

TECO Electric & Machinery Co., Ltd.



2018 1Q Business Review

Driving and Connecting Globally



Safe Harbor Statement

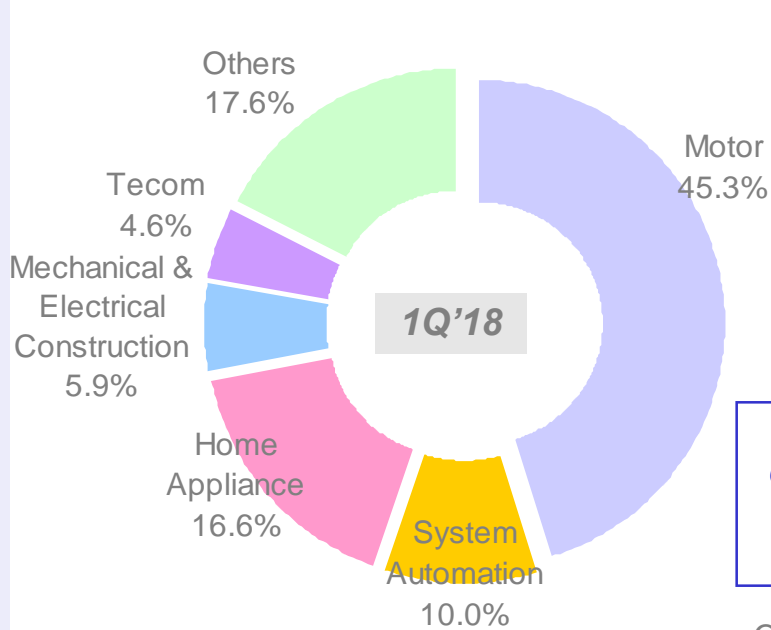
- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law,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

Agenda

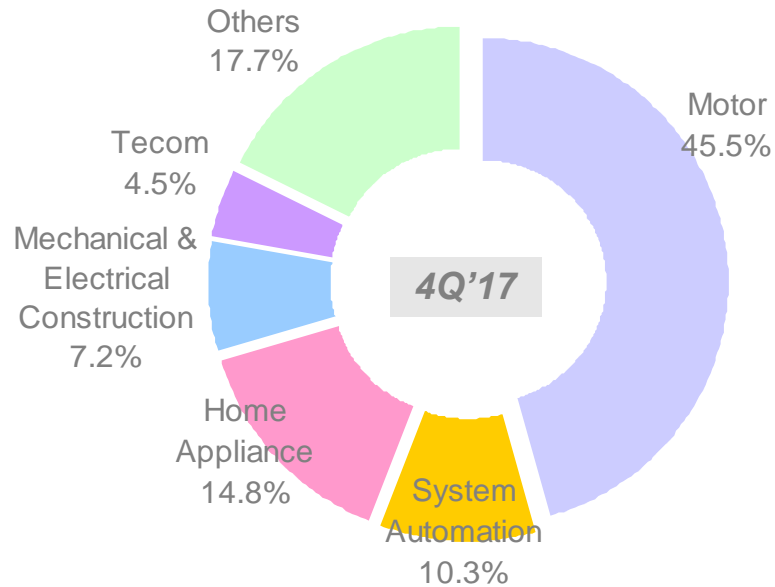
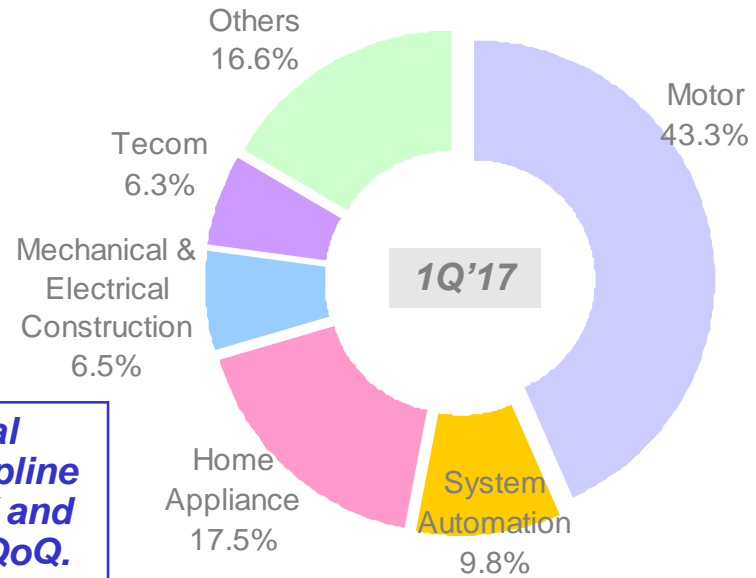
Operation Overview

