

TECO Electric & Machinery Co., Ltd.



2015 4Q Business Review

Driving and Connecting Globally



Safe Harbor Statement

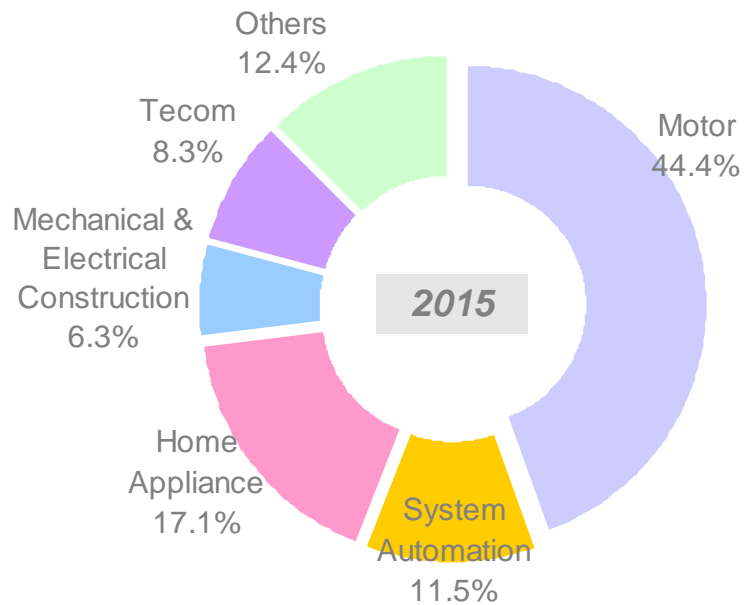
- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law, we undertake no obligation to update any forward – looking statements, whether as a result of new information, future events or otherwise.

