

2021 Q3 Operating Performance Report

Nov. 11, 2021

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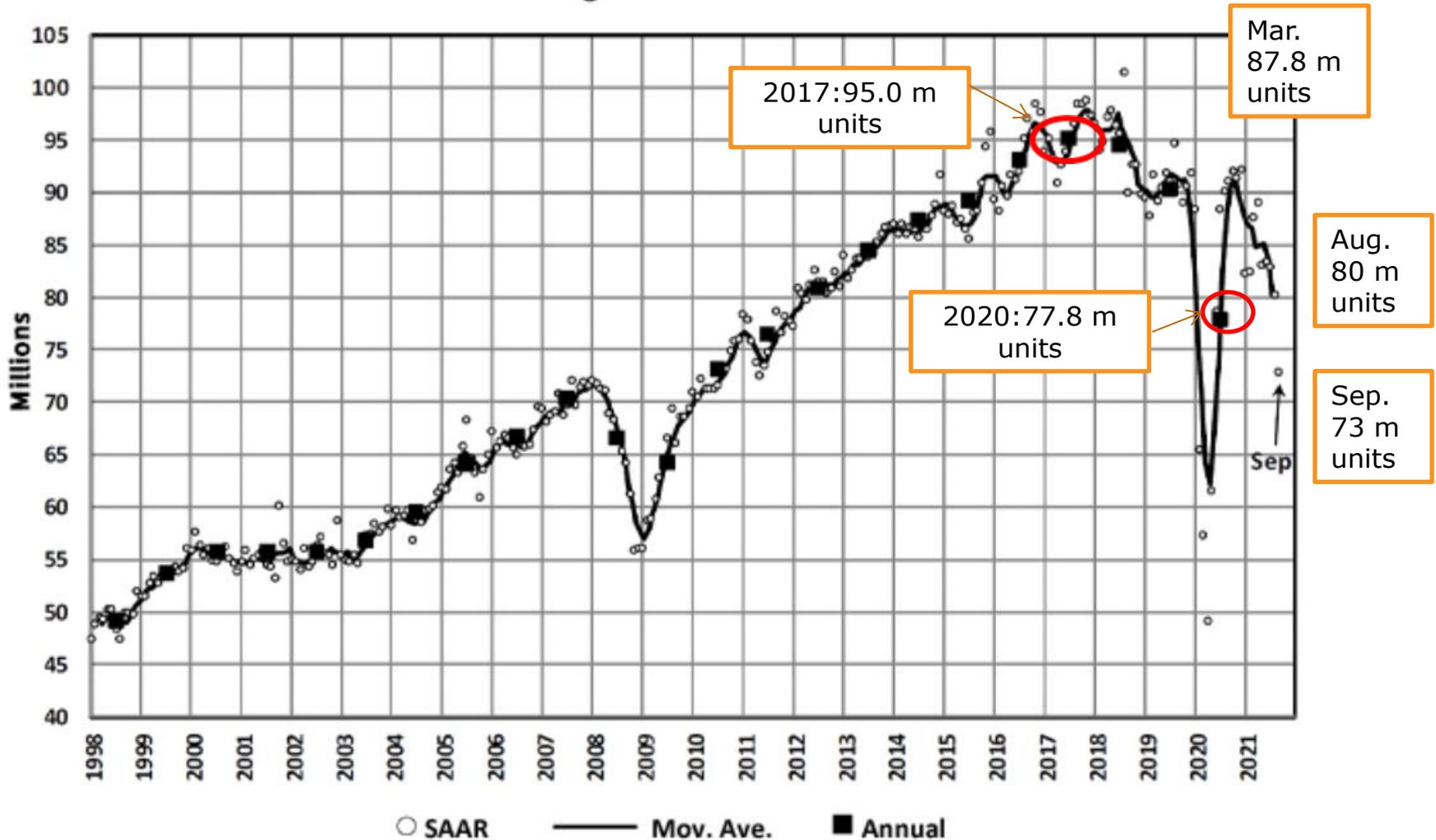
Disclaimer

- 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.