Appendix

Revenue Breakdown

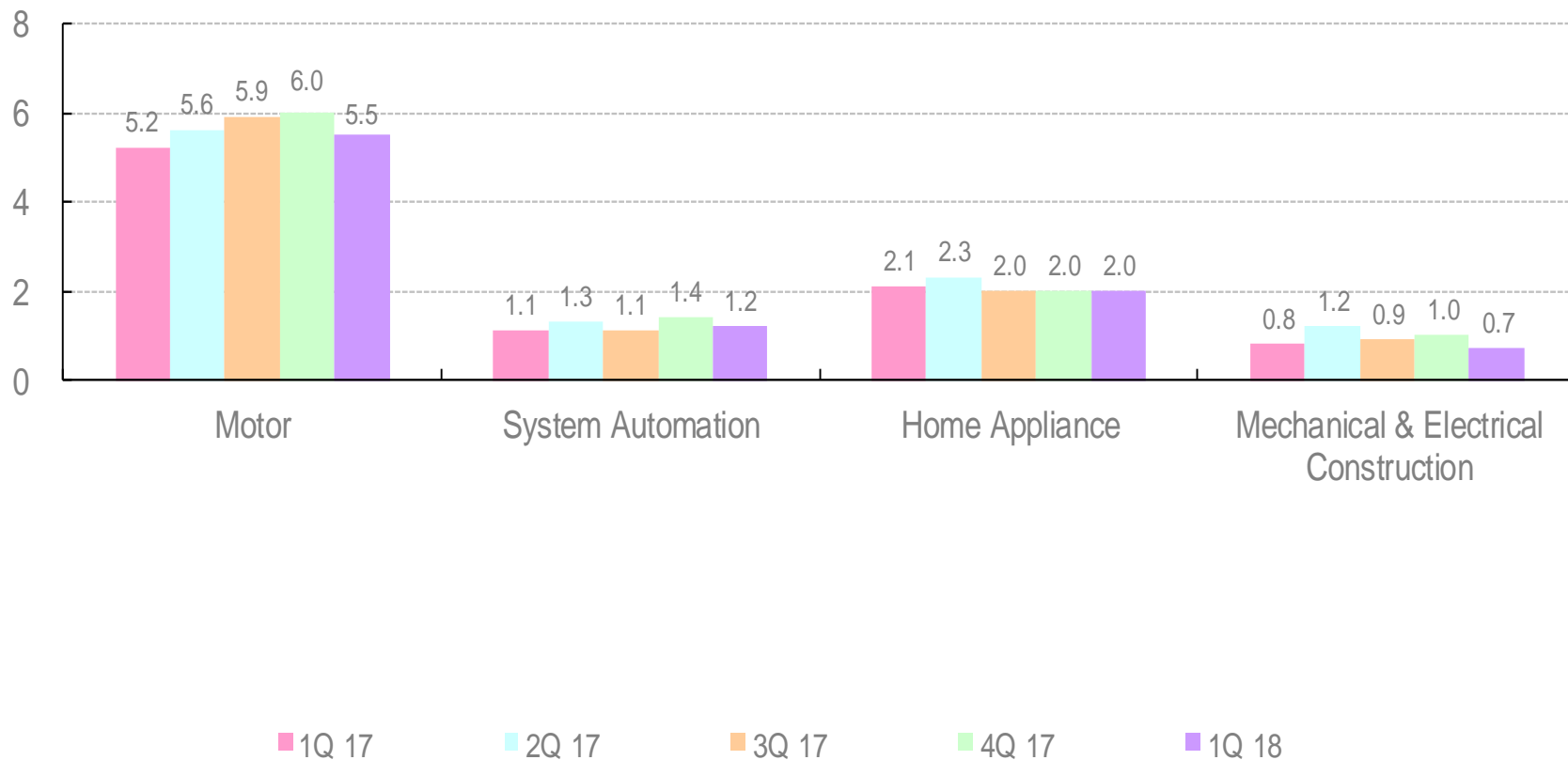


In 1Q'18, total consolidated topline up by 2.0% YoY and down by 8.4% QoQ.