Agenda

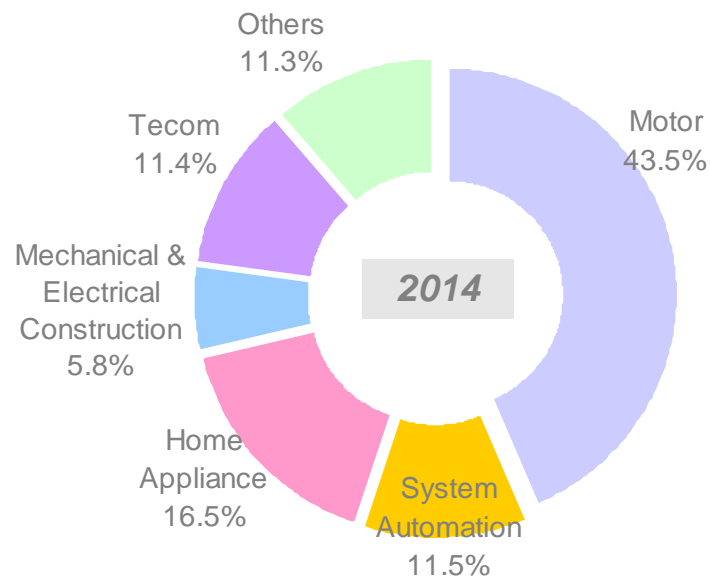
Operation Overview

Appendix

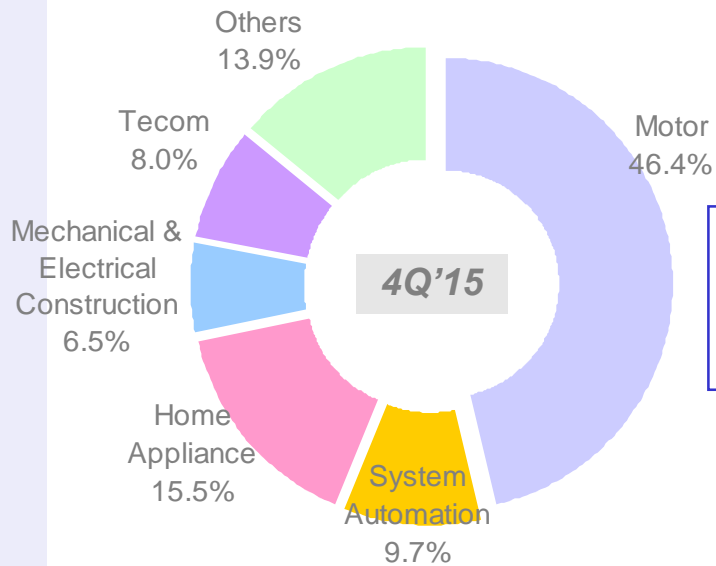
Revenue Breakdown 1/2



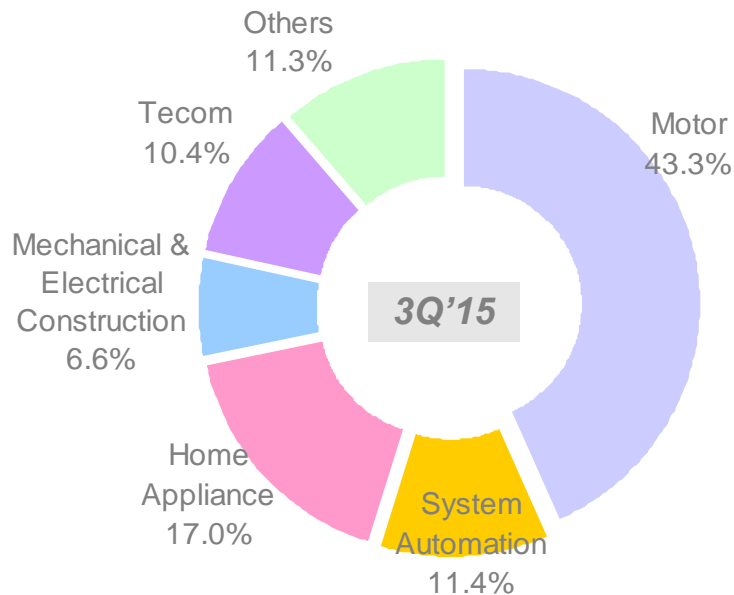
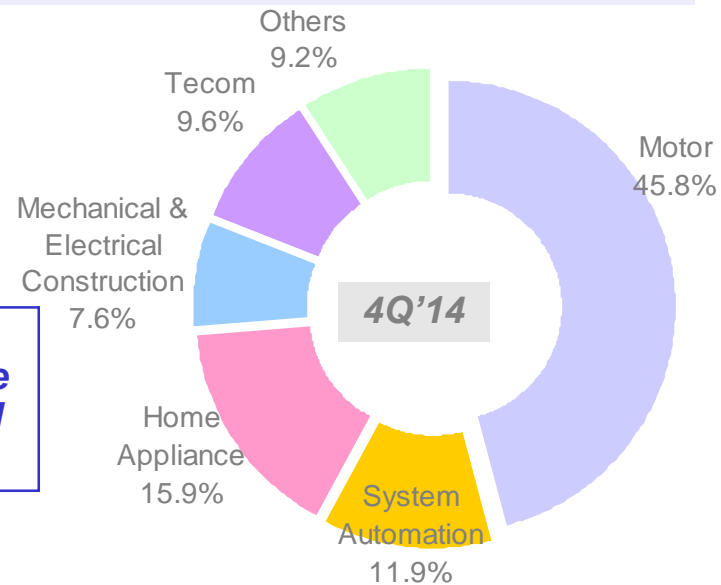
In 2015, total consolidated topline down 9.7% YoY.



