

Operating Results Report for Q4 of 2021 and Year 2021

Mar. 8, 2022

Content

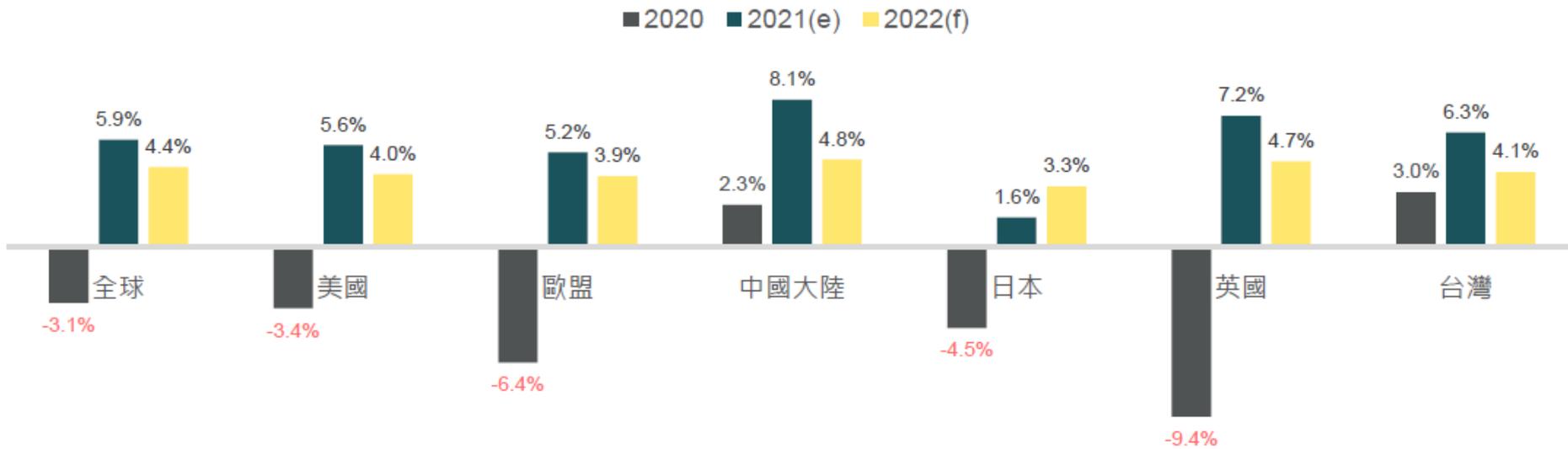
- 1. Market Information**
- 2. Operating Overview for Q4 of 2021 and Year 2021**
- 3. Outlook for Dynamic**
- 4. Dynamic Actions in ESG**

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 Information

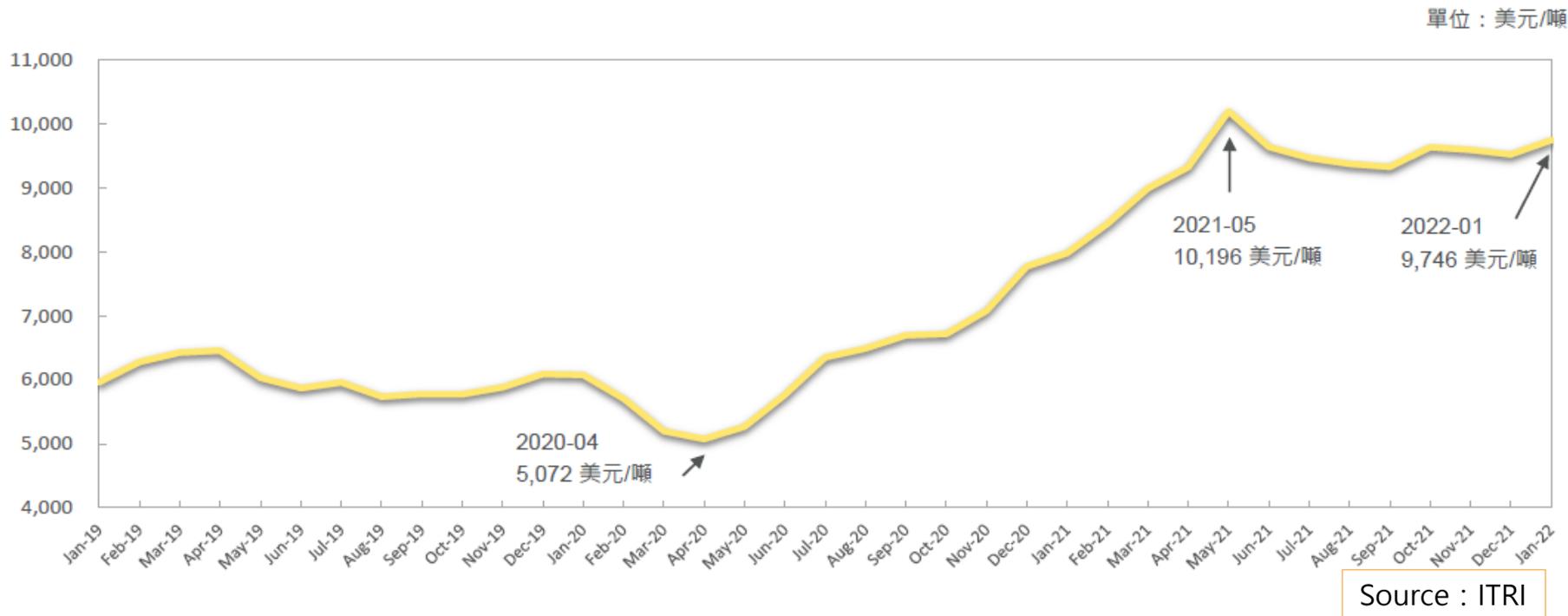
Major Global Economies and Taiwan's Economic Growth Rate



Source : IMF & Taiwan Accounting Office

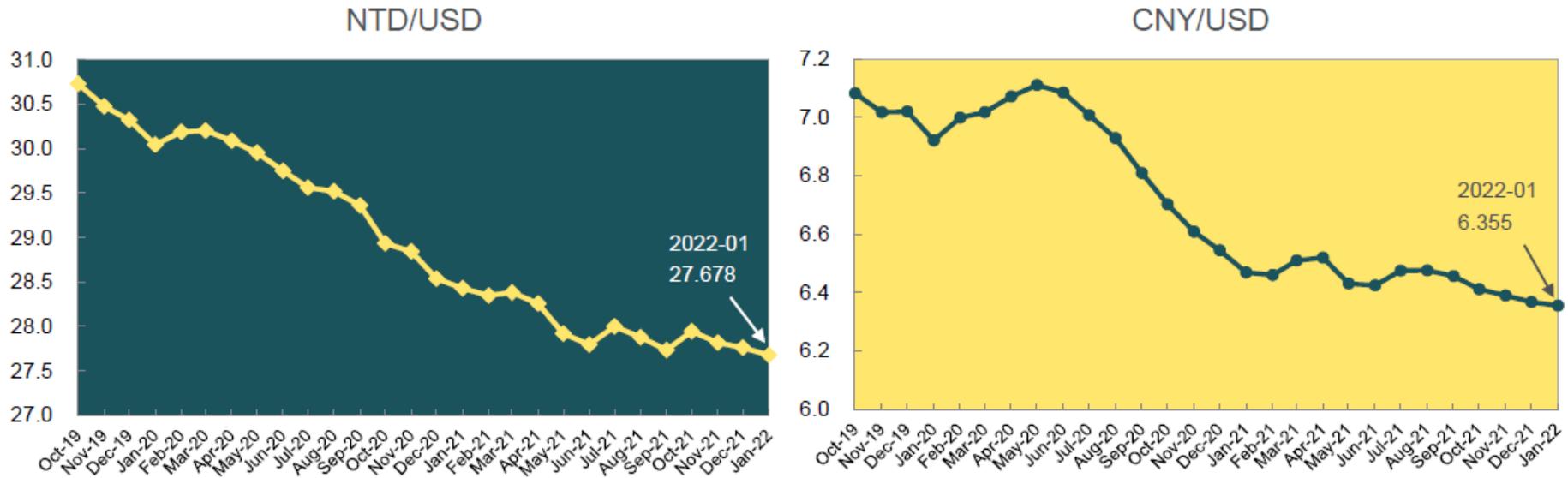
- In 2022, global economic growth is being hampered by the spread of the Omicron epidemic, supply chain disruptions, and rising inflation.
- IMF released a new "World Economic Outlook" report in January, downgrading the global economic growth forecast for 2022 from 4.9% to 4.4%, mainly due to the weakening recovery of growth in the United States and mainland China, and inflation will continue to rise.

Trend of International Copper Price



- Being affected by the mine strike in Chile in 2021 Q3, which is the world's largest copper producer and the drought and water shortages in Q4, copper mine production continued to decline. Disruptions on the supply end will remain an important factor holding up the copper prices in the short term.
- Looking forward to 2022, under the influence of supply recovery and weak demand, the rise of copper prices is expected to cool down, but the important role of copper in the green economy will still keep copper market thriving.