Market Trend

Global Light Vehicle Sales (I)

Global Light Vehicle Sales



LMC Automotive Sep 2021

Global Light Vehicle Sales (II)

- The Global Light Vehicle (LV) selling rate fell to 73 mn units/year in September. This result was significantly lower than the preceding three-month average of 82 mn units/year. Major disruptions to the automotive supply chain continue to hold back the potential of the relatively brighter economic backdrop. The semiconductor shortage has left vehicle inventories low, leading to increased waiting times for new vehicles in many regions.
- US Light Vehicle sales continued to tumble in September, amid the chip shortage and the lack of inventory. Volumes fell by 25.1% YoY, this was the lowest volume for the month of September since 2010. Amid record-high transaction prices and decreasing consumer confidence, there are growing concerns that potential buyers are becoming more hesitant to purchase a new vehicle.
- The West European selling rate dropped 17% in September. The dealerships unable to meet consumer demand. Adding to market headwinds, those vehicles that are available are generally higher priced, as OEMs look to target the production of higher margin products.
- Advance data indicates that the Chinese market remained sluggish in September due to the supply disruptions stemming from the global chip shortage. The selling rate fell 16%. While the overall market struggles, sales of NEVs remain robust, continuing to expand by triple. NEVs' share in Passenger Vehicle sales reached almost 20% last month, as urban consumers are flocking to increasingly attractive and affordable small EV models.

Trends in the U.S. vehicle sales and inventories



Federal Reserve
Economic Data
Oct. 01, 2021

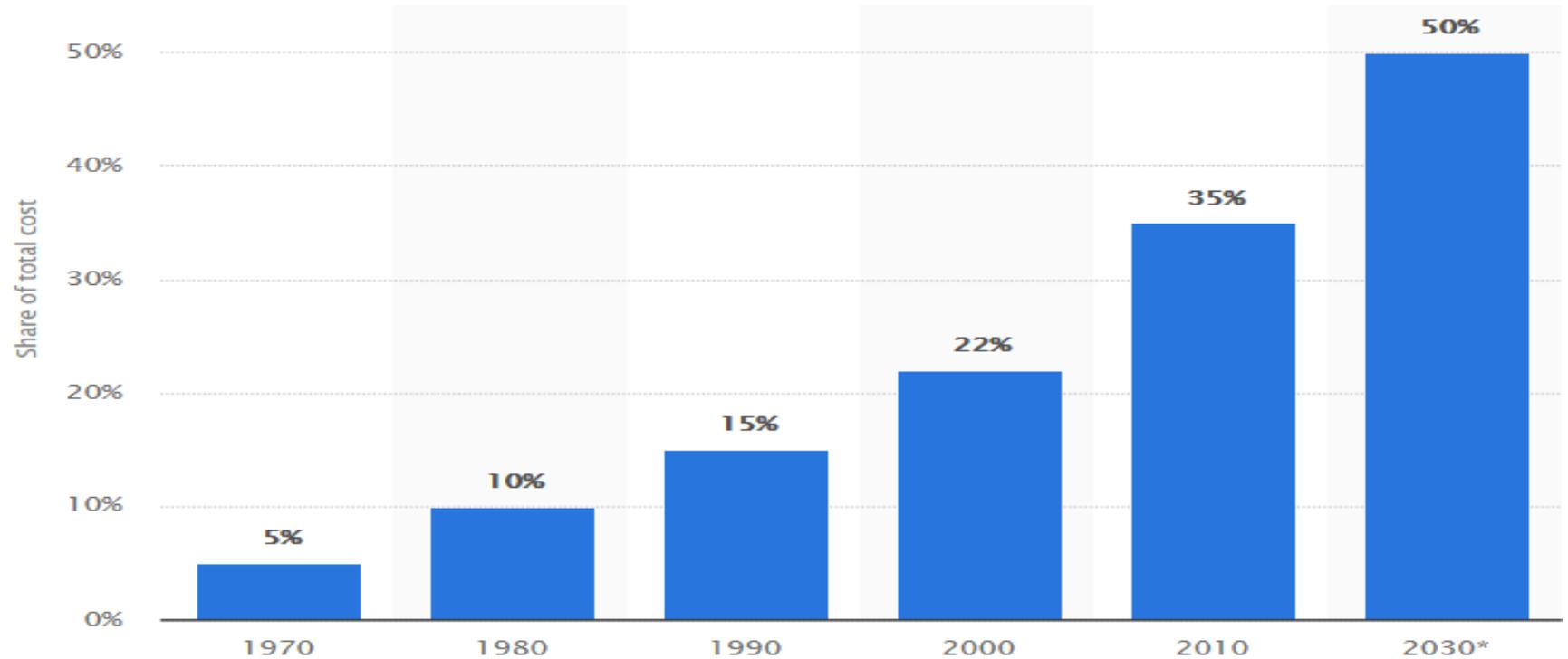
The chart above is the total vehicle sales in America. The chart below is the auto inventory in America.