Revenue Breakdown 2/2

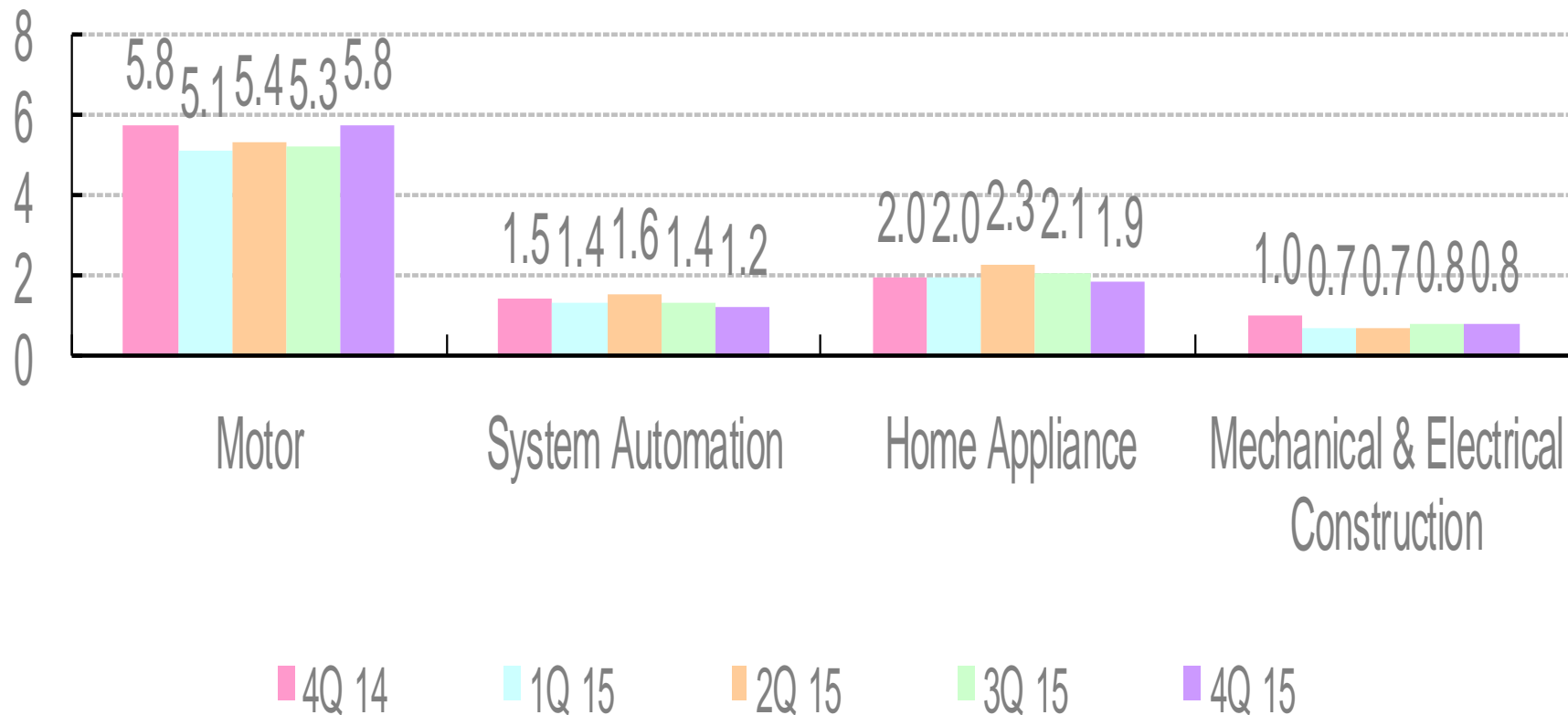


In 4Q'15, total consolidated topline down 1.1% YoY and up 1.9% QoQ.