International Exchange Rate



Source : ITRI

- Foreign capital continued to flow in, and NTD and CNY continued to rise. The NTD/USD exchange rate in January 2022 edged up by 0.3% from December to NTD 27.678 per USD. As the US Federal Reserve (Fed) is expected to start raising interest rates as soon as March, hot money will return to the embrace of the US dollar, and the Taiwan dollar is likely to be back-tested to integer TWD28.
- In January 2022, the exchange rate of CNY against the US dollar rose slightly by 0.19% compared with December, and closed at RMB 6.3550 per US dollar. With the U.S. Federal Reserve System (Fed) expected to start raising interest rates earliest by March, the U.S. dollar may strengthen in stages, the Sino-U.S. interest rate gap narrows, and there is limitation for further appreciation.

Global PCB output value scale



- Driven by the strong recovery of the global economy and consumption, the global PCB output value in 2021 was 84 billion US dollars, with a growth rate of 20.6%, which is rare in the past. In 2022, under the high base period, the projected growth rate is 6.2%.
- The expansion of high-end computing and 5G products is the strong support for PCBs, and automotive electronics experienced significant growth in both quantity and quality, which also has a boosting effect.

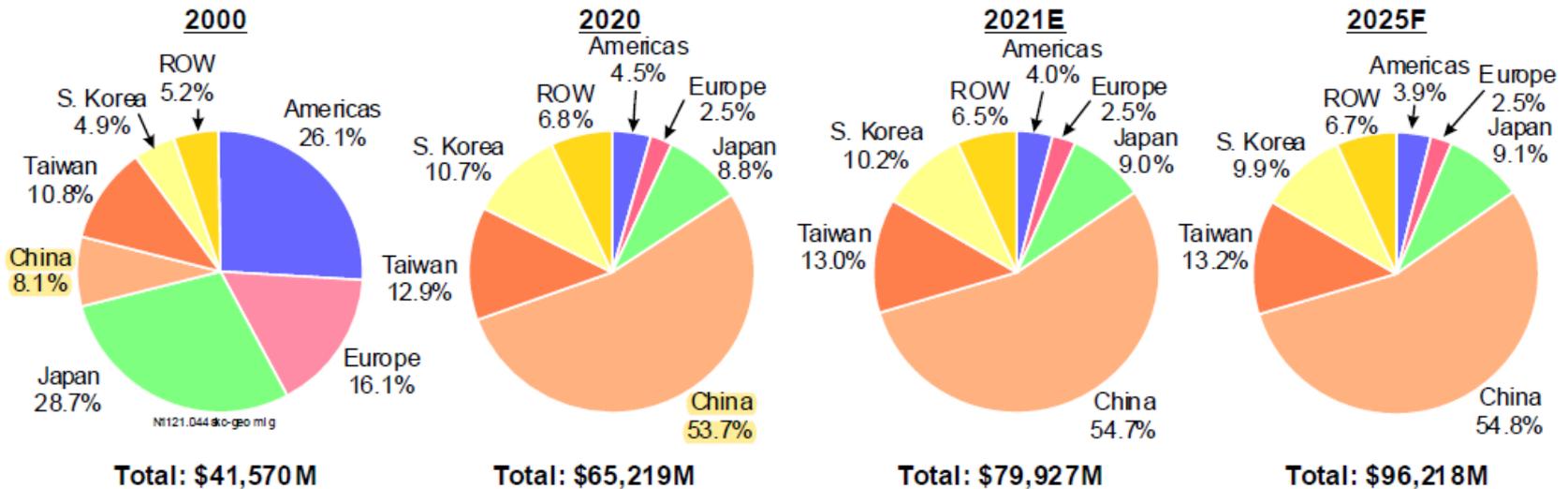
2021 PCB Market Overview (I)

- PCB grew by 6.4% in 2020 and was expected to grow by 22.6% in 2021.
- Demand comes from:
 - ✓ The ongoing X-From-Home trend
 - ✓ Industrial, medical and automotive recovery in the first half of 2021, mainly in the first to third quarters of 2021.
 - ✓ Product upgrades: such as server platform upgrades, automotive transition to EVs and wider adoption of ADAS
 - ✓ Preventive stock replenishment
 - ✓ Economic Recovery: Reopening, Financial Support from government and Vaccinations

2021 PCB Market Overview (II)

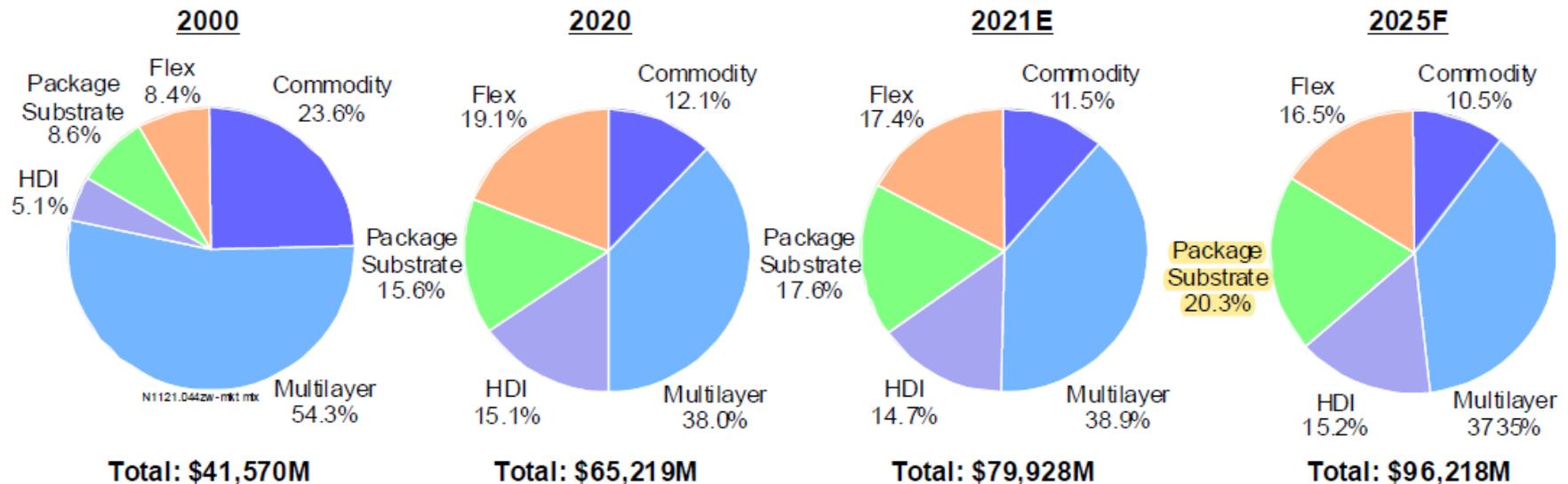
- Key characteristics of the PCB market in 2021:
 - ✓ Packaging substrate revenue and profits grew rapidly
 - ✓ Strong demand for Rigid and Flex PCB, high material costs and extrusion margins
 - ✓ Disrupted supply logistics, increased inventory, tight cash flow
 - ✓ In the middle of a super investment cycle: 2019 to 2023
- All parts of the supply chain are growing at 2-4 times on a long-term average basis, in 2022 and beyond, the likelihood of a reversion to the mean is increasing, we should prepare for the next cycle.
- Prismark estimates that the growth rate of PCB in 2022 is only about 4.8%, which will be lower in 2023-2024, and the CAAGR in 2020-2025 is 8.1%.