The recession in 2020 showed a V-shaped recovery. Despite the ongoing COVID-19, car sales are still strong.

The current inventory is extremely low, no chips -> no electronic modules -> no cars

- There are reports the car makers are building cars without some modules and these semi-finished vehicles are sitting in the lots waiting for the electronic modules to be added later.

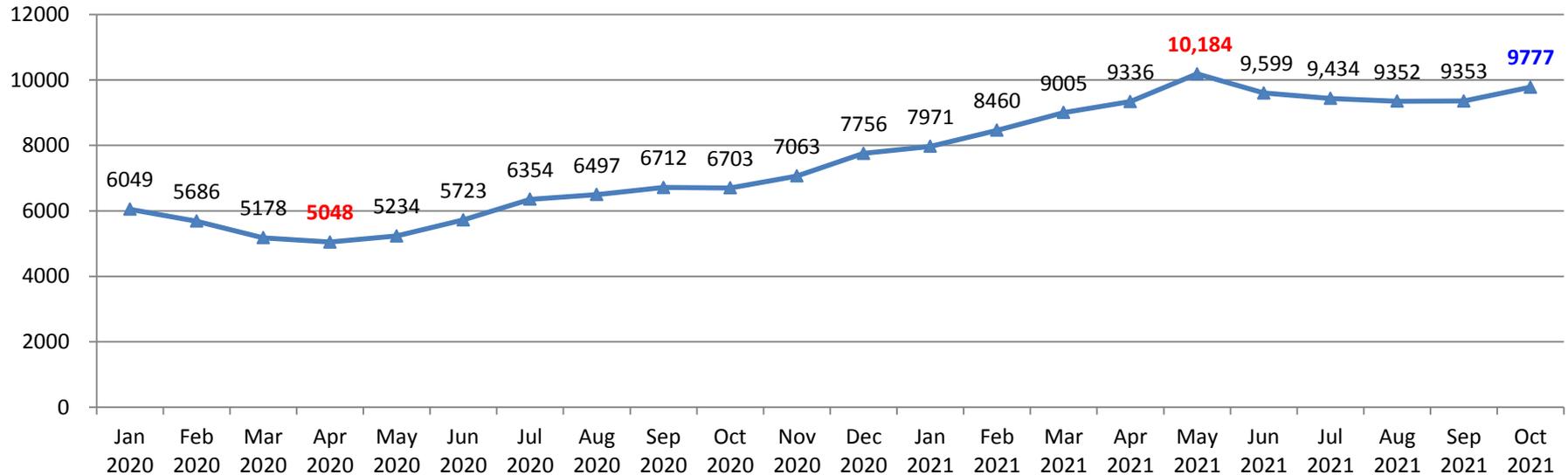
Trends in the share of automotive electronics cost



