



# 2021 ESG Performance



## Governance

Ranked 6-20% in the 8th "Corporate Governance Evaluation" for TWSE-listed companies



## Governance

Received the 2nd Diamond Supplier Award from Bombardier Inc.



## Environment

Received the Bronze Award in the "ROC Enterprise Environmental Protection Award"



## Governance

Received Digital Transformation Award presented by Harvard Business Review



## Governance

Received the "TCSA Overall Sustainability Performance Award"



## Environment

Received the Sustainable Environment Excellence Award from Kaohsiung City Government



## Governance

Received the "National Industrial Innovation Award" from the Ministry of Economic Affairs



## Governance

Received Gold Prize in the "Talent Quality-management System (TTQS)" of the Ministry of Labor



## Environment

Activated the energy storage system and joined the Automatic Frequency Control (AFC) ancillary





**Environment**

Excellence performance in green procurement



**Social**

Received the Happy Workplace Five Star Award from Taichung City Government



**Social**

Healthy Workplace Certification Health Promotion Mark



**Environment**

Taichung Complex passed greenhouse gas inventory certification



**Social**

Received the Healthy Workplace Award from Taichung City Government



**Social**

Received the Environmental Group Volunteer Award in the 19th Golden Glow Award from Kaohsiung City Government



**Environment**

Activated the solar power generation system for Kang-Shan Complex



**Social**

Received the Award for Outstanding Institutions Employing the People with Disabilities



**Social**

Received the Lohas Healthy Workplace Workplace Health Enterprise Award





## Financial Performance

### ◆ Revenue and profitability in past years

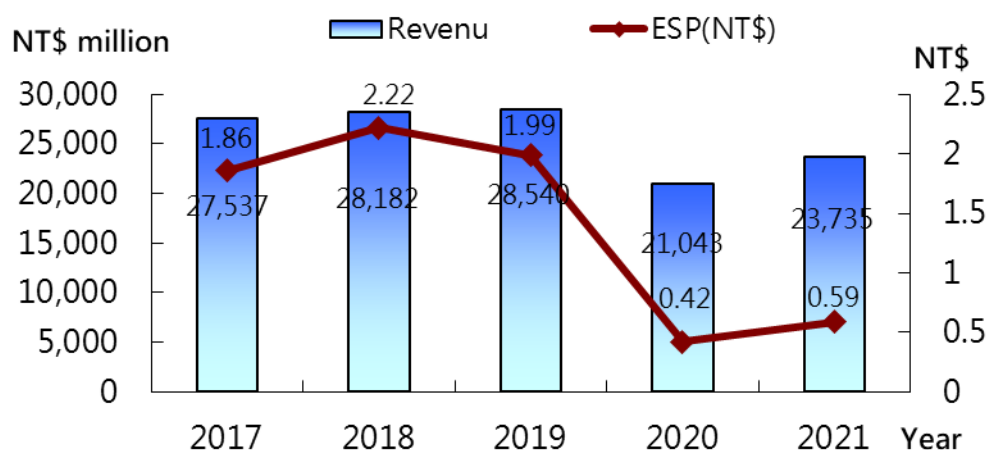
AIDC's defense businesses continued to grow steadily with the mass production of the advanced jet trainers and the continuous delivery of upgrades of F-16 A/B fighters. In terms of civilian businesses, international customers such as GE and Bombardier have benefited from the increase in demand as the COVID-19 pandemic subsided and the global tourism industry recovered. The Company's consolidated operating revenue in 2021 amounted to NT\$23,734.57 million, a 12.8% increase compared to the previous year. The net profit after tax was NT\$558.01 million and the earnings per share was NT\$0.59, which amounted to a 41% increase compared to the previous year. The net profit ratio after tax was 2.4%, which was also an increase compared to the previous year.

Unit: NT\$

| Year                             | 2017   | 2018   | 2019   | 2020   | 2021   |
|----------------------------------|--------|--------|--------|--------|--------|
| <b>Operating revenue</b>         | 27,537 | 28,182 | 28,540 | 21,043 | 23,735 |
| <b>Gross profit</b>              | 3,900  | 3,640  | 3,811  | 1,402  | 1,771  |
| <b>Operating profit</b>          | 2,770  | 2,346  | 2,445  | 180    | 491    |
| <b>Net profit before tax</b>     | 2,279  | 2,652  | 2,372  | 480    | 675    |
| <b>Net profit for the year</b>   | 1,748  | 2,092  | 1,874  | 396    | 558    |
| <b>Earnings per share (NT\$)</b> | 1.86   | 2.22   | 1.99   | 0.42   | 0.59   |

Note: Information for 2017 to 2021 is from the consolidated financial report.

