

TECO Electric & Machinery Co., Ltd.



2017 3Q Business Review

Driving and Connecting Globally



Safe Harbor Statement

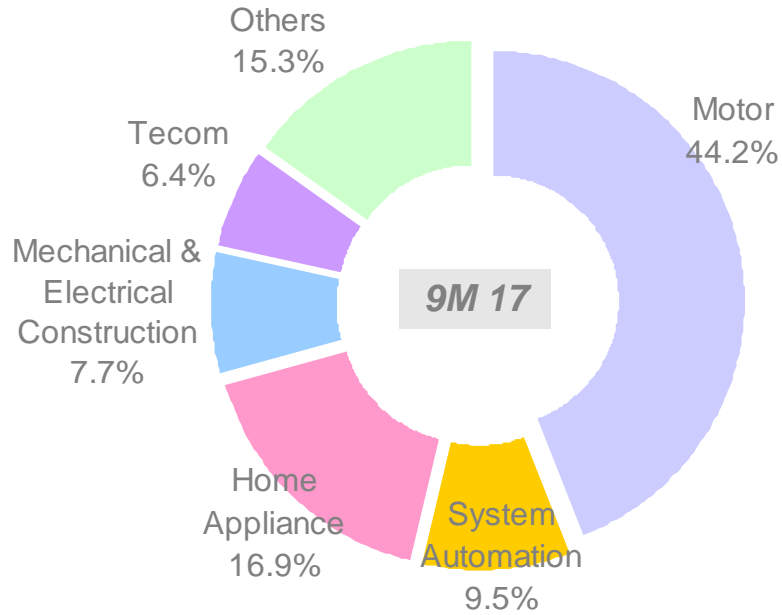
- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law,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