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Price trend for LME copper

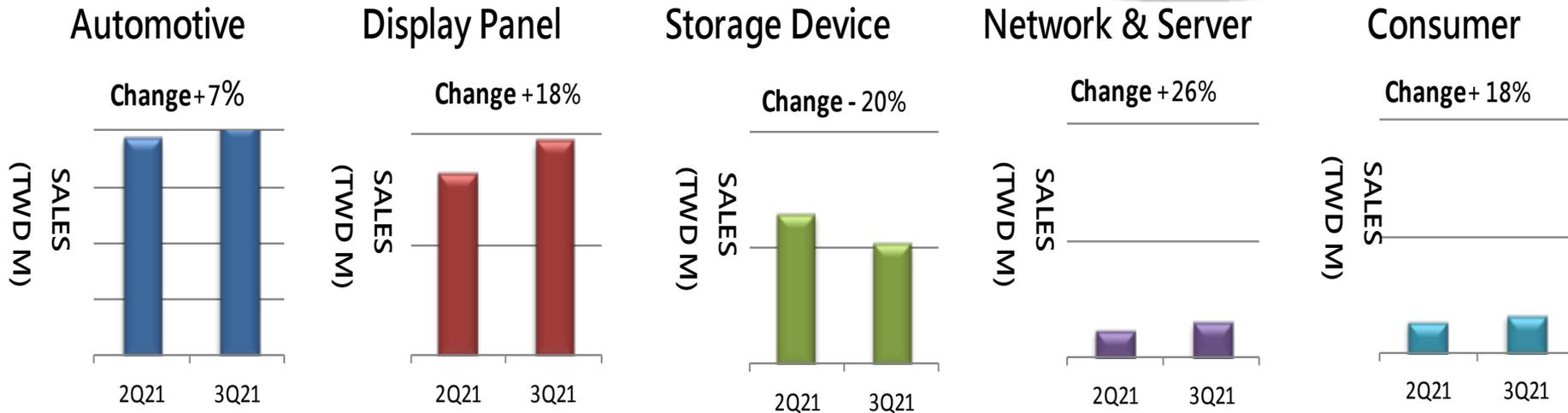
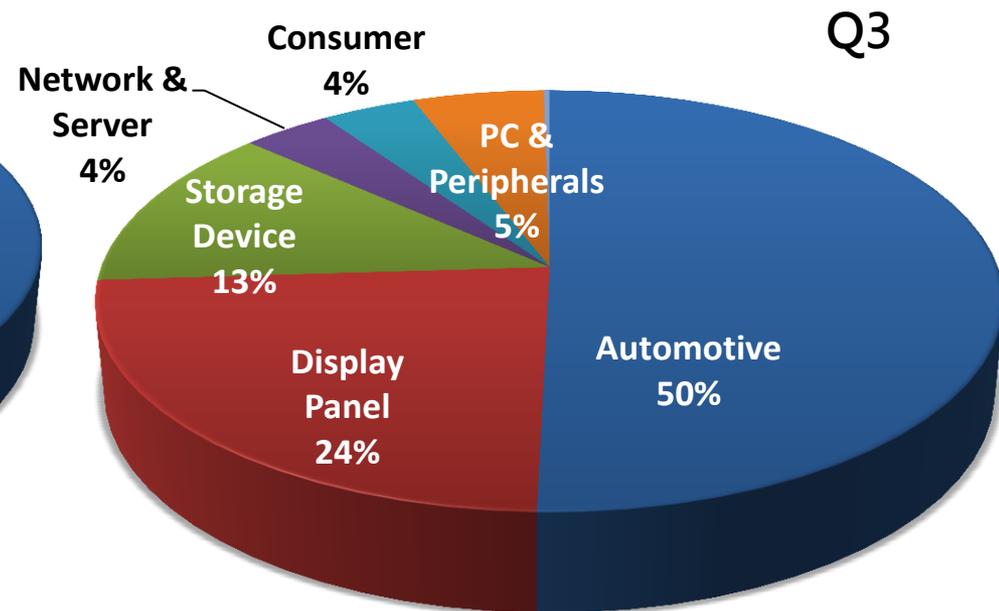
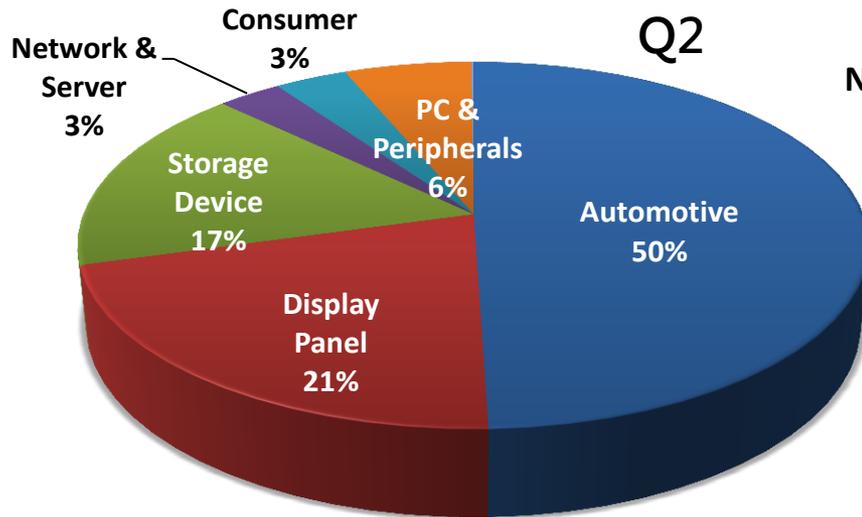
LME copper price (USD)