### ◆ Revenue and earnings per share in past years





## ◆ Economic value distributed to stakeholders

Unit: NT\$

| Item  | 2017       | 2018       | 2019       | 2020       | 2021       |
|---|------------|------------|------------|------------|------------|
| <b>Operating costs</b>  | 23,637,272 | 24,542,508 | 24,729,566 | 19,640,836 | 21,963,093 |
| <b>Employee salary and benefits</b>                                     | 5,740,752  | 6,459,385  | 6,483,241  | 5,752,627  | 5,820,145  |
| <b>Payment made to investors (interest expenses and cash dividends)</b> | 1,027,129  | 1,197,614  | 1,479,882  | 1,300,847  | 321,616    |
| <b>Payments made to the government (income tax)</b>                     | 608,346    | 549,031    | 468,146    | 137,310    | 102,288    |
| <b>Community investment</b>   | 1,487      | 3,990      | 1,426      | 1,189      | 1,005      |

Note: Information for 2017 to 2021 is from the consolidated financial report.

## Industry Overview

### ◆ Military industries

The Company's defense business is mainly focused on the Air Force, which is the main customer and we rely on the government's defense budget. As it is difficult for Taiwan to purchase defense weapon systems from foreign countries, the military focuses on creating relative advantages in its strategy to establish independent defense capabilities, and stabilizes the budget based on the military building schedule.

In response to regional tensions in recent years and to enhance Taiwan's defense capabilities, the state has promoted independent development and production of weapon systems and actively passed special budgets such as the "special budget for new fighter procurement" passed in 2019, which included a budget of NT\$250 billion for the purchase of 66 F-16V fighters, and the "Sea-Air Combat Power Improvement Plan Purchase Special Regulation" passed by the Legislative Yuan in three readings on November 23, 2021, which included a special budget of NT\$240 billion. The aim is to gradually obtain precision missiles, air defense systems, unmanned combat aerial vehicles, high-performance naval vessels, and the wartime weapon system to be added on naval units to improve the overall naval and air force defense capabilities. The business opportunities are immense.



## ◆ Civil aviation businesses

The spread of the COVID-19 epidemic has wreaked havoc across the world and severely affected operations in the aviation industry. On May 26, the International Air Transport Association (IATA) made predictions regarding the post-pandemic era and for the recovery of the demand for air travel passengers, which is described as follows:

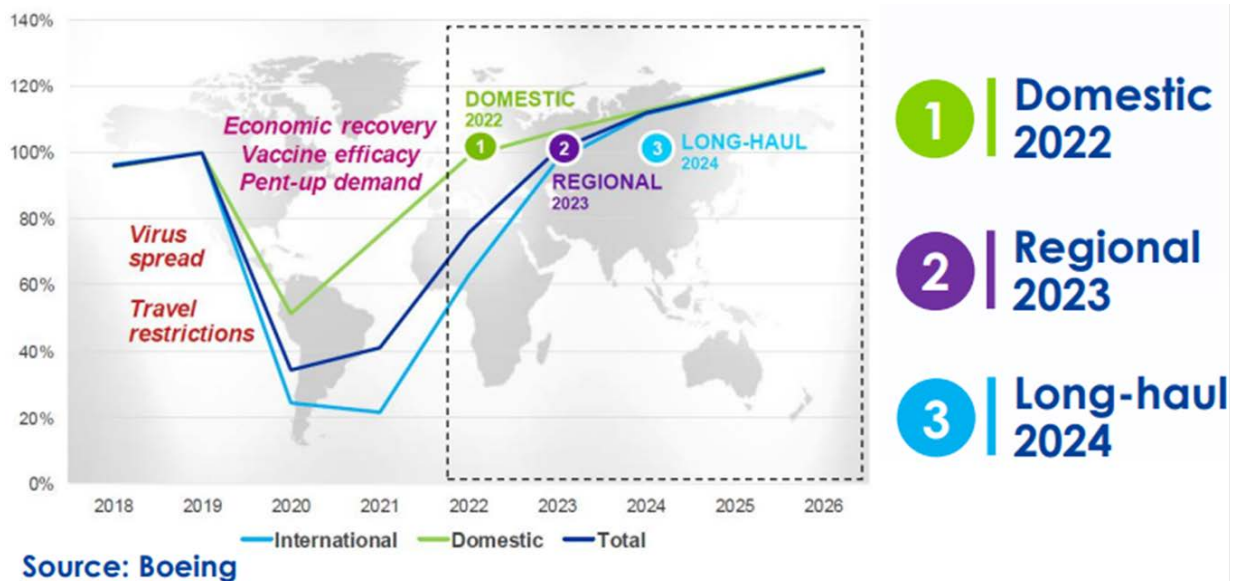
Recovery of the global passenger air travel volume to 52% pre-pandemic levels by 2021;