Sales Trend on Major Business lines

NT\$ Billion



1Q 18 Financial Highlights - consolidated

(In NT Millions)	1Q 18	4Q 17	QoQ	1Q 17	YoY
Net Sales - recurring *	12,055	13,319	-9.5%	11,776	2.4%
Gross Margin - recurring *	24.1%	22.9%	120bps	24.2%	-10bps
Operating Margin - recurring *	6.7%	6.6%	10bps	6.4%	30bps
EPS (NT\$)	0.27	0.31	-12.9%	0.27	0.0%
ROE (%) **	4.1%	5.3%	-120bps	4.3%	-20bps
ROA (%) **	2.3%	3.0%	-70bps	2.3%	0bps

* Excluding gain on sales of financial assets

** Annualized number and excluding non-controlling interests

*** Comply with IFRS

1Q 18 Income Statement - consolidated

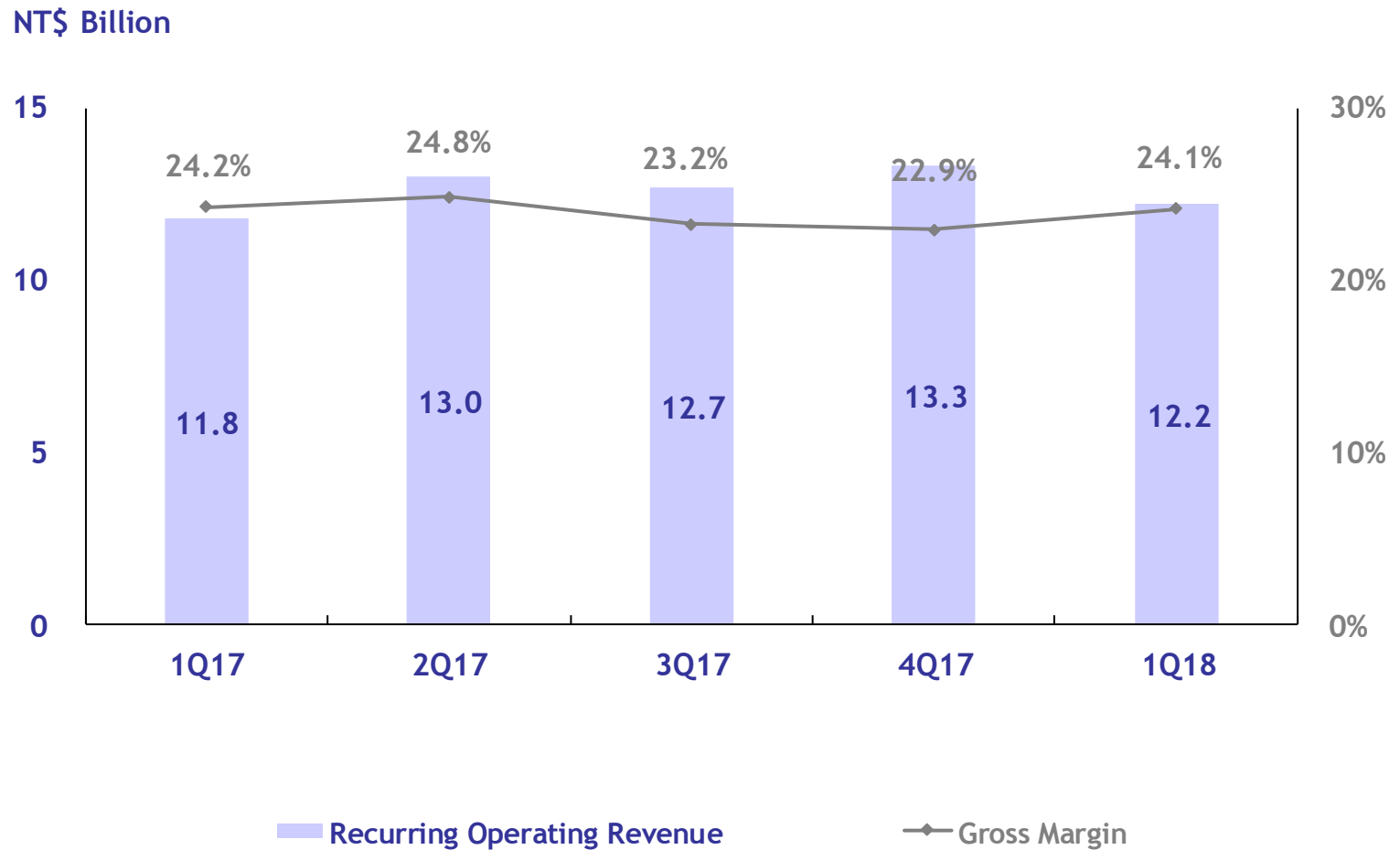
(In NT Millions)	1Q 18	4Q 17	QoQ	1Q 17	YoY
Operating Revenue	12,156	13,276	-8.4%	11,916	2.0%
Recurring Operating Revenue	12,055	13,319	-9.5%	11,776	2.4%
Gain on Sales of Financial Assets	101	(43)	-334.9%	140	-27.9%
Gross Profit, net *	3,010	3,004	0.2%	2,991	0.6%
Operating Profit	907	837	8.4%	899	0.9%
Non-operating Income (Expense)	(55)	88	-162.5%	(55)	0.0%
Income before Tax	853	924	-7.7%	844	1.1%
Income Tax Expense	(261)	(177)	47.5%	(209)	24.9%
Net Income **	537	616	-12.8%	536	0.2%
EPS (NT\$)	0.27	0.31	-12.9%	0.27	0.0%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