Agenda

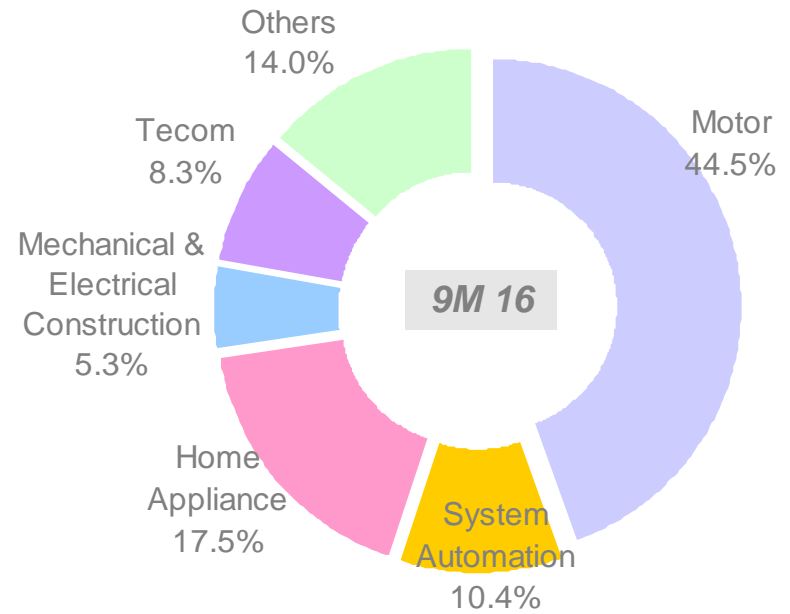
Operation Overview

Appendix

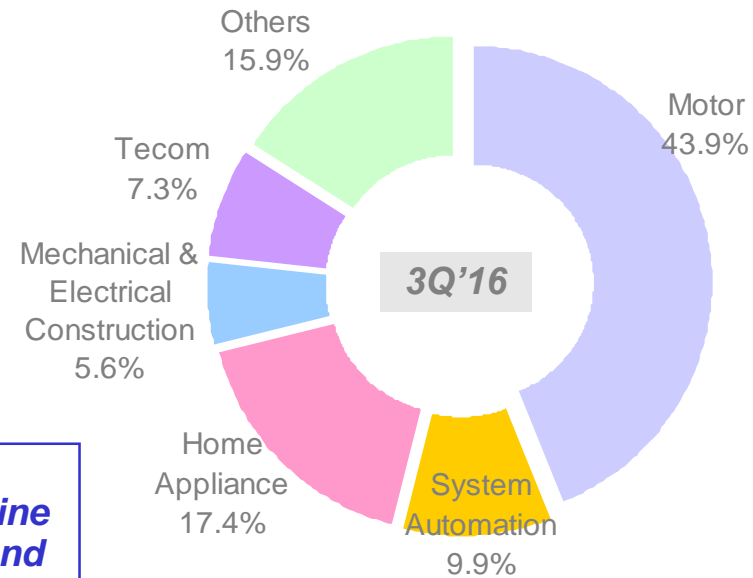
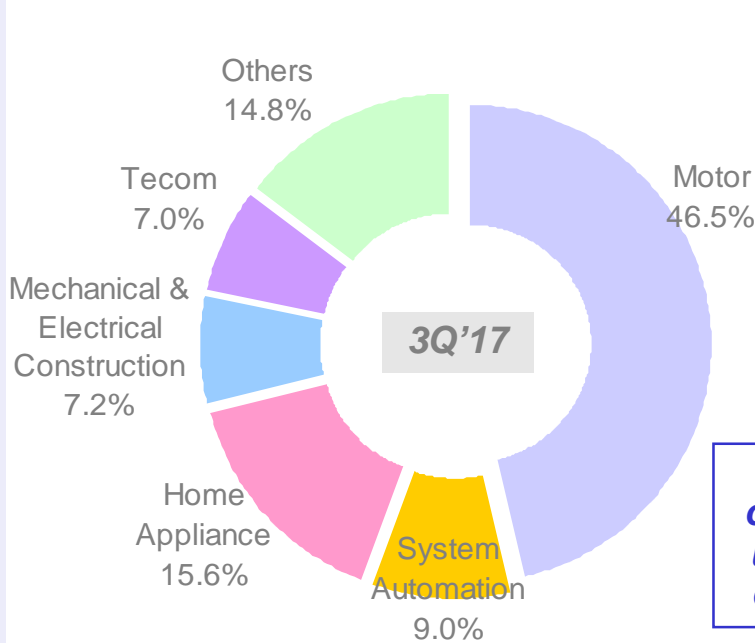
Revenue Breakdown 1/2



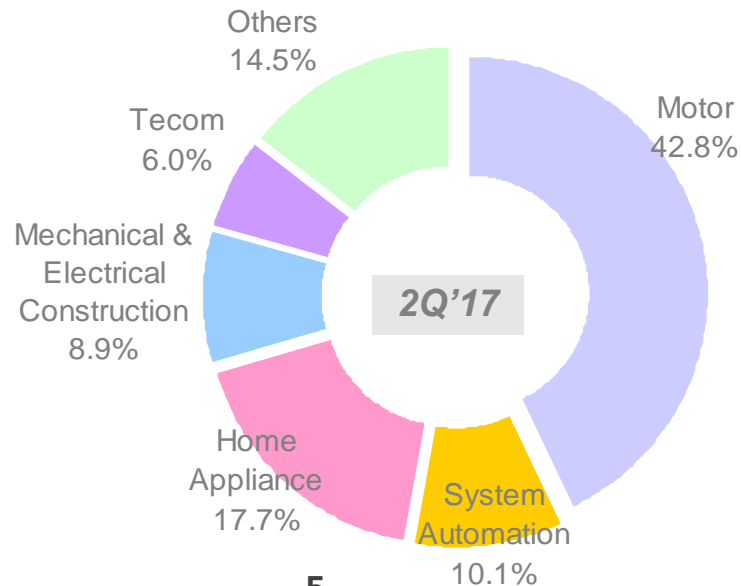
In 9M 2017, total consolidated topline up 3.2% YoY.