Sales Trend on Major Business lines

NT\$ Billion



2015 Financial Highlights - consolidated

(In NT Millions)	2015	2014	YoY
Net Sales - recurring *	48,505	53,622	-9.5%
Gross Margin - recurring *	25.4%	24.7%	+70bps
Operating Margin - recurring *	7.6%	8.0%	-40bps
EPS (NT\$)	1.60	2.05	-22.0%
ROE (%) **	6.6%	8.8%	-220bps
ROA (%) **	3.8%	5.1%	-130bps

* Excluding Security Sales Revenue

** Annualized number and excluding minority interest

2015 Income Statement - consolidated

(In NT Millions)	2015	2014	YoY
Operating Revenue	48,599	53,748	-9.6%
Recurring Operating Revenue	48,505	53,622	-9.5%
Gain on Sales of Financial Assets	94	126	-25.4%
Gross Profit, net *	12,400	13,392	-7.4%
Operating Profit	3,788	4,423	-14.4%
Non-operating Income (Expense)	776	1,277	-39.2%
Income before Tax	4,563	5,700	-19.9%
Income Tax Expense	(1,049)	(1,298)	-19.2%
Net Income **	3,177	4,063	-21.8%
EPS (NT\$)	1.60	2.05	-22.0%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

4Q 15 Financial Highlights - consolidated

(In NT Millions)	4Q 15***	3Q 15***	QoQ	4Q 14***	YoY
Net Sales - recurring *	12,467	12,273	1.6%	12,518	-0.4%
Gross Margin - recurring *	25.5%	25.4%	10bps	24.4%	110bps
Operating Margin - recurring *	7.4%	8.0%	-60bps	5.8%	160bps
EPS (NT\$)	0.28	0.48	-41.7%	0.34	-17.6%
ROE (%) **	4.8%	8.2%	-340bps	5.8%	-100bps
ROA (%) **	2.8%	4.8%	-200bps	3.4%	-60bps