- 2020.10 The increase in copper prices is mainly due to the uncertain energy supply, which has greatly increased the price of metal.
- The copper foil processing fee has risen all the way from January to August this year, and it was not stable until September.

Overview of operation for Q3, 2021

2021 Q3 Revenue by Application



Consolidated Income Statement

Accounts (TWD 100M)	3Q21	2Q21	Q-o-Q Change%	3Q20	Y-o-Y Change%	Q1-Q3 2021	Q1-Q3 2020	Y-o-Y Change%
Sales Revenue	41.17	39.16	5.1 %	33.62	22.5 %	115.95	91.12	27.3 %
Gross Profit %	12.8 %	12.6 %	0.2 %	12.7 %	0.1 %	11.4 %	14.6 %	(3.2)% ppts
Operating expense	3.15	3.05	3.3 %	2.81	12.1 %	8.88	8.63	2.9 %
Operating Income%	5.2 %	4.8 %	0.4 %	4.3 %	0.9 %	3.8 %	5.1 %	(1.3)% ppts
Non-operating income/expenses	0.40	(0.12)	423.1 %	(0.91)	143.5 %	0.25	3.09	(92.0)%
Net Income (loss)	1.55	1.52	1.7 %	0.37	323.4 %	3.24	6.85	(52.7)%
Net Income (loss)%	3.8 %	3.9 %	(0.1)%	1.1 %	2.7 %	2.8 %	7.5 %	(4.7)% ppts
EPS(NTD)	0.56	0.55	1.8 %	0.12	366.7 %	1.17	2.32	(49.6)%
ROE (%)	11.6 %	11.7 %	(0.1)%	2.9 %	8.7 %	6.1 %	13.6 %	(7.5)% ppts
Average exchange	28.08	28.19	(0.4)%	29.85	(5.9)%	28.08	29.85	(5.9)%