Geographic Migration of PCB Production



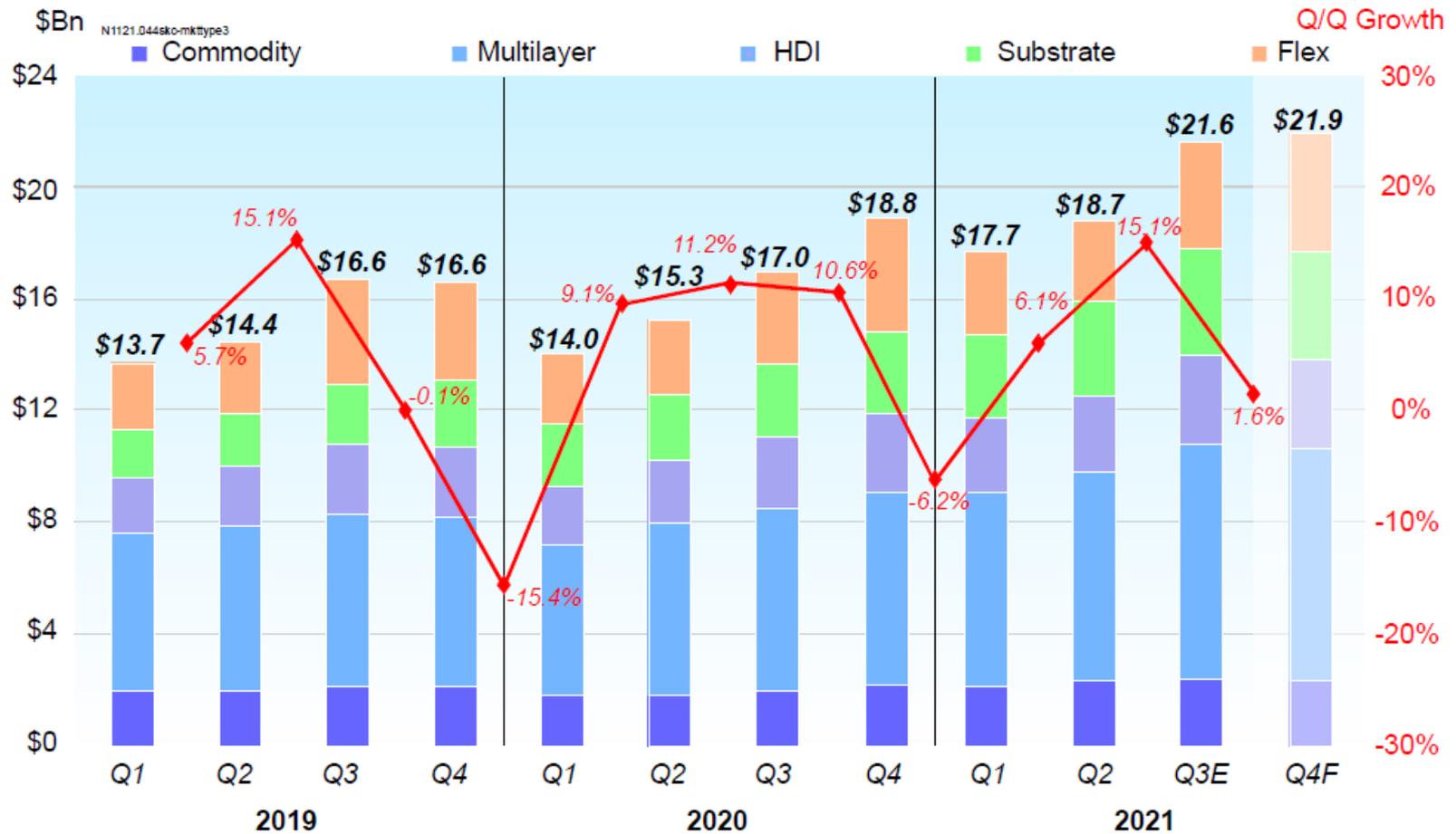
	2000	2020	2021E	2025F	2000-2020 CAAGR	2021E/2020	2020-2025 CAAGR
Americas	\$10,852	\$2,943	\$3,245	\$3,719	-12.2%	10.3%	4.8%
Europe	\$6,702	\$1,613	\$2,018	\$2,394	-13.3%	25.1%	8.2%
Japan	\$11,924	\$5,771	\$7,264	\$8,718	-7.0%	25.9%	8.6%
China	\$3,368	\$35,009	\$43,627	\$52,718	26.4%	24.6%	8.5%
Taiwan	\$4,510	\$8,445	\$10,360	\$12,662	6.5%	22.7%	8.4%
Korea	\$2,053	\$6,996	\$8,120	\$9,523	13.0%	16.1%	6.4%
ROW	\$2,161	\$4,442	\$5,295	\$6,485	7.5%	19.2%	7.9%
TOTAL	\$41,570	\$65,219	\$79,928	\$96,218	4.6%	22.6%	8.1%

Changes in PCB Market Product Mix

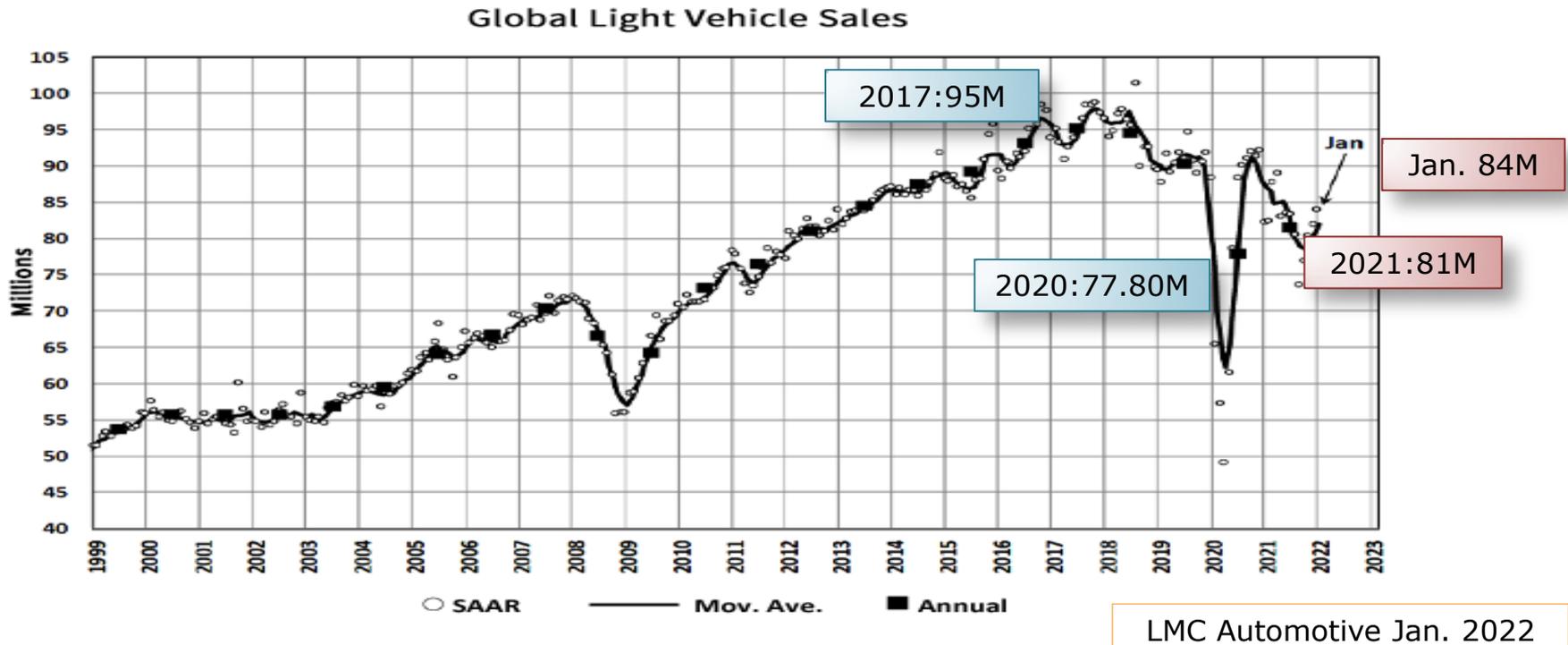


	2000	2020	2021E	2021E/2020	2025F	2020-2025 CAAGR
Commodity	\$10,324	\$7,911	\$9,230	16.7%	\$10,125	5.1%
Multilayer	\$22,217	\$24,763	\$31,053	25.4%	\$36,063	7.8%
HDI	\$2,074	\$9,874	\$11,711	18.6%	\$14,617	8.2%
Package Substrate	\$3,505	\$10,188	\$14,052	37.9%	\$19,549	13.9%
Flex	\$3,450	\$12,483	\$13,881	11.2%	\$15,864	4.9%
Total	\$41,570	\$65,219	\$79,928	22.6%	\$96,218	8.1%