* Excluding gain on sales of financial assets

** Annualized number and excluding non-controlling interests

*** Comply with IFRS

4Q 15 Income Statement - consolidated

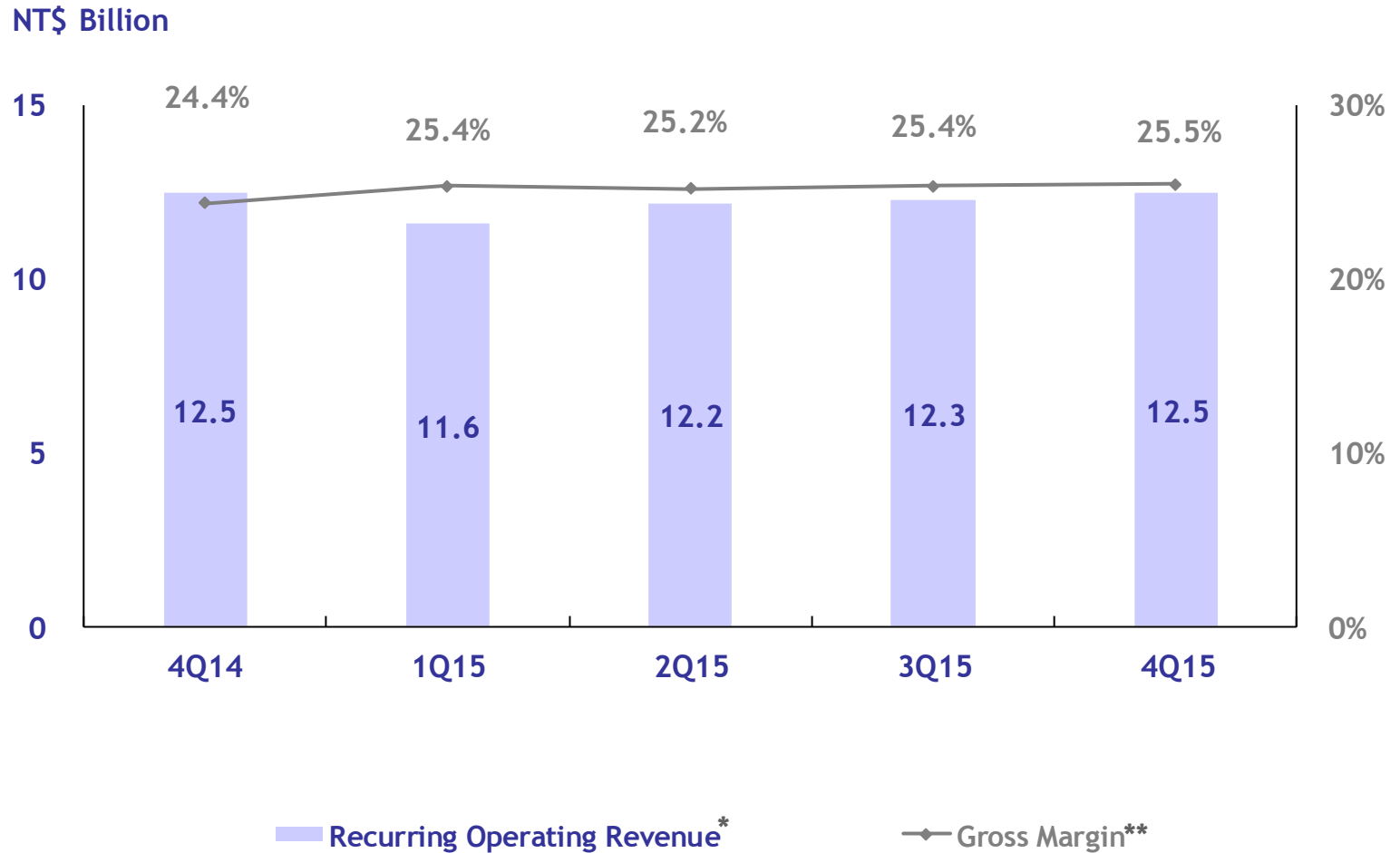
(In NT Millions)	4Q 15***	3Q 15***	QoQ	4Q 14 ***	YoY
Operating Revenue	12,476	12,248	1.9%	12,577	-0.8%
Recurring Operating Revenue	12,467	12,273	1.6%	12,518	-0.4%
Gain on Sales of Financial Assets	9	(25)	-	59	-84.7%
Gross Profit, net *	3,189	3,087	3.3%	3,108	2.6%
Operating Profit	936	962	-2.7%	785	19.2%
Non-operating Income (Expense)	(137)	413	-133.2%	168	-181.5%
Income before Tax	798	1,376	-42.0%	953	-16.3%
Income Tax Expense	(136)	(338)	-59.8%	(196)	-30.6%
Net Income **	570	957	-40.4%	697	-18.2%
EPS (NT\$)	0.28	0.48	-41.7%	0.34	-17.6%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