Recovery of the global passenger air travel volume to 88% pre-pandemic levels by 2022;

The global passenger air travel volume exceeds pre-pandemic levels by 2023 (105%).

Average annual growth rate of 3.2% from 2019 to 2039.

Boeing believes that the market would recover in three stages: Short domestic flights would recover first, followed by regional flights and long-haul flights. Therefore, the purchase orders for single-aisle aircrafts and their engines are expected to recover first.



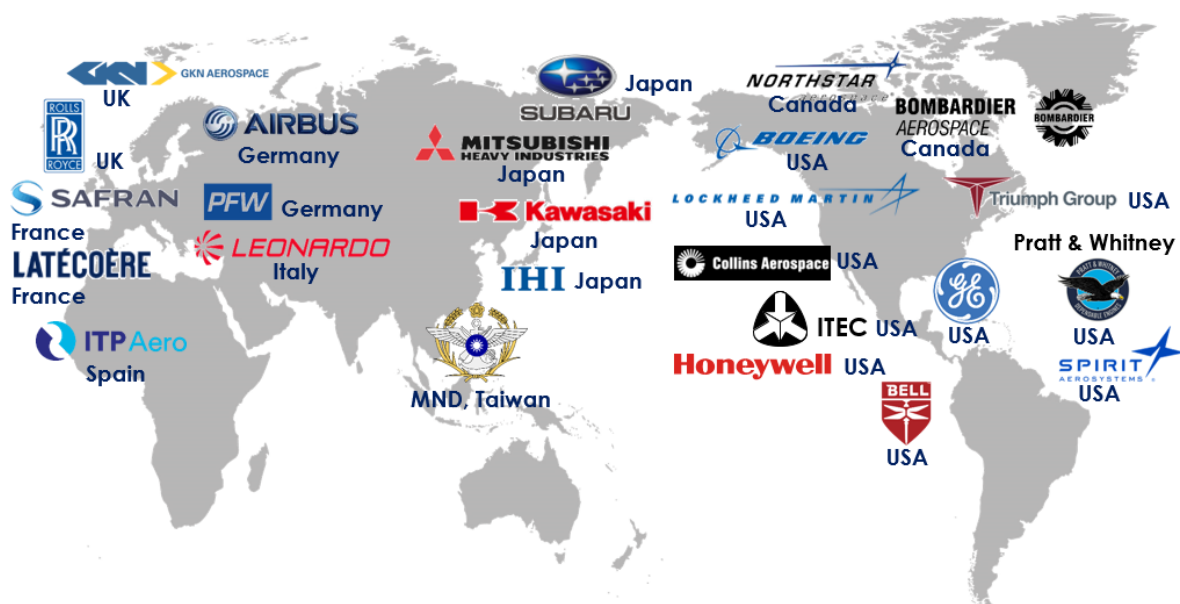
## Product Categories and Markets

AIDC businesses can be divided into military (including military aircrafts, military engines, and aircraft maintenance and repairs), civil aviation (including civil aircrafts and civil engines), and industry technologies. The sales (supply) regions and targets for the main products (services) are as follows:



| Product category               | Region   | Customer  |
|--------------------------------|----------|---|
| Military businesses            | Domestic | Ministry of National Defense, National Chung-Shan Institute of Science and Technology, Lockheed Martin, etc.  |
| Civil aviation businesses      | Overseas | Aircraft fuselage manufacturing: Major aviation manufacturers in Europe, the United States, and Japan such as Bombardier Inc., Airbus SE, PFW Aerospace GmbH, Leonardo S.p.A., The Boeing Company, Kawasaki Heavy Industries (KHI), and Honeywell Aerospace.<br><br>Engines: Major engine manufacturers in Europe, the United States, and Japan such as GE Aviation, Rolls-Royce, Honeywell Aerospace, P&W, and Honda Business Systems. |
|                                | Domestic | General Electric Global Services GmbH Taiwan Branch (Switzerland), National Space Organization, Skill Evaluation Center of Workforce Development Agency of the Ministry of Labor, Taiwan Mobile, Dah Lih Puh Co., Ltd., Taiwan Power Company, Central Weather Bureau of the Ministry of Transportation and Communications, Uni-President Enterprises Corp., Taipei Rapid Transit Corporation, Tri-Service General Hospital, etc.        |
| Industrial technology services | Overseas | MTR Corporation Limited, Toshiba Infrastructure Systems & Solutions, Eagle Investment Pte. Ltd., Nippon Shary. Ltd., Kilang Kelapa Sawit Lekir Sdn Bhd., etc.   |