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

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

Consolidated BS & Important Financial Indicator

Accounts (TWD 100M)	3Q21		2Q21		3Q20	
	Amount	%	Amount	%	Amount	%
Cash and cash equivalents	18.39	11.3%	25.27	15.5%	18.75	14.1%
Accounts receivable	44.51	27.4%	41.98	25.7%	35.75	26.9%
Inventories	31.12	19.1%	26.99	16.5%	14.53	10.9%
Property, plant and equipment	56.24	34.6%	54.02	33.1%	51.19	38.5%
Total Assets	162.65	100.0%	163.43	100.0%	132.86	100.0%
Current liabilities	96.30	59.2%	92.53	56.6%	67.93	51.1%
Long-term loans	6.13	3.8%	11.29	6.9%	6.37	4.8%
Total liabilities	109.40	67.3%	111.52	68.2%	82.37	62.0%
Total equity	53.25	32.7%	51.91	31.8%	50.49	38.0%
Important Financial Indicator						
Average collection turnover	100		102		118	
Average inventory turnover	67		63		56	
Current ratio (Times)	1.1		1.1		1.1	
Asset productivity(Times)	1.1		1.1		1.0	

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

Consolidated Statement Of Cash Flows

(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

2021Q3 Summary

- Q3 revenue was 4.11 billion with an increase of 5.1% compared to Q2 mainly from the increase in the revenue of automobiles, display panels and Network-communication (Netcom) products.
- The gross profit margin of Q3 was 12.8%, an increase of 0.2% compared with Q2. Q3 had positive effects due to the opening of new production capacity and the improvement of production efficiency. However, at the end of September, the Kunshan plant shut down for 4.5 days in order to comply with the local government's electricity rationing policy, which increased manufacturing costs.
- The operating expense ratio was 7.6%, decreased by 0.2% compared with Q2.
- The income tax is higher because 5% of income tax expenses was recognized from 2020 undistributed surplus (NTD500 million) for about NTD 25 million. Standard income tax rate is about 26%.
- The net profit after tax is NT\$155 million and EPS is \$0.56.
- The proportion of new energy vehicles of total revenue continued to increase (Q1 10% -> Q2 12% -> Q3 14%).
- Product technology continues to develop in the high-end direction.

Outlook for Dynamic

Outlook for the 2021Q4 and 2022

- Owing to the shortage of semiconductors, Q4 revenue is projected conservatively.
- In the first half of 2022, customer demand is expected to recover slightly. In 2022 Q3, the high-end manufacturing process of the Huangshi Plant II will begin mass production, which will bring positive effect on revenue and profit.
- 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.

Dynamic Actions in ESG

Issues TCFD Report

In the face of potential and huge impacts of global climate change, Dynamic uses the Task Force on Climate-Related Financial Disclosures (TCFD) to compare indicators to identify and rank climate-related risks. There are nine major risk issues identified as follows through internal discussions, inventory and identification of the company's various climate change risk issues. In addition to explaining risks and opportunities, management methods are also formulated to reduce or transfer the impact of risks when they occur. Please refer to the Dynamic2020 ESG Sustainability Report for details.

Nine Risks of Climate Change Issues:

R1: Supply of raw material.

R2: General environmental regulations.

R3: Total carbon emission, carbon rights, energy trading related matters.

R4: Renewable energy related matters.

R5: Changes in customers' demand.

R6: Unstable energy supply.

R7: Changes in market demand(New technology followed by industrial innovation)

R8: Extreme weather worsening.

R9: Stakeholders put emphasis on climate subjects.

Awarded “The Demonstration Enterprise of Intelligent Transformation in Huangshi City”

Dynamic Huangshi Plant was awarded the “The Demonstration Enterprise of Intelligent Transformation in Huangshi City” by the Huangshi City Government in September 2021. This award was won because Huangshi Plant has achieved the goal of reducing manpower dependence, improving yield, and increasing output value, and has become a pioneer among the local smart factories.

The high-end manufacturing process currently planned for plant II in Huangshi will focus more on the scope of automation, intelligence, and digitization, to make full coverage in the whole plant, and to make a further leap in technology and quality. On the cornerstone of Industry 4.0, we will build one of the most competitive PCB factories in the world and realize the vision of co-prosperity, sharing with customers, society and the environment for sustainability.



Thank You!

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