PCB Market Q/Q Growth

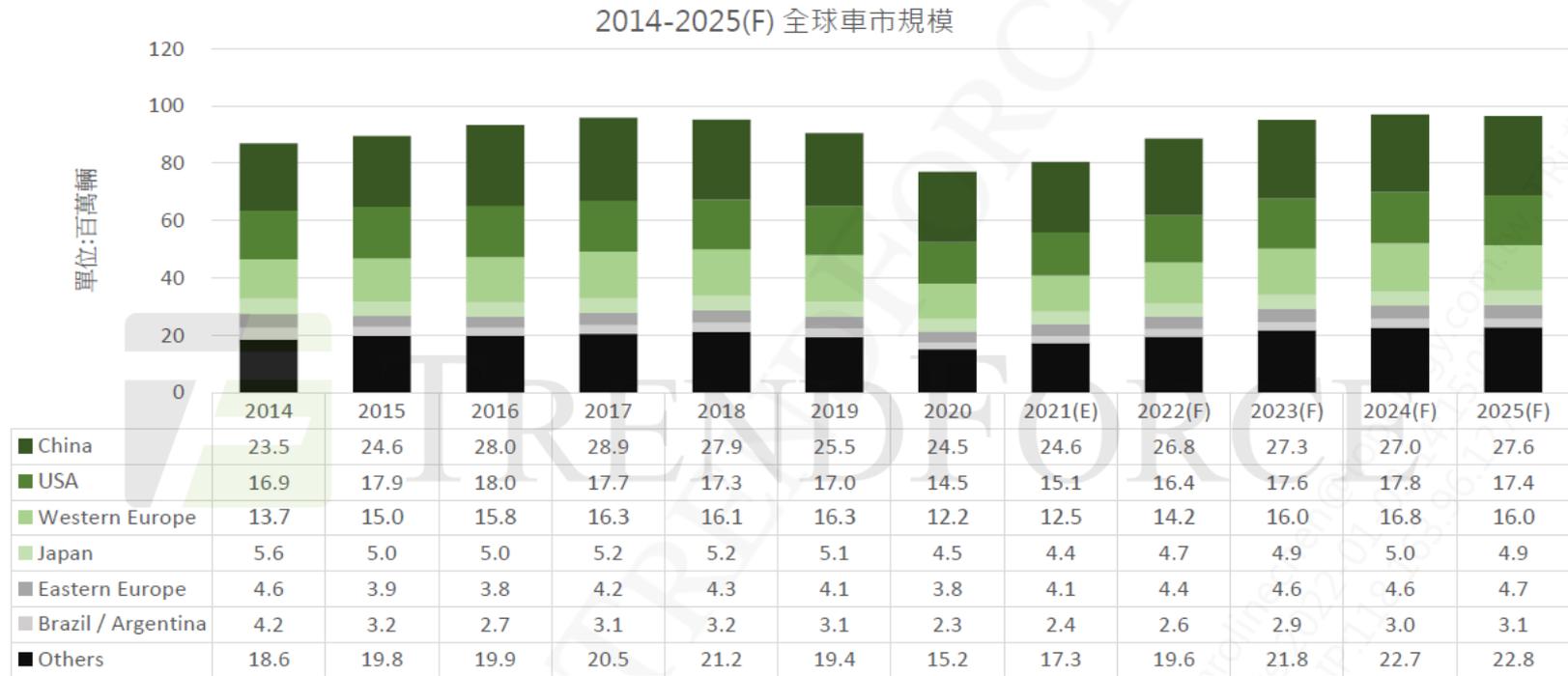


The Global Sales of Light Vehicle



- In 2021, global light vehicle sales reached 81 million, and the shortage of supply was crucial. Many countries generally faced low inventory, long delivery times for new cars, and high average selling prices. However, the total annual sales volume is still higher than 2020 while the epidemic was breaking out. Year-on-year growth of about 4%.
- In January 2022, sales increased to 84 million units/year. Regardless the reports of improving supply conditions in some markets, including China, which implies the worst of the crisis may be over, the supply chain still remains a major negative influence on the sales in 2022, outweighing the concerns about inflation and depressing economic outlook.

The automotive market size is projected to be 88.6 million units in 2022



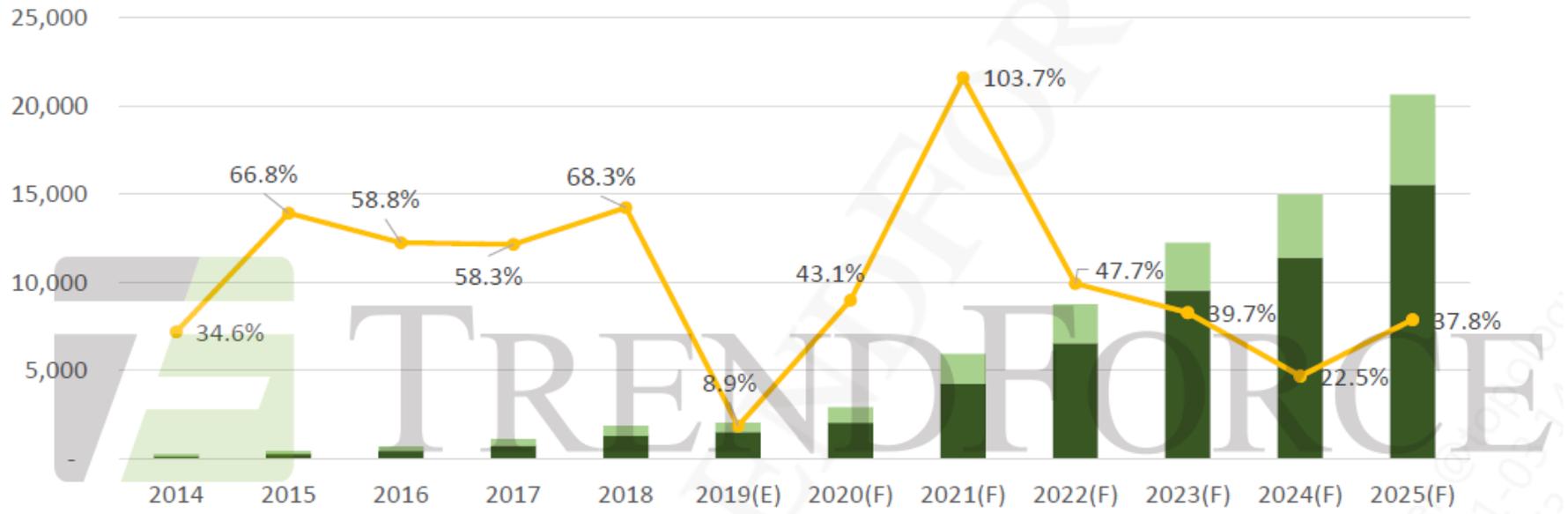
Source : TrendForce · 2021/12

- TrendForce projects that the supply chain shortage will not be eased until the second half of 2022. Taking the factors into account, such as supply constraints, the epidemic, deferred demand in 2021, and new demand in 2022, the new car sales in 2022 are estimated at 88.6 million, with a growth rate of 9%.

Electric vehicle sales top 6 million in 2021

單位: 千輛

2014-2025(F) 新能源車車型分布與成長率



- TrendForce research shows that the market sales of electric vehicles in 2021 including BEV (Battery Electric Vehicle) + PHEV (Plug-in Hybrid Electric Vehicle) have good chance of exceeding 6 million units, which will be a record year with the highest annual growth rate of 104%.
- In 2022, when the base period is already high, it is expected to maintain a high growth rate of 48%. Its' likely to climb further if the supply situation improves.

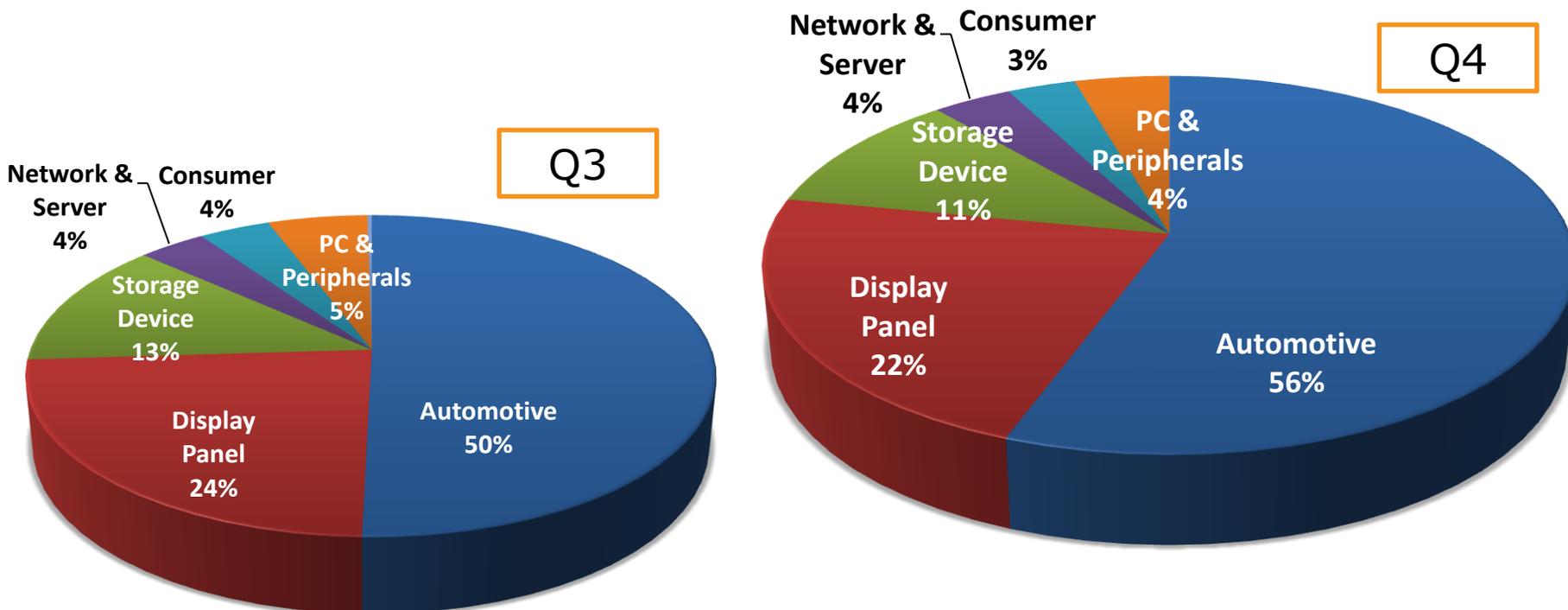
Electric cars will take the leading spot of all vehicles by 2033(5 years ahead expected)

2021 report by EY

- Electric vehicle sales in major global markets in Europe, China, and the U.S. will surpass that of regular gasoline vehicles within 12 years.
- According to AI model, global non-electric vehicle sales will be less than 1% by 2045.
- Tighter government mandates on carbon emissions are driving demand in Europe and China, the auto industry and consumers will be facing fines for gasoline-powered vehicles.
- The European market is in a leading position in electrification, and the sales of zero-carbon emission vehicles will dominate the market in 2028.
- Chinese market will reach the goal in 2033
- The United States will reach the goal in 2036.