Revenue Breakdown 2/2

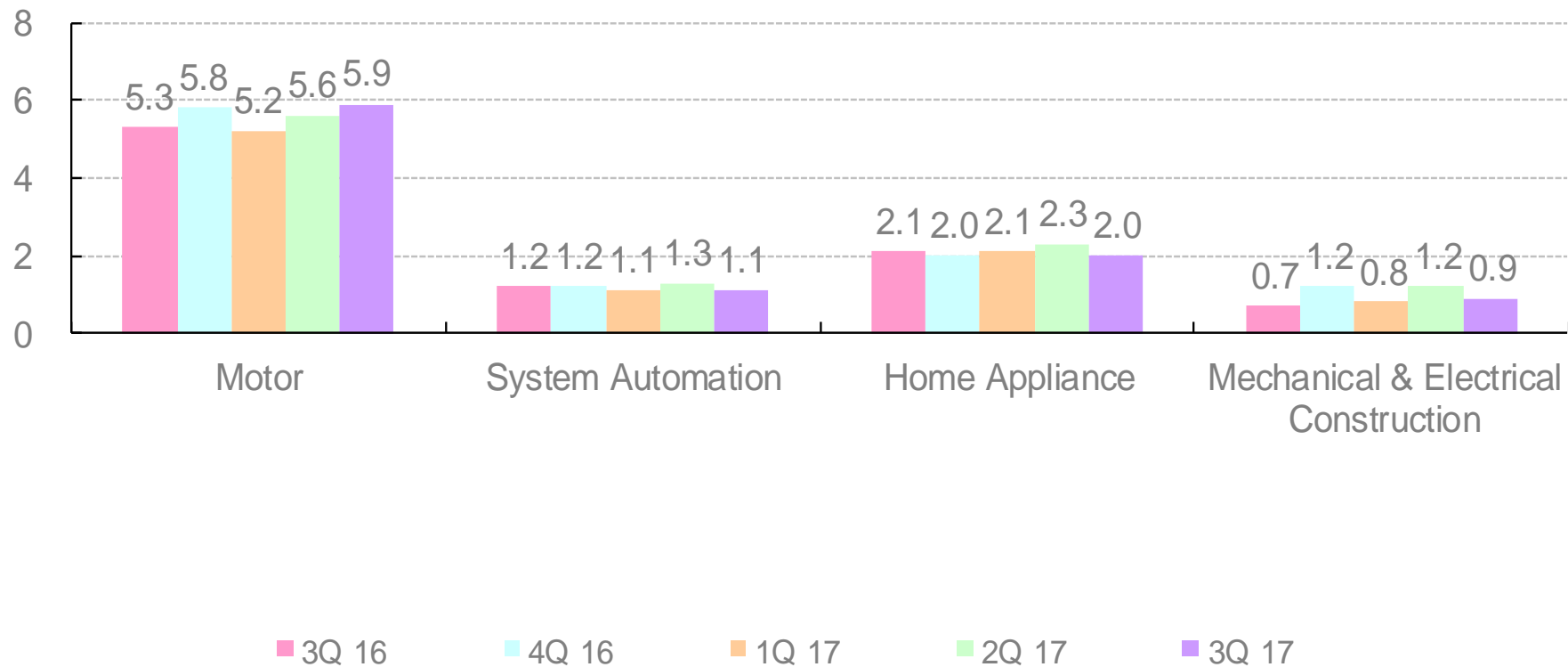


In 3Q'17, total consolidated topline up by 5.6% YoY and down by 3.0% QoQ.



Sales Trend on Major Business lines

NT\$ Billion



9M 2017 Income Statement - consolidated

(In NT Millions)	9M 17	9M 16	YoY
Net Sales - recurring *	37,497	36,334	3.2%
Gross Margin - recurring *	24.1%	26.3%	-220bps
Operating Margin - recurring *	6.6%	8.1%	-150bps
EPS (NT\$)	1.25	1.32	-5.3%
ROE (%) **	6.5%	7.2%	-70bps
ROA (%) **	3.6%	4.0%	-40bps

* Excluding Security Sales Revenue

** Annualized number and excluding minority interest

9M 2017 Income Statement - consolidated

(In NT Millions)	9M 17	9M 16	YoY
Operating Revenue	37,667	36,496	3.2%
Recurring Operating Revenue	37,497	36,334	3.2%
Gain on Sales of Financial Assets	170	162	4.9%
Gross Profit, net *	9,192	9,730	-5.5%
Operating Profit	2,659	3,089	-13.9%
Non-operating Income (Expense)	770	590	30.5%
Income before Tax	3,430	3,679	-6.8%
Income Tax Expense	(633)	(678)	-6.6%
Net Income **	2,476	2,617	-5.4%
EPS (NT\$)	1.25	1.32	-5.3%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

3Q 17 Financial Highlights - consolidated

(In NT Millions)	3Q 17	2Q 17	QoQ	3Q 16	YoY
Net Sales - recurring *	12,707	13,014	-2.4%	11,990	6.0%
Gross Margin - recurring *	23.2%	24.8%	-160bps	25.8%	-260bps
Operating Margin - recurring *	6.1%	7.3%	-120bps	7.1%	-100bps
EPS (NT\$)	0.43	0.55	-21.8%	0.45	-4.4%
ROE (%) **	6.7%	8.6%	-190bps	7.3%	-60bps
ROA (%) **	3.7%	4.7%	-100bps	3.9%	-20bps