AIDC is an important member in the international aerospace industry with customers such as world-class aerospace manufacturers in North America, Europe, and Asia.





## Competitive Niches

### ◆ Military businesses:

The Company has gained competitive advantages from the production of the IDF Ching-Kuo Fighter and AT-3 advanced jet trainer as well as their performance upgrades and maintenance and repairs. The Company has accumulated actual experience in the maintenance of military aircrafts and businesses contracted by military factories to the private sector, and retains competitiveness. In addition, the Company is now implementing the advanced jet trainer production project and F-16A/B performance improvement project, and was selected as the organizer of the F-16 Maintenance and Repairs Center. The Company aims to help the Air Force resolve the high unit cost, high failure rate, and long delivery period, which are the three issues that affect maintenance and repairs, and lead domestic companies in obtaining business opportunities in military aircraft production and maintenance and repairs.

### ◆ Civil aviation businesses:

The main aircraft and engine manufacturing companies in Europe and Americas mostly operate based on a global division of labor and has established a component supply chain system. Operators in emerging countries are currently cutting into the individual part processing market with low production costs and the support of their governments and have thus become a threat in low-price competition. As major international aerospace companies continue to demand lower prices such as Boeing's "Partnership for Success 2.0" strategy and Airbus' "Savings Levers 2020+" strategy, supply chain companies now face increased pressure for price reduction.

In addition, the impact of the COVID-19 pandemic has significantly reduced global air travel. Major aerospace companies such as Boeing, Airbus, GE Aviation, and Rolls-Royce have cut production, laid off employees, and reduced outsourced services as demand for new aircrafts slumped. The changes have affected the business opportunities of downstream contractors and caused changes in the aerospace supply chain. The reshuffling of the market threatens the Company's existing purchase orders but also created new opportunities.

The Company recently formed the Taiwan A-Team 4.0 Alliance and focused on "creating alliances with other industries, division of labor in the industry, lean manufacturing, and enhancement of competitiveness". We integrated the aerospace supply chain in raw materials, machinery and equipment, production and manufacturing, and logistics. We work with companies that have similar values and ideals and divide work based on our respective advantages to facilitate cooperation. We aim to use the opportunities in the reorganization of the aerospace supply chain to develop the capacity needed for the development of military aircrafts, transfer technologies to civilian use, and enhance the capabilities of companies in the Taiwan A-Team 4.0 Alliance. AIDC shall power the transformation and upgrade of the aerospace supply chain in Taiwan and expand into the new markets for the production of system parts and the maintenance and repairs of civil aircrafts to expand the global market share.

### ◆ Industrial technology services:

The Company's businesses in this category consist mainly of the application of existing aerospace technologies to support the government's policies, important industrial development and the demand for large-scale private system projects. We aim to develop related products and services, and we have created competitive niches.



## Research and Development

Unit: NT\$ thousand

The R&D expenditures we invested in the last two years are shown in this table. We will continue to make investments to improve our core competitiveness:

| Item                                  | 2020       | 2021       |
|---------------------------------------|------------|------------|
| Research and development expenditures | 516,700    | 544,242    |
| Net operating revenue                 | 21,042,937 | 23,734,566 |
| Percentage of revenue                 | 2.46%      | 2.29%      |

### Research and development completed in 2020

|   |  |
|---|--|
| Technology development for robotic arm application system integration   | Application development for lean manufacturing (II)            |
| Environmentally friendly surface treatment and development of nickel-based alloy forming and welding technology | Development of fleet management system improvements            |
| Establishment of electrochemical machining capacity in process engineering                                      | Weapon projectile control and ballistic analysis               |
| Smart manufacturing and maintenance and repairs development   | Next-generation military aircraft fuel check valve development |
| Development of advanced layer manufacturing technology for aerospace applications                               |  |