*** Comply with IFRS

Recurring Operating Revenue vs. Gross Margin

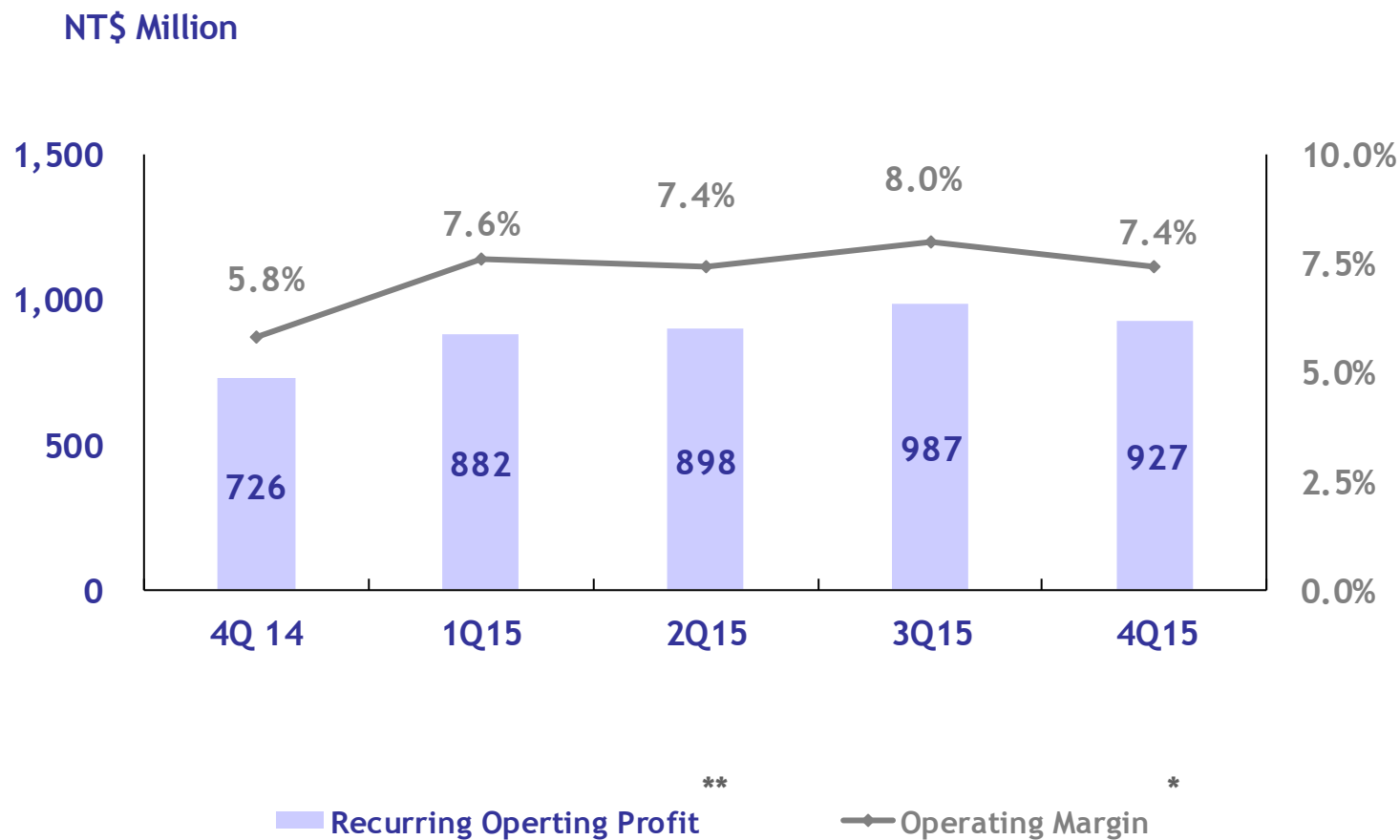


* Recurring Operating Revenue = Operating Revenue – Gain on Sales of Financial Assets

** Gross Margin = Recurring Gross Profit / Recurring Operating Revenue

*** Recurring Gross profit excludes Gain on Sales of Financial Assets

Recurring Operating Profit vs. Operating Margin



* Recurring Operating Profit / Recurring Operating Revenue

** Recurring Operating Profit excludes Gain on Sales of Financial Assets

2015 Balance Sheet - consolidated

(In NT 1,000)	Dec 15		Sep 15		Dec 14	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	14,919,042	18%	16,380,750	21%	17,201,690	21%
Receivable	12,366,714	14%	11,866,765	14%	11,817,073	14%
Inventories	11,755,227	14%	11,311,913	14%	11,539,306	14%
Total Assets	84,434,252	100%	79,207,519	100%	82,713,045	100%
Short-term Borrowings	6,619,012	8%	2,314,695	3%	2,472,904	3%
Accounts Payable	12,069,341	14%	11,640,733	15%	13,216,081	16%
Long-term Borrowings	2,300,299	3%	3,485,801	4%	5,474,646	7%
Corporate Bond Payable	3,000,000	3%	3,000,000	4%	1,527,600	2%
Total Liabilities	33,001,748	39%	28,972,928	37%	29,424,323	36%
Equities	51,432,504	61%	50,234,591	63%	53,288,722	64%