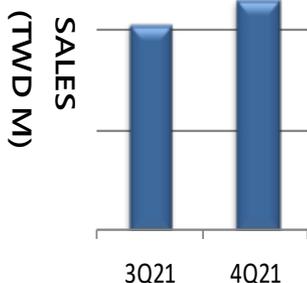
Operating Overview for Q4 of 2021 and Year 2021

2021 Q4 Revenue by Application



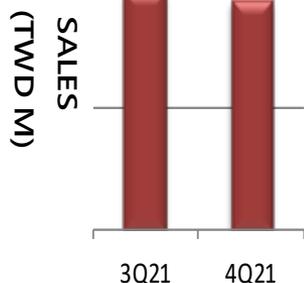
Automotive

Change +11%



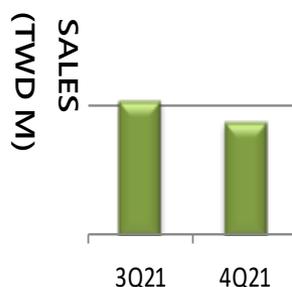
Display Panel

Change -4%



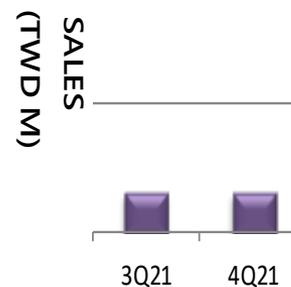
Storage Device

Change -16%



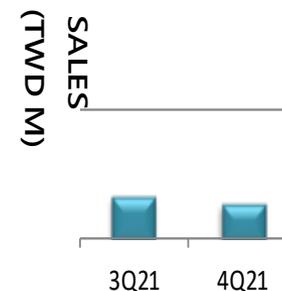
Network & Server

Change +1%



Consumer

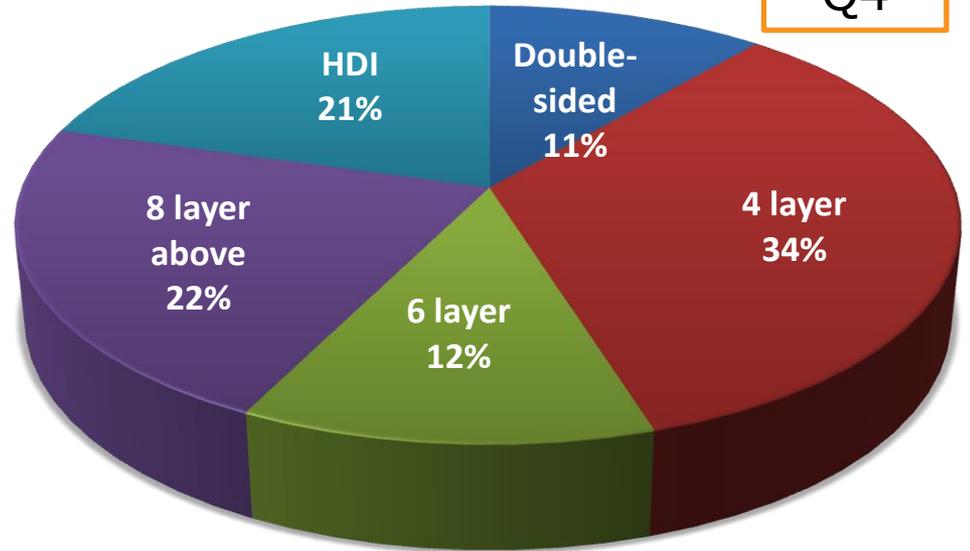
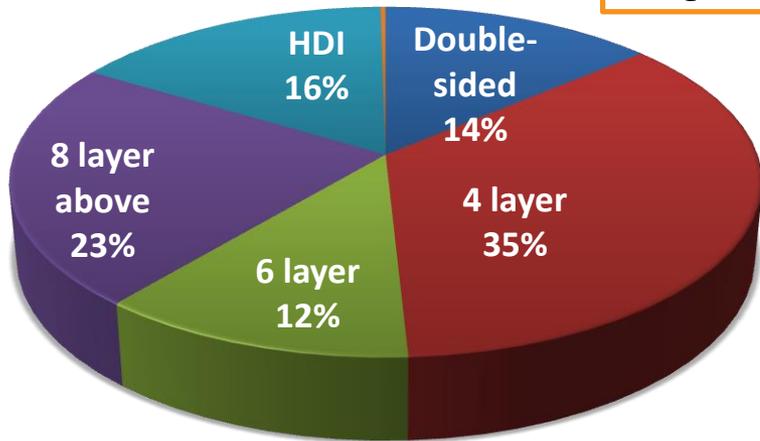
Change -18%