*** Comply with IFRS

Recurring Operating Revenue vs. Gross Margin

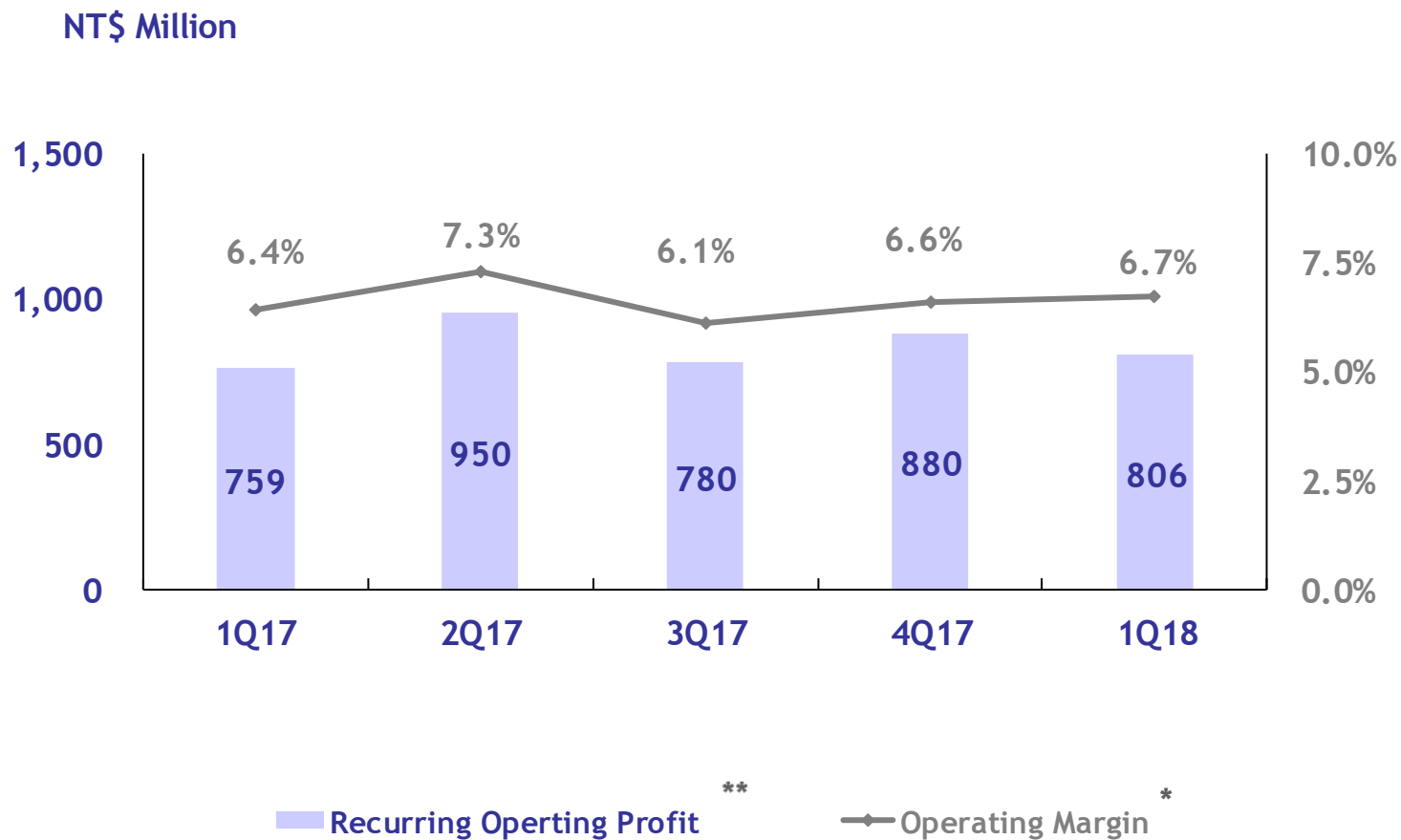


* Recurring Operating Revenue = Operating Revenue – Gain on Sales of Financial Assets