## Investees

AIDC's five investees include International Turbine Engine Company LLC, AIDC USA LLC, AeroVision Avionics Inc., Metro Consulting Service Ltd., and UHT Unitech Co., Ltd. The main businesses and products of the investees and the Company's main purpose for investment and shareholding ratio are specified below:

| Name of investee                    | Main businesses and products  | Main purpose of investment  | Shareholding ratio |
|-------------------------------------|---|---|--------------------|
| AIDC USA LLC                        | Supply of project management services, trading of components and raw materials for aircrafts, engines, related sub-power systems, logistics, and other labor services | The Company's long-term business development and niches for expanding overseas operations.  | 100%               |
| Jung Sheng Precision Ind. Co., Ltd. | Precision component processing and production services such as molds and OEM stamping   | Expansion of production capacity to relieve the Company's bottlenecks in low-end production capacity and establish a new supply chain system. | 31.25%             |





| Name of investee              | Main businesses and products   | Main purpose of investment  | Shareholding ratio |
|-------------------------------|--|---|--------------------|
| AeroVision Avionics Inc.      | Production of commercial products for the cabin information system   | Participate in the project to integrate with Taiwan's strong information industry, and use the vertical division of labor system to enhance the capabilities of domestic civil aviation electrical products and enter the market. | 13.09%             |
| Metro Consulting Service Ltd. | Planning of track-based mass transportation projects, consulting for operations, maintenance, and repairs, and business management | Accelerate improvements in the Company's technical capacity and expand related businesses for rail engineering.   | 6%                 |
| UHT Unitech Co., Ltd.         | Medium and high-grade carbon fiber and high-intensity carbon fiber   | Enhance the actual connections with members of the A-Team Alliance and increase the overall production value of Taiwan's aerospace industry.  | 2.94%              |

## Participation in Local and Foreign Organizations

AIDC actively participates in activities of international organizations and domestic industry associations and organizations with the aim of contributing to the development of the domestic aerospace industry. The organizations with AIDC participation are shown in the table below:

| Organization  | Member | Director/Supervisor | Organization  | Member | Director/Supervisor |
|---|--------|---------------------|---|--------|---------------------|
| International Aerospace Quality Group   | •      |                     | Taiwan Aerospace Industry Association                           | •      | •                   |
| Taiwan Composite Materials Industry Association   | •      | •                   | Aeronautical and Astronautical Society of the Republic of China | •      | •                   |
| Taiwan Electrical and Electronic Manufacturers' Association                                   | •      |                     | Taiwan Accreditation Foundation (TAF)                           | •      |                     |
| Taiwan Chapter of the Society for the Advancement of Material and Process Engineering (SAMPE) | •      | •                   | Taiwan Biomass Energy Industry Association                      | •      | •                   |
| Taiwan Guidance and Counseling Association  | •      |                     | Taiwan Foundry Society  | •      |                     |
| Chinese Society for Quality   | •      |                     | Flight Safety Foundation-Taiwan                                 | •      |                     |
| Chung-Hwa Railway Industry Development Association  | •      | •                   | Oracle Taiwan LLC, Taiwan Branch (U.S.A.)                       | •      |                     |
| Academia-Industry Consortium for Science Parks in Central Taiwan                              | •      | •                   | The Institute of Internal Auditors-Chinese                      | •      |                     |
| Academia-Industry Consortium for Southern Taiwan Science Park                                 | •      | •                   | Taichung City Industrial Association                            | •      |                     |
| Taiwan Corporate Governance Association   | •      |                     | Taichung Computer Association                                   | •      |                     |
| Taiwan Stock Affairs Association  | •      |                     | Taiwan Association of Machinery Industry                        | •      |                     |
| Institute of Printed Circuits (IPC)   | •      |                     | Taiwan Aerospace Additive Manufacturing Industry Association    | •      |                     |
| Taiwan Space Industry Development Association   | •      |                     | Taiwan Employee Assistance Professionals Association (TEAPA)    | •      | •                   |
| Taiwan Defense Industry Development Association   | •      | •                   | SEMI Taiwan   | •      |                     |



## Global Views Summit

### ◆ Explanation of the Company's plans for expanding carbon reduction businesses

The Chairman was invited to attend the Global Views Summit on December 7, 2021. As governments across the world reflect on the importance of green sustainability, investors now pay more attention to sustainability investment. The Global Views Summit thus focused on "sustainability", "low-carbon", and "innovation". The Chairman focused on three main themes: "Military Support for Civilian Applications — New Blue Sea", "Diverse Development for Energy Conservation and Carbon Reduction", and "Upholding Core Values for Corporate Sustainability" to share the Company's plans for expanding carbon reduction businesses. He emphasized that AIDC will continue to support the development of the aerospace industry and will also take the lead in the carbon reduction market to help improve the society.