Key Indices

Quarterly AR Turnover (times)	4.69	4.65	5.20
Quarterly Inventory Turnover (times)	2.89	2.92	3.28
Current Ratio	1.86	2.41	2.39
Quick Ratio	1.29	1.73	1.70
Net Debt to Equity	-5.8%	-15.1%	-14.5%

Agenda

Operation Overview

Appendix

Income Statements

(In NT Millions, unless otherwise noted)	4Q14	1Q15	2Q15	3Q15	4Q15
Operating Revenue	12,577	11,716	12,160	12,248	12,476
Recurring Operating Revenue	12,518	11,611	12,154	12,273	12,467
Gain on Sales of Financial Assets	59	105	6	(25)	9
Operating Costs	(9,469)	(8,665)	(9,091)	(9,158)	(9,289)
Gross Profit, net *	3,108	3,057	3,067	3,087	3,189
Operating Expense	(2,323)	(2,070)	(2,165)	(2,124)	(2,254)
Operating Profit	785	987	903	962	936
Non-operating Income (Expense)	168	122	378	413	(137)
Income before Tax	953	1,109	1,280	1,376	798
Income Tax Expense	(196)	(287)	(288)	(338)	(136)
Net Income **	697	737	913	957	570
<i>Net Margin</i>	5.5%	6.3%	7.5%	7.8%	4.6%
EPS (NT\$)	0.34	0.37	0.46	0.48	0.28

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

Income Statements

(In NT Millions, unless otherwise noted)	2011	2012***	2013***	2014***	2015***
Net Sales	46,809	48,730	56,619	53,748	48,599
Recurring Net Sales	46,775	48,604	56,566	53,622	48,505
Securities Sales Revenue	34	126	53	126	94
COGS	(36,065)	(37,273)	(43,138)	(40,357)	(36,203)
Gross Profit *	10,738	11,450	13,485	13,392	12,400
Operating Expense	(7,436)	(7,621)	(8,859)	(8,969)	(8,613)
Operating Income	3,302	3,829	4,626	4,423	3,788
Non-operating Income	339	580	778	1,277	776
Income before tax	3,641	4,409	5,404	5,700	4,563
Income Tax Benefit / (Expense)	(747)	(1,082)	(1,226)	(1,298)	(1,049)
Net Income**	2,783	3,080	3,760	4,063	3,177
<i>Net Margin</i>	5.9%	6.3%	6.6%	7.6%	6.5%
Basic EPS (NT\$)	1.54	1.69	2.01	2.05	1.60

* Gross profit includes unrealized / realized inter-company profit

** Excluding minority interest

*** Comply with IFRS

Balance Sheets

	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
Cash & Cash Equivalens	17,202	15,089	15,436	16,381	14,919
Receivables	11,817	11,696	12,078	11,867	12,367
Inventories	11,539	11,347	11,364	11,312	11,755
Other Current Assets	2,717	3,276	3,268	4,046	3,251
Total Current Assets	43,275	41,408	42,146	43,606	42,292
Financial Assets					
Available for Sale - Non Current	14,156	12,797	12,712	10,388	10,906
Long-Term Investments Under Equity Method	5,352	5,244	5,233	5,503	5,465
Other Non-Current Assets	19,930	19,666	19,673	19,711	25,771
Total Non-Current Assets	39,438	37,707	37,618	35,602	42,142
Total Assets	82,713	79,115	79,764	79,208	84,434
Current Liabilities	18,076	16,268	20,123	18,104	22,715
Bonds Payable	1,528	1,513	3,000	3,000	3,000
Long-Term Borrowing	5,475	4,333	1,385	3,486	2,300
Other Non-Current Liabilities	4,345	4,276	4,252	4,383	4,987
Total Non-Current Liabilities	11,348	10,122	8,637	10,869	10,287
Total Liabilities	29,424	26,390	28,760	28,973	33,002
Total Shareholders' Equity *	53,289	52,725	51,004	50,235	51,433