2021 Q4 Revenue by Technology

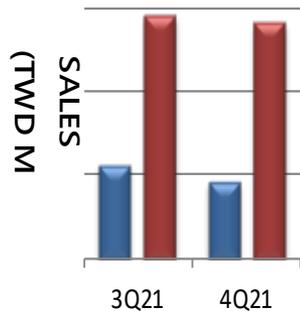
Q4

Q3



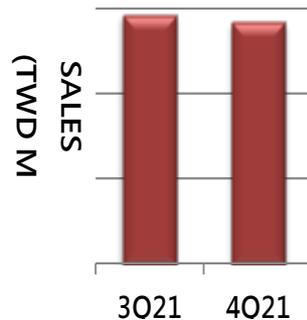
Double-sided

Change - 18%



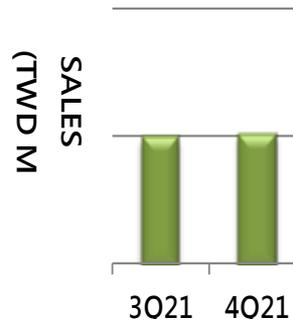
4 layer

Change - 3%



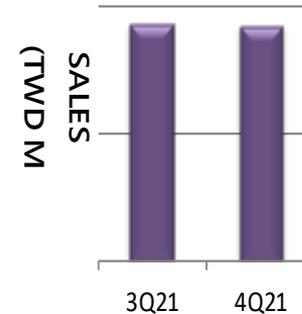
6 layer

Change +3%



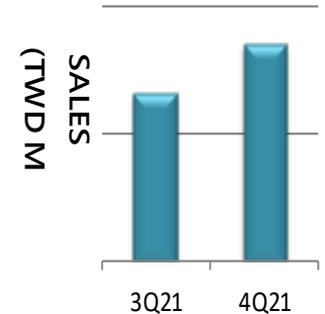
8 layer above

Change -1%

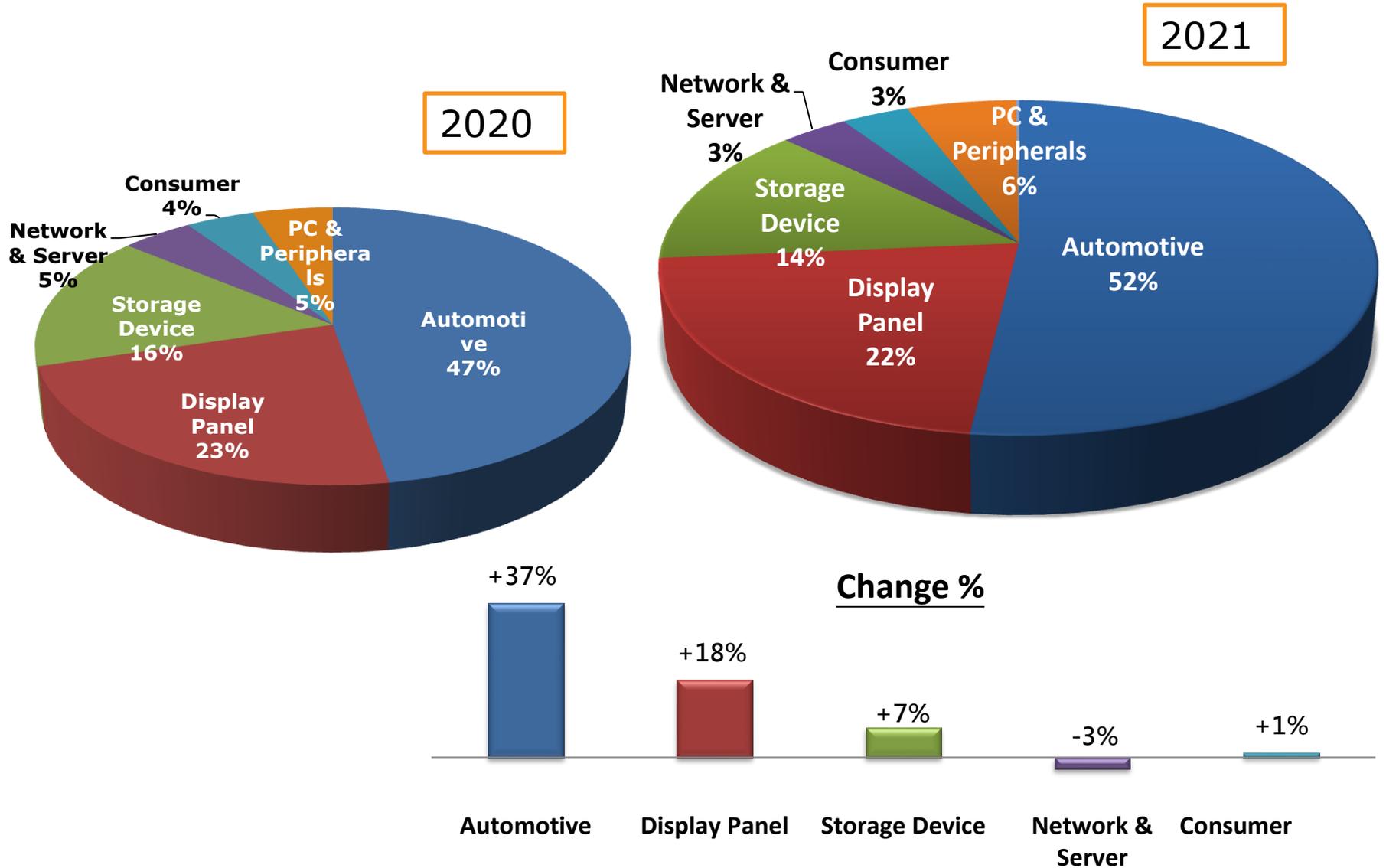


HDI

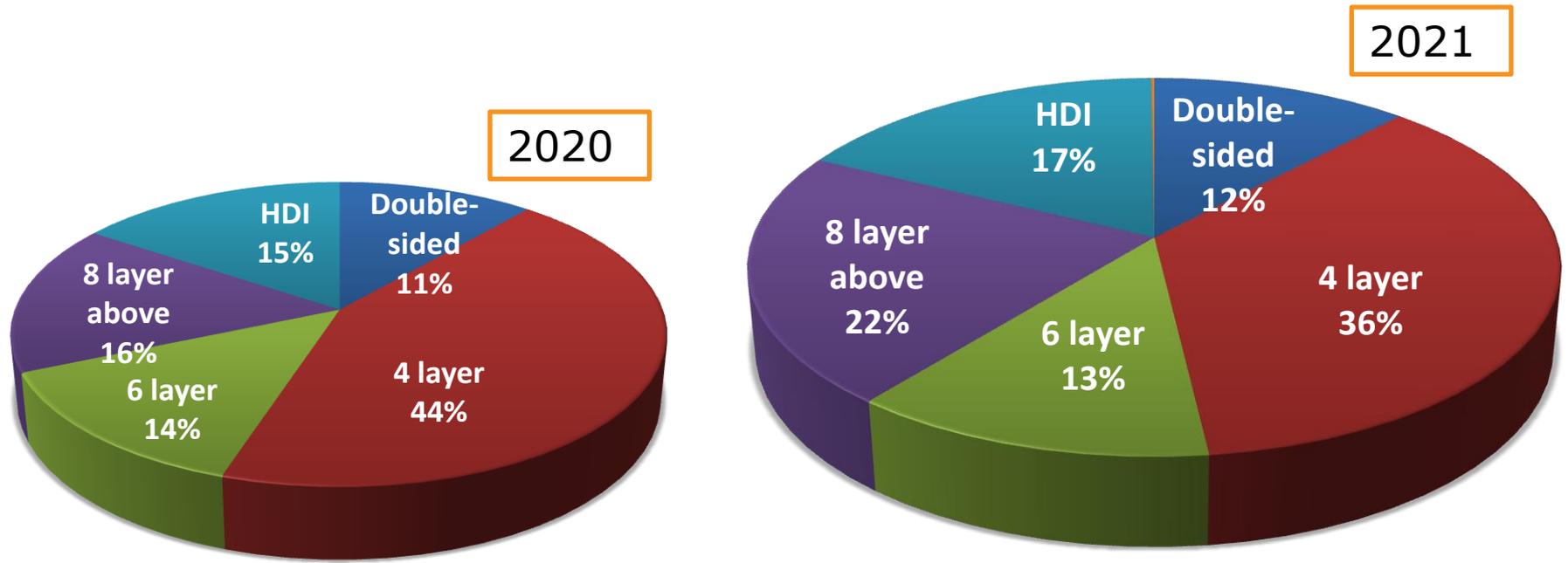
Change + 29%



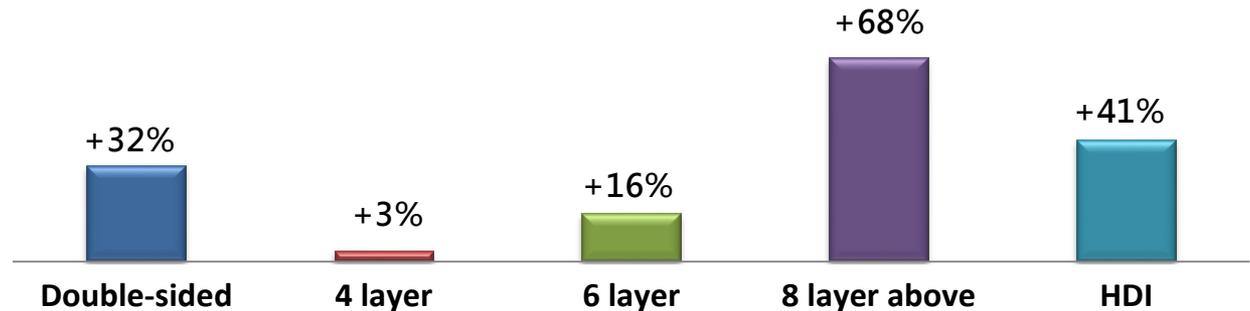
2021 Revenue by Application



2021 Revenue by Technology



Change %



Consolidated Income Statement

Accounts (TWD 100M)	4Q21	3Q21	Q-o-Q Change%	4Q20	Y-o-Y Change%	Q1-Q4 2021	Q1-Q4 2020	Y-o-Y Change%
Sales Revenue	41.58	41.17	1.0 %	35.12	18.4 %	157.53	126.24	24.8 %
Gross Profit %	12.5 %	12.8 %	(0.3)%	10.9 %	1.6 %	11.7 %	13.6 %	(1.9)% pts
Operating expense	3.09	3.15	(1.7)%	3.02	2.4 %	11.97	11.65	2.8 %
Operating Income%	5.1 %	5.2 %	(0.1)%	2.3 %	2.8 %	4.1 %	4.3 %	(0.2)% pts
Non-operating income/expenses	(0.27)	0.40	167.8 %	(0.80)	66.2 %	(0.02)	2.29	(100.9)%
Net Income (loss)	1.46	1.55	(5.4)%	(0.06)	(2,477.8)%	4.70	6.79	(30.7)%
Net Income (loss)%	3.5 %	3.8 %	(0.2)%	(0.2)%	3.7 %	3.0 %	5.4 %	(2.4)% pts
EPS(NTD)	0.53	0.56	(5.4)%	(0.02)	(2,371.5)%	1.70	2.58	(34.1)%
ROE (%)	10.6 %	11.6 %	(1.0)%	(0.5)%	11.1 %	8.5 %	13.2 %	(4.7)% pts
Average exchange	28.02	28.08	(0.2)%	29.58	(5.3)%	28.02	29.58	(5.3)%

* The weighted average shares to 277,514,506 of ordinary shares outstanding during the fourth 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)	4Q21		3Q21		4Q20	
	Amount	%	Amount	%	Amount	%
Cash and cash equivalents	27.30	15.5%	18.34	11.3%	9.99	7.6%
Accounts receivable	46.25	26.2%	44.51	27.4%	37.17	28.2%
Inventories	29.53	16.7%	31.12	19.1%	15.98	12.1%
Property, plant and equipment	62.42	35.4%	56.24	34.6%	52.40	39.7%
Total Assets	176.39	100.0%	162.65	100.0%	131.85	100.0%
Current liabilities	104.60	59.3%	96.30	59.2%	65.94	50.0%
Long-term loans	8.77	5.0%	6.13	3.8%	6.55	5.0%
Total liabilities	121.18	68.7%	109.40	67.3%	80.54	61.1%
Total equity	55.21	31.3%	53.25	32.7%	51.31	38.9%
Important Financial Indicator						
Average collection turnover	101		100		118	
Average inventory turnover	64		67		56	
Current ratio (Times)	1.0		1.1		1.1	
Asset productivity(Times)	1.1		1.1		1.1	

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

Consolidated Statements Of Cash Flows

(TWD 100M)	4Q21	3Q21	4Q20
Cash at beginning of period	18.34	25.27	16.70
Cash Flow from Operating	(2.43)	0.70	4.81
Capital Expenditure	(7.16)	(3.13)	(1.91)
Cash Dividends Paid	0.00	(1.11)	
Cash Flow from Financing	18.09	(3.38)	(9.66)
Investment & Other	0.02	(0.03)	0.02
Cash at end of period	27.30	18.34	9.99
Free Cash Flow	(9.59)	(2.44)	2.90

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

Consolidated IS & Statements Of Cash Flows

Accounts (TWD 100M)	2021	2020	Y-o-Y Change%
Sales Revenue	157.53	126.24	24.8 %
Gross Profit %	11.7 %	13.6 %	(1.9)% ppts
Operating Income%	4.1 %	4.3 %	(0.2)% ppts
Net Income (loss)	4.70	6.79	(30.7)%
EPS(NTD)	1.70	2.58	(34.1)%
Cash Flow from Operating	1.52	16.61	(90.9)%
Capital Expenditure	(15.53)	(6.68)	132.5 %
Free Cash Flow	(14.01)	9.93	(241.1)%
Cash Dividends Paid			
Cash and cash equivalents	27.30	9.99	173.3 %
ROE (%)	8.5 %	13.2 %	(4.7)% ppts

2021 Q4 Summary

- Strong demand for automotive boards in Q4, with the proportion increasing from 50% to 56%.
- In terms of technology, HDI increased from 16% to 21%, showing high-tech products continued to increase.
- Q4 revenue holds steady, gross profit margin and operating net profit margin are maintained, and foreign exchange losses are caused by the appreciation of TWD and RMB.
- The ratio of electric vehicles to total revenue continued to increase, reaching 15% in Q4 (Q1 10% -> Q2 12% -> Q3 14%).

