level 3 or higher and any layer HDI, high frequency materials, thick copper, etc.
 - Product category is classified into: ADAS, high-end electric vehicles, high-end laptops, VR/AR/MR, micro base stations, terrestrial satellite receivers, Mini LEDs, etc.
- Huang-shi Plant 2 is equipped with high-end manufacturing processes and is expected to start mass production in Q3 of 2022.

Major Recent Events

Winning top 5% for five consecutive years

Dynamic is committed:

Implement corporate governance, Promote sustainable development,
Create sound ESG system, Strengthen international competitiveness!

上市上櫃公司
第七屆
公司治理評鑑
Top 5%

落實公司治理，促進企業永續發展
營造健全ESG生態體系，強化資本市場國際競爭力

指導單位：金融監督管理委員會
Financial Supervisory Commission

主辦單位：TAIWAN
TAIPEI EXCHANGE
臺灣證券交易所

證券櫃檯買賣中心
Taipei Exchange

Awarded Harmonious Labor Relation Enterprise



Dynamic (Kunshan) was awarded for the recognition of "Year 2020 Harmonious Labor Relations Enterprise of Kunshan city" by Kunshan City Human Resources, Social Security Bureau and other sectors for its standards-compliant, organized, mutually beneficial, harmonious and stable enterprise-employee relationship. This is the government's affirmation of the company's compliance with labor laws and regulations and protection of employees' rights.

Awarded "Outstanding Water-Saving Enterprise"



After continuous effort on promoting water conservation awareness and action plans throughout the whole Huang-shi plant, Dynamic was awarded the "Year 2020 Huang-Shi City Advanced Water-Saving Collective" and became a local water-saving benchmark.

This is the best affirmation of Dynamic's contribution to the environment. In the future, we will continue to implement water-saving program, apply for provincial-level water-saving enterprise, and strive to become the water-saving pioneer among the peers in the industry.

Thank You!

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