** 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

2018 Balance Sheet - consolidated

(In NT 1,000)	Mar 18		Dec 17		Mar 17	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	18,166,969	19%	14,129,330	16%	14,658,514	16%
Receivable	11,085,334	12%	12,479,097	13%	12,277,618	13%
Inventories	11,813,647	13%	11,336,492	12%	11,261,754	12%
Total Assets	93,376,684	100%	92,016,957	100%	91,213,951	100%
Short-term Borrowings	2,710,538	3%	2,187,621	3%	2,354,326	3%
Accounts Payable	12,337,087	13%	12,927,916	13%	11,866,987	13%
Long-term Borrowings	6,511,375	7%	6,466,239	7%	9,414,143	10%
Corporate Bond Payable	4,000,000	4%	4,000,000	4%	3,000,000	3%
Total Liabilities	34,286,827	37%	34,142,820	37%	34,992,596	38%
Equities	59,089,857	63%	57,874,137	63%	56,221,355	62%

Key Indices

Quarterly AR Turnover (times)	4.21	4.41	4.20
Quarterly Inventory Turnover (times)	2.95	3.19	2.97
Current Ratio	2.40	2.36	2.51
Quick Ratio	1.74	1.68	1.77
Net Debt to Equity	-8.4%	-2.5%	0.2%

Agenda

Operation Overview

Appendix

Income Statements

(In NT Millions, unless otherwise noted)	1Q17	2Q17	3Q17	4Q17	1Q18
Operating Revenue	11,916	13,073	12,678	13,276	12,156
Recurring Operating Revenue	11,776	13,014	12,707	13,319	12,055
Gain on Sales of Financial Assets	140	59	(29)	(43)	101
Operating Costs	(8,924)	(9,787)	(9,762)	(10,271)	(9,146)
Gross Profit, net *	2,991	3,287	2,914	3,004	3,010
Operating Expense	(2,093)	(2,277)	(2,162)	(2,168)	(2,103)
Operating Profit	899	1,009	751	837	907
Non-operating Income (Expense)	(55)	381	444	88	(55)
Income before Tax	844	1,390	1,196	924	853
Income Tax Expense	(209)	(176)	(248)	(177)	(261)
Net Income **	536	1,090	850	616	537
<i>Net Margin</i>	4.5%	8.3%	6.7%	4.6%	4.4%
EPS (NT\$)	0.27	0.55	0.43	0.31	0.27

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

Income Statements

(In NT Millions, unless otherwise noted)	2013	2014	2015	2016	2017
Net Sales	56,619	53,748	48,599	49,923	50,943
Recurring Net Sales	56,566	53,622	48,505	49,752	50,816
Securities Sales Revenue	53	126	94	171	127
COGS	(43,138)	(40,357)	(36,203)	(36,788)	(38,744)
Gross Profit *	13,485	13,392	12,400	13,134	12,196
Operating Expense	(8,859)	(8,969)	(8,613)	(8,944)	(8,700)
Operating Income	4,626	4,423	3,788	4,189	3,496
Non-operating Income	778	1,277	776	744	858
Income before tax	5,404	5,700	4,563	4,933	4,354
Income Tax Benefit / (Expense)	(1,226)	(1,298)	(1,049)	(896)	(810)
Net Income**	3,760	4,063	3,177	3,481	3,092
<i>Net Margin</i>	6.6%	7.6%	6.5%	7.0%	6.1%
Basic EPS (NT\$)	2.01	2.05	1.60	1.76	1.56