2021 Annual Summary

- The automotive board grew by 37%, and its revenue share increased from 47% to 52%, which is the product with the largest increase.
- In terms of technology, 8-layer boards and layer-count above increased by 68%, HDI increased by 41%. The combined proportion of the two increased from 31% to 39%, which is quite significant.
- Annual revenue growth of 24.8%, higher than the average growth of the peers.
- In Q1, the price of the overall raw materials rose sharply, which affected the gross profit margin. In Q2, the gross profit recovered after finding common ground with the customer and improving production efficiency. Therefore, the average gross profit for the year dropped slightly from 2020.
- In 2021, the lean management was implemented, and the operating expense ratio reduced from 9.2% to 7.6%, which will continue to be maintained.
- Net profit after tax is \$470 million and EPS is \$1.7.
- Compared with the profit of NT\$253 million in 2020 (excluding the NT\$426 million from the sale of the Taoyuan factory), the profit increased by 86%.
- The ratio of electric vehicles to total revenue has increased from 8% in 2020 to 13%, and will continue to increase in the future.
- Continuing to develop the product technology in high-end direction.

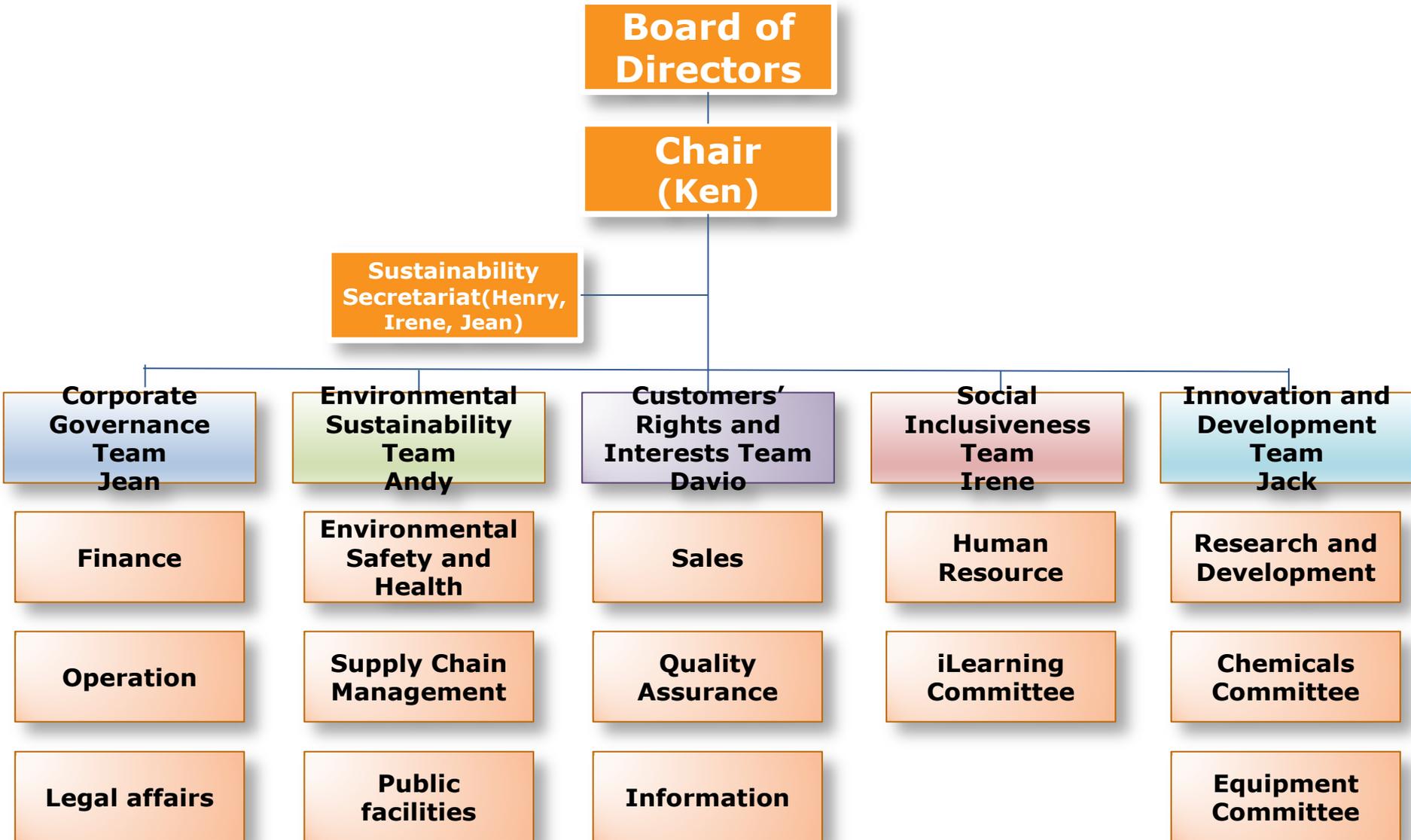
Outlook for Dynamic

2022 Outlook

- The 2022 revenue target is low double digit growth. Due to the Spring Festival holiday, the revenue forecast in Q1 is lower than that in Q4 of the previous year.
- Planning of Huangshi Plant II :
 - ✓ The construction of the plant has started in 2021Q1, with HDI and high-end manufacturing processes set up, and product applications: electric vehicles, ADAS, servers and Netcom.
 - ✓ The currently announced capital expenditure budget for the plant and equipment for phase 1 is approximately NT\$3.6 billion, and will be built phase by phase in the future depending on customer demand.
 - ✓ Phase 1 is scheduled to start mass production in Q3 of 2022, and the production capacity will be expanded month by month, the current production capacity will increase by 10~15%.
 - ✓ Source of funds: the Group's own funds and bank loans used for financing.
- Product technology continues to be developed in a high-level direction:
 - ✓ Technology categories: Type-3 and above and any layer HDI, high-frequency materials, thick copper, etc.
 - ✓ The product categories: ADAS, high-end electric vehicles, high-end notebooks, VR/AR/MR, microcell, ground satellite receivers, Mini LEDs, etc.

Dynamic Actions in ESG

Organizational Structure of ESG Sustainability Committee



Message from the Chair of the ESG Sustainability Committee

The world was still shrouded in the haze of COVID-19 2021, and continues to be subject to its social and economic impact. The substantial disasters and transition risks amid extreme climates make us more aware of the impact of climate change on human life and business. The long-term impact of operations has made the importance of ESG a global consensus.

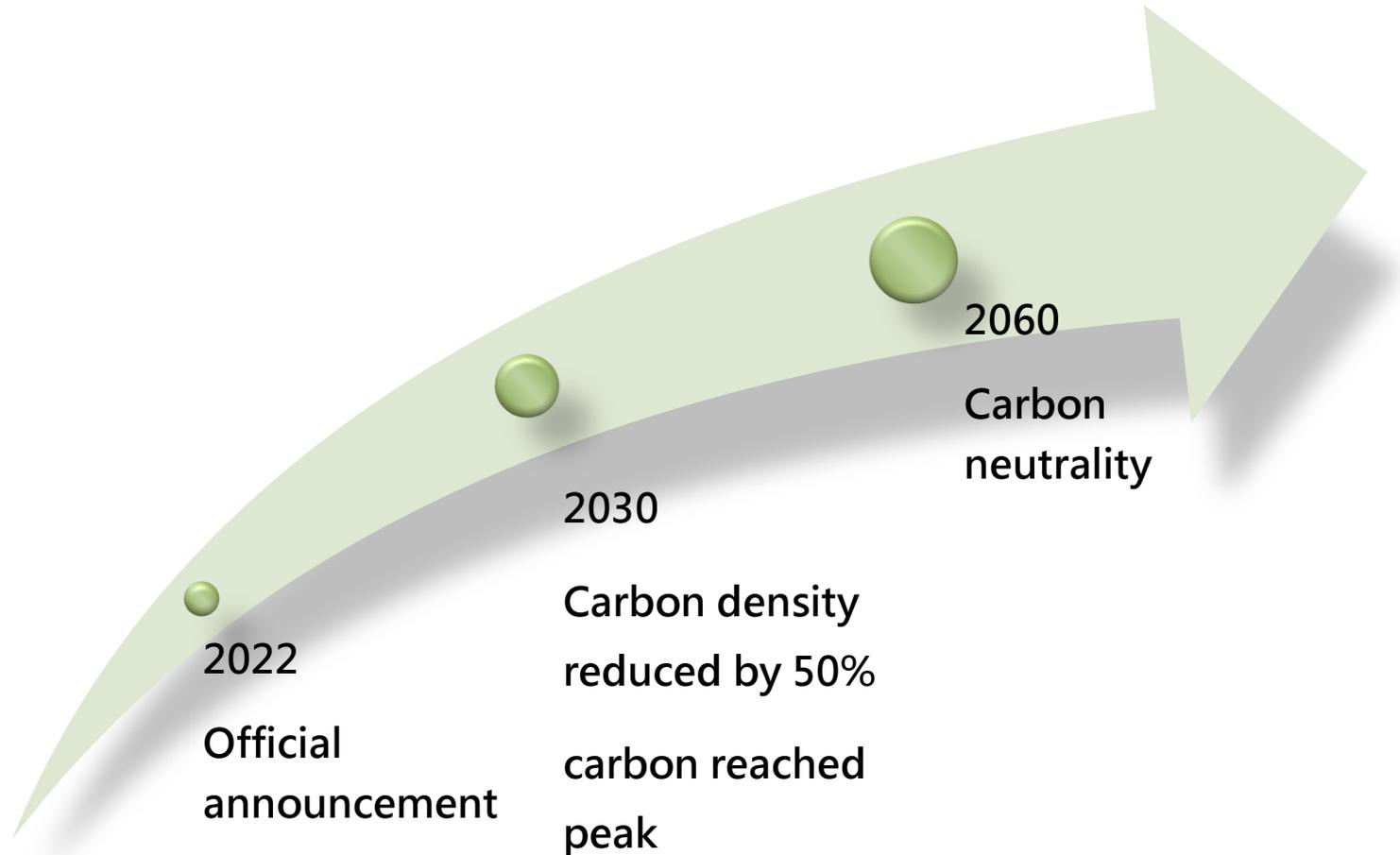
ESG is a long and difficult challenge, but it is also an unavoidable thing to achieve corporate sustainability. Therefore, we are determined to face it head-on. Under the guidance and supervision of the board of directors, we have established an ESG Sustainability Committee, which includes all relevant departments, including operations, environmental safety and health, public equipment, research and development, quality assurance, sales, supply chain management, human resources, information, finance, legal affairs, etc., with sound corporate governance as the cornerstone, formulate strategic goals and action plans for all aspects of ESG, and adjust the direction step by step. Expanding the scope and hopefully building a top-down operating model and incorporating it into our day-to-day business.