## Enterprise Ranking

### ◆ World aerospace rankings

According to Top 100 Aerospace Companies report compiled by *Flight International* in 2021, AIDC was ranked 68th among global aerospace companies for its revenue performance in 2020, which was the same as the ranking in 2019, as shown in the table below:

Unit: US\$ million

| Top 10 in Asia among the top 100 global aerospace companies |             |      |      |  |             | Operating revenue (\$m) |       | Operating profit (\$m) |       | Operating profit margin (%) |        |
|---|-------------|------|------|--|-------------|-------------------------|-------|------------------------|-------|-----------------------------|--------|
| Rank  | Rank change | 2020 | 2019 | Company name                           | Country     | 2020                    | 2019  | 2020                   | 2019  | 2020                        | 2019   |
| 1   | 6           | 16   | 22   | Mitsubishi Heavy Industries            | Japan       | 6,579                   | 6,466 | -888                   | -1915 | -13.5%                      | -29.6% |
| 2   | 11          | 19   | 30   | Aviation Industry Corporation of China | China       | 6,111                   | 6,018 | 271                    | 249   | 4.4%                        | 4.1%   |
| 3   | 8           | 23   | 31   | Hanwha Aerospace                       | South Korea | 4,513                   | 4,516 | 207                    | 142   | 4.6%                        | 3.1%   |
| 4   | 9           | 24   | 33   | Israel Aerospace Industries            | Israel      | 4,184                   | 4,108 | 195                    | 121   | 4.7%                        | 2.9%   |
| 5   | -           | 29   | 29   | Kawasaki Heavy Industries              | Japan       | 3,539                   | 4,885 | -296                   | 392   | -8.4%                       | 8.0%   |
| 6   | 3           | 31   | 34   | Hindustan Aeronautics                  | India       | 3,119                   | 3,089 | 576                    | 543   | 18.5%                       | 17.6%  |
| 7   | 3           | 33   | 36   | Korea Aerospace Industries             | South Korea | 2,396                   | 2,668 | 118                    | 236   | 4.9%                        | 8.9%   |
| 8   | -3          | 35   | 32   | Ishikawajima-Harima Heavy Industries   | Japan       | 2,292                   | 3,392 | -379                   | 191   | -16.5%                      | 5.6%   |
| 9   | -2          | 40   | 38   | Singapore Technologies Engineering     | Singapore   | 1,969                   | 2,533 | 144                    | 230   | 7.3%                        | 9.1%   |
| 10  | 10          | 46   | 56   | Elbit Systems                          | Israel      | 1,650                   | 1,617 | -                      | -     | -                           | -      |
| 11  | -7          | 49   | 42   | Turkish Aerospace Industries           | Turkey      | 1,504                   | 2,267 | -                      | -     | -                           | -      |
| 12  | -16         | 59   | 43   | Panasonic Avionics                     | Japan       | 956                     | 2,240 | -                      | -     | -                           | -      |
| 13  | -4          | 62   | 58   | Subaru (Fuji Heavy Industries)         | Japan       | 822                     | 1,304 | -92                    | 47    | -11.2%                      | 3.6%   |
| 14  | -           | 68   | 68   | Aerospace Industrial Development Corp. | Taiwan,ROC  | 714                     | 923   | 6                      | 79    | 0.8%                        | 8.6%   |

Source: FLIGHT INTERNATIONAL "Top 100 aerospace companies by revenue 2020" (Sep. 2021)

### ◆ Taiwan's manufacturing industry rankings

According to Top 2000 Manufacturing Companies survey conducted by *CommonWealth Magazine* on May 18, 2022, AIDC was ranked 176th in the top 1000 manufacturing companies.

| Year      | 100 | 101 | 102 | 103 | 104 | 105 | 106 | 107 | 108 | 109 | 110 |
|-----------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| AIDC rank | 173 | 155 | 145 | 140 | 120 | 117 | 127 | 129 | 121 | 165 | 176 |

Source: *CommonWealth Magazine* Issue 748 (published on May 18, 2022)