* Gross profit includes unrealized / realized inter-company profit

** Excluding minority interest

*** Comply with IFRS

Balance Sheets

	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
Cash & Cash Equivalens	14,659	13,398	13,412	14,129	18,167
Receivables	12,278	13,140	12,626	12,479	11,085
Inventories	11,262	11,424	11,578	11,336	11,814
Other Current Assets	5,698	7,059	7,322	6,319	4,354
Total Current Assets	43,897	45,021	44,938	44,263	45,420
Financial Assets					
Available for Sale - Non Current **	12,555	13,300	12,952	12,925	13,190
Long-Term Investments Under Equity Method	3,909	3,876	3,947	4,022	4,052
Other Non-Current Assets	30,853	31,021	30,784	30,807	30,715
Total Non-Current Assets	47,317	48,197	47,683	47,754	47,957
Total Assets	91,214	93,218	92,620	92,017	93,377
Current Liabilities					
Bonds Payable	3,000	3,000	4,000	4,000	4,000
Long-Term Borrowing	9,414	8,149	7,022	6,466	6,511
Other Non-Current Liabilities	5,071	4,895	4,922	4,934	4,849
Total Non-Current Liabilities	17,485	16,044	15,944	15,400	15,360
Total Liabilities	34,993	36,645	35,225	34,143	34,287
Total Shareholders' Equity *	56,221	56,573	57,396	57,874	59,090

* Non-controlling interest included ** Including Net gain on financial assets at fair value through profit or loss -Non Current & Net gain on financial assets at fair value through other comprehensive income -Non Current

Balance Sheets

	2013	2014	2015	2016	2017
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
<i>Cash & Cash Equivalents</i>	14,909	17,202	14,919	13,990	14,129
<i>Receivables</i>	11,914	11,817	12,367	13,859	12,479
<i>Inventories</i>	11,193	11,539	11,755	11,177	11,336
<i>Other Current Assets</i>	2,827	2,717	3,251	6,270	6,319
Total Current Assets	40,843	43,275	42,292	45,296	44,263
Funds and Investments	15,799	19,508	16,371	15,615	16,948
Fixed & Other Assets	20,248	19,930	25,771	31,463	30,806
Total Assets	76,890	82,713	84,434	92,374	92,017
Current Liabilities	19,984	18,076	22,715	18,959	18,742
Short-term Loans	2,917	2,473	6,619	3,078	2,188
Long-Term Interest-bearing debt	6,140	7,229	5,531	12,679	10,645
Long-term Loans	4,498	5,475	2,300	9,429	6,466
Corporate Bonds Payable	1,476	1,528	3,000	3,000	4,000
Other Liabilities	4,042	4,119	4,756	5,011	4,756
Total Liabilities	30,166	29,424	33,002	36,649	34,143
Total Shareholders' Equity	46,724	53,289	53,289	55,725	57,874

* Non-controlling interest included

Cash Flows

(In NT Millions)	1Q17	2Q17	3Q17	4Q17	1Q18
Pretax Income*	844	1,390	1,196	924	853
Depreciation & Amortization	385	378	385	336	391
Other Op Sources/(Use)	384	(170)	151	(311)	250
From Operation	1,613	1,598	1,732	949	212
Capital Expenditures	(373)	(232)	(294)	(161)	(191)
Marketable Financial Instruments	521	377	129	(53)	219
Other Investing Sources/(Uses)	518	(1,625)	169	1,008	3,698
From Investment	666	(1,480)	4	794	3,726
Cash Dividends	0	0	(1,762)	0	0
Other Financing Sources/(Uses)	(775)	(1,377)	(130)	(802)	357
From Financing	(775)	(1,377)	(1,892)	(802)	357
Net Cash Position Change*	669	(1,261)	14	718	4,038
Ending Cash Balance	14,659	13,398	13,412	14,129	18,167

* Including exchange rate

Cash Flows

(In NT Millions)	2013	2014	2015	2016	2017
Net Income/ Pretax Income	5,403	5,700	4,563	4,933	4,354
Depreciation & Amortization	1,442	1,326	1,308	1,550	1,484
Other Op Sources/(Use)	(860)	(1,859)	(330)	(2,036)	54
From Operation	5,985	5,167	5,541	4,447	5,892
Capital Expenditures	(962)	(2,032)	(2,067)	(1,557)	(1,060)
Marketable Financial Instruments	379	579	476	786	974
Other Investing Sources/(Uses)	438	672	(4,277)	(2,605)	70
From Investment	(145)	(781)	(5,868)	(3,376)	(16)
Cash Dividends	(1,922)	(2,203)	(2,203)	(1,602)	(1,762)
Employee & BOD Profit Sharing	0	0	0	0	0
Other Financing Sources/(Uses)	(2,034)	5	934	547	(3,084)
From Financing	(3,956)	(2,198)	(1,269)	(1,055)	(4,846)
Net Cash Position Change*	1,730	2,301	(2,283)	(929)	140
Ending Cash Blance	14,909	17,202	14,919	13,990	14,129

* Net income before complying with IFRS

** Including exchange rate effect

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