* Non-controlling interest included

Balance Sheets

	2011	2012 **	2013**	2014**	2015**
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
<i>Cash & Cash Equivalents</i>	11,612	13,179	14,909	17,202	14,919
<i>Receivables</i>	9,001	11,134	11,914	11,817	12,367
<i>Inventories</i>	11,070	10,761	11,193	11,539	11,755
<i>Other Current Assets</i>	3,601	1,954	2,827	2,717	3,251
Total Current Assets	35,284	37,028	40,843	43,275	42,292
Funds and Investments	16,561	15,799	15,799	19,508	16,371
Fixed & Other Assets	18,488	19,379	20,248	19,930	25,771
Total Assets	70,333	72,206	76,890	82,713	84,434
Current Liabilities	16,330	17,682	19,984	18,076	22,715
Short-term Loans	1,654	2,916	2,917	2,473	6,619
Long-Term Interest-bearing debt	12,501	10,914	6,140	7,229	5,531
Long-term Loans	11,973	7,906	4,498	5,475	2,300
Corporate Bonds Payable	0	2,903	1,476	1,528	3,000
Other Liabilities	2,761	4,324	4,042	4,119	4,756
Total Liabilities	31,592	32,920	30,166	29,424	33,002
Total Shareholders' Equity	38,741	39,286	46,724	53,289	51,433

* Non-controlling interest included

** Comply with IFRS

Cash Flows

(In NT Millions)	4Q14	1Q15	2Q15	3Q15	4Q15
Pretax Income*	953	1,109	1,280	1,376	798
Depreciation & Amortization	360	308	322	324	354
Other Op Sources/(Use)	2	(1,725)	138	(149)	1,406
From Operation	1,315	(308)	1,740	1,551	2,558
Capital Expenditures	3,806	(404)	(555)	(455)	(653)
Marketable Financial Instruments	369	380	(3)	(18)	117
Other Investing Sources/(Uses)	(4,176)	(186)	(3)	(966)	(3,122)
From Investment	(1)	(210)	(561)	(1,439)	(3,658)
Cash Dividends	0	0	0	(2,203)	0
Other Financing Sources/(Uses)	63	(1,253)	(487)	2,581	93
From Financing	63	(1,253)	(487)	378	93
Net Cash Position Change*	1,371	(2,113)	347	945	(1,462)
Ending Cash Balance	17,202	15,089	15,436	16,381	14,919

* Including exchange rate

Cash Flows

(In NT Millions)	2011	2012***	2013***	2014***	2015***
Net Income/ Pretax Income	2,894*	4,409	5,403	5,700	4,563
Depreciation & Amortization	1,216	1,417	1,442	1,326	1,308
Other Op Sources/(Use)	(854)	(202)	(860)	(1,859)	(330)
From Operation	3,256	5,624	5,985	5,167	5,541
Capital Expenditures	(1,719)	(800)	(962)	(2,032)	(2,067)
Marketable Financial Instruments	359	21	379	579	476
Other Investing Sources/(Uses)	(95)	80	438	672	(4,277)
From Investment	(1,455)	(699)	(145)	(781)	(5,868)
Cash Dividends	(1,468)	(1,661)	(1,922)	(2,203)	(2,203)
Employee & BOD Profit Sharing	0	0	0	0	0
Other Financing Sources/(Uses)	1,415	(892)	(2,034)	5	934
From Financing	(53)	(2,553)	(3,956)	(2,198)	(1,269)
Net Cash Position Change**	1,452	1,576	1,730	2,301	(2,283)
Ending Cash Balance	11,613	13,179	14,909	17,202	14,919

* Net income before complying with IFRS *** Comply with IFRS

** Including exchange rate effect

[Http//www.teco.com.tw](http://www.teco.com.tw)

ir@teco.com.tw