I would like to thank all my colleagues for being determined to take this challenging and visionary path together based on our common goal, making efforts for our sustainable development, and to fulfill our commitment to the environment and society; we will also continue to maintain good interaction with our stakeholders, safeguard their best interests, and join hands to move towards a better future.

Sustainability Policies

- Pursue corporate sustainability and attach importance to the management of environment, society and corporate governance.
- Strictly comply with the principle of good faith, reject improper interests, corruption, bribery and other acts.
- Follow regulatory commitments and integrate into international initiatives and standards.
- Improve technology development and promote product innovation and upgrading.
- Continue to create value and safeguard the best interests of stakeholders.
- Strengthen partnership, exert the influence of supply chain, and create common prosperity.
- Eco-friendly and mitigate the impact of climate change.
- Enhance resource use and promote circular economy.
- Respect and safeguard human rights, and value equal opportunities, diverse development and labor rights.
- Provide a friendly workplace, focus on talent development, and create a healthy and safe working environment.
- Fulfill social responsibilities and help disadvantaged groups.
- Improve information transparency, the timeliness and quality of information disclosure.

Long-Term Goal of Carbon Reduction



Carbon reduction strategies and short- and medium-term goals

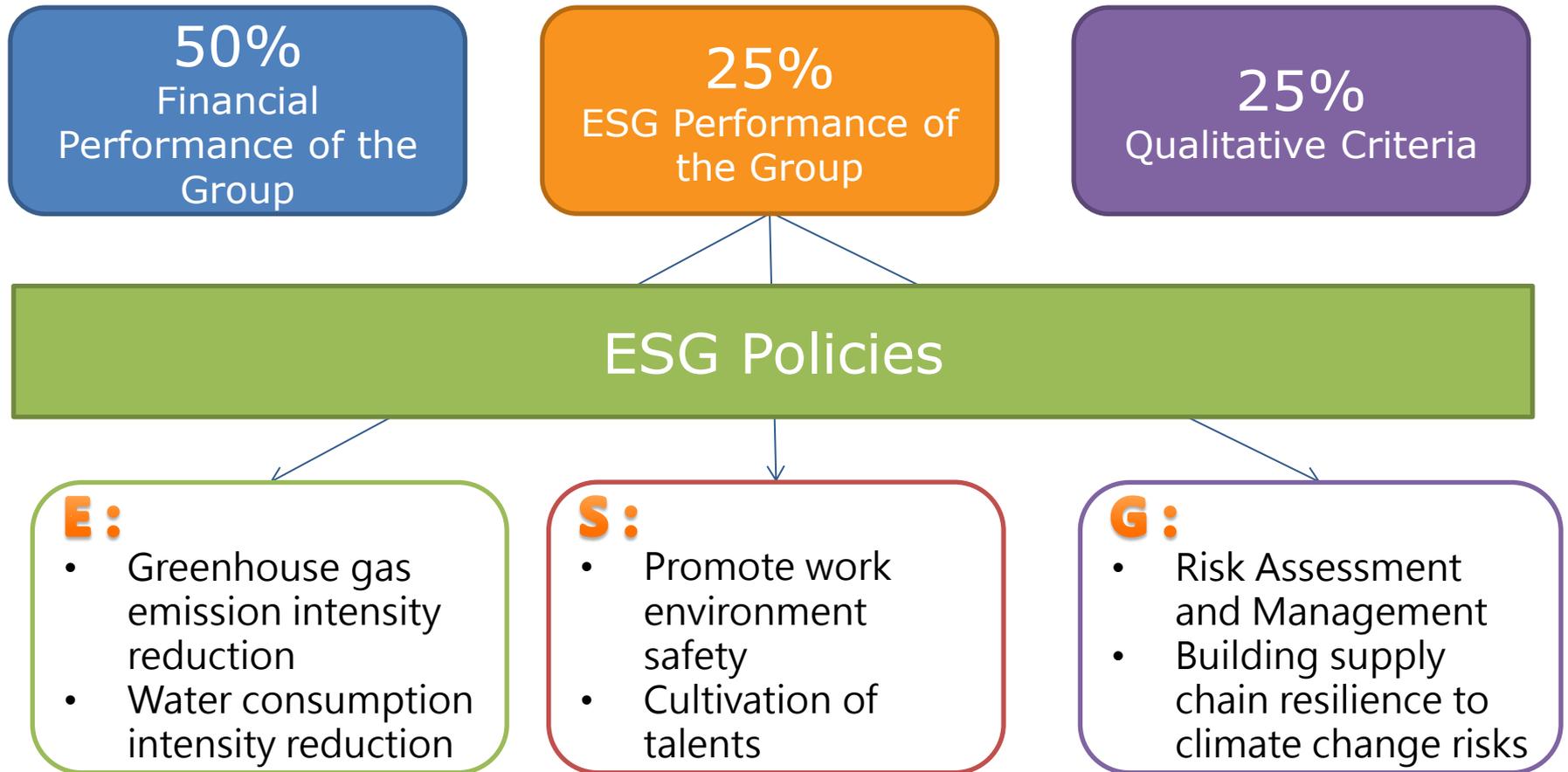
Reduce energy consumption and greenhouse gas emission intensity: 2020 is the baseline, and energy consumption intensity and greenhouse gas emission intensity (by revenue) is reduced by 4% per year, and at least 20% by 2025.

Planned solar power generation area: HS plans to generate about 8,000KW of solar power generation area per day, accounting for about 2% of HS's electricity consumption. It is expected to be completed in 2023-24.

Use of renewable energy: HS has purchased 10 million KW of green electricity in 2022, accounting for about 6% of HS's electricity consumption. The green power procurement plan for 2023~25 is planned.

Linking High-level compensation to ESG performance

The composition of director and senior executive compensation in 2022:



Let "sustainability" become one of the elements of our competitiveness differentiation!

ESG Award Recognition

				
<p>Dynamic won the top 5% of corporate governance evaluation for 5 consecutive years</p>	<p>Dynamic is awarded of Harmonious Labor Relations Enterprise of Kunshan city</p>	<p>Dynamic is awarded Water-saving advanced enterprise of Huangshi city</p>	<p>Dynamic is awarded Intelligent transformation demonstration corp</p>	<p>Dynamic Huangshi Plant is announced as National Green Factory</p>
<p>As promoting corporate governance, Dynamic truly felt the long-term benefits brought by the implementation of corporate governance, especially the completeness of governance structure and procedures. Corporate governance is a race without a finish line. We will make persistent efforts to pursue excellence and move towards sustainability.</p>	<p>Dynamic has a complete "Self-growth Incentive System", "Education and Training System" and "Dynamic Knowledge Management System" to improve the professional ability of employees. The content of harmonious enterprise will be further enriched, creating a good environment for enterprise development, employee benefit and social harmony.</p>	<p>With Dynamic' s continuous efforts in promoting water-saving awareness and action plan of the whole plant, it was awarded the "Advanced Water-saving Collective" and became the local water-saving benchmark enterprise in Huangshi city. Dynamic will continue to implement water-saving plan and apply for the provincial-level advanced water-saving enterprise; committed to becoming a water-saving practitioner in the industry.</p>	<p>Through a high degree of equipment automation, information intelligence and huge quantification, Huangshi plant has reduced human-labor dependence, improved yield, and increased output value, becoming a pioneer in intelligent factories. The high-end manufacturing process of plant II is more focused on the breadth of intelligence, reaching full coverage of the whole factory, making a great leap of the technology and quality.</p>	<p>After more than 8 months of hard work, Dynamic Huangshi plant was listed on the green factories in 2021 released by the Ministry of Industry and Information Technology. The indicators for the performance evaluation of the green factory include: intensive land use, harmless raw materials, clean production, recycling of waste and low-carbon energy</p>

Thank You!

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