* Excluding gain on sales of financial assets

** Annualized number and excluding non-controlling interests

3Q 17 Income Statement - consolidated

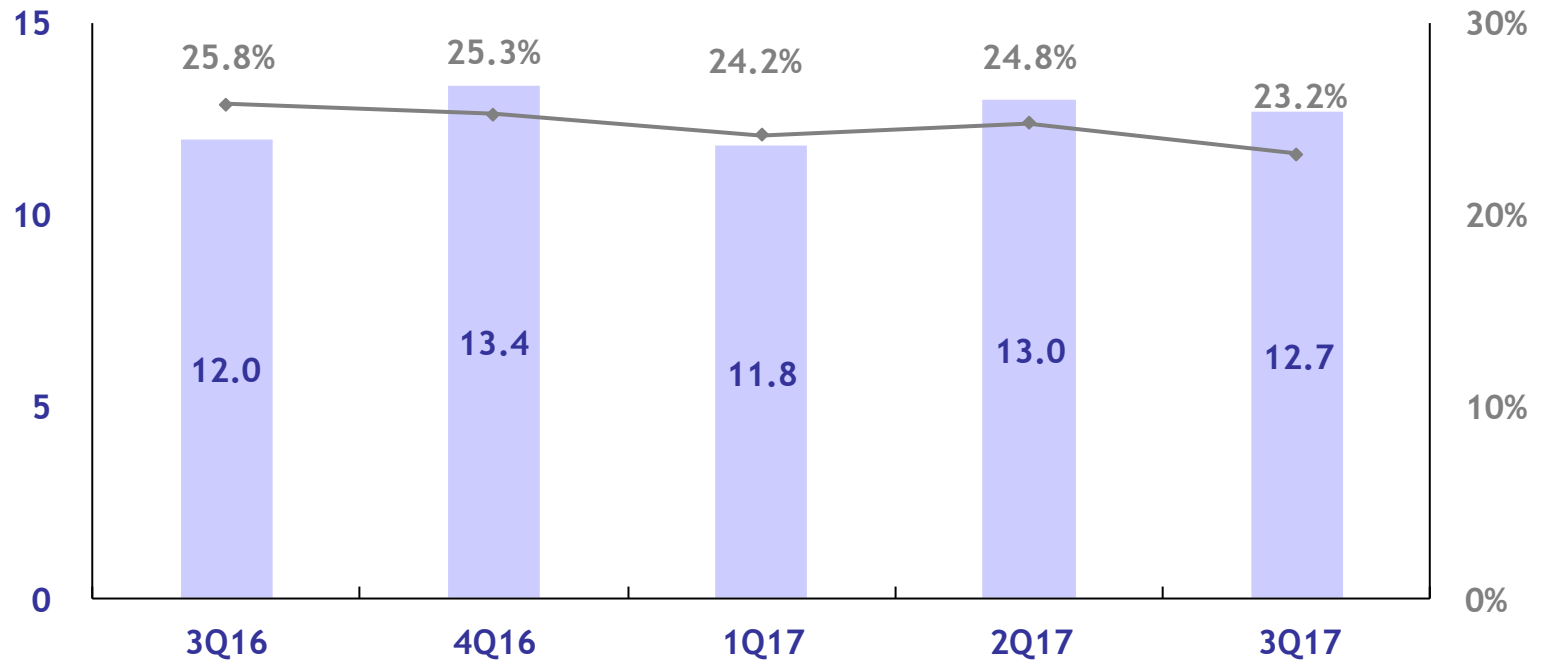
(In NT Millions)	3Q 17	2Q 17	QoQ	3Q 16	YoY
Operating Revenue	12,678	13,073	-3.0%	12,004	5.6%
Recurring Operating Revenue	12,707	13,014	-2.4%	11,990	6.0%
Gain on Sales of Financial Assets	(29)	59	-149.2%	14	-307.1%
Gross Profit, net *	2,914	3,287	-11.3%	3,106	-6.2%
Operating Profit	751	1,009	-25.6%	870	-13.7%
Non-operating Income (Expense)	444	381	16.5%	299	48.5%
Income before Tax	1,196	1,390	-14.0%	1,168	2.4%
Income Tax Expense	(248)	(176)	40.9%	(143)	73.4%
Net Income **	850	1,090	-22.0%	899	-5.5%
EPS (NT\$)	0.43	0.55	-21.8%	0.45	-4.4%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

Recurring Operating Revenue vs. Gross Margin

NT\$ Billion



■ Recurring Operating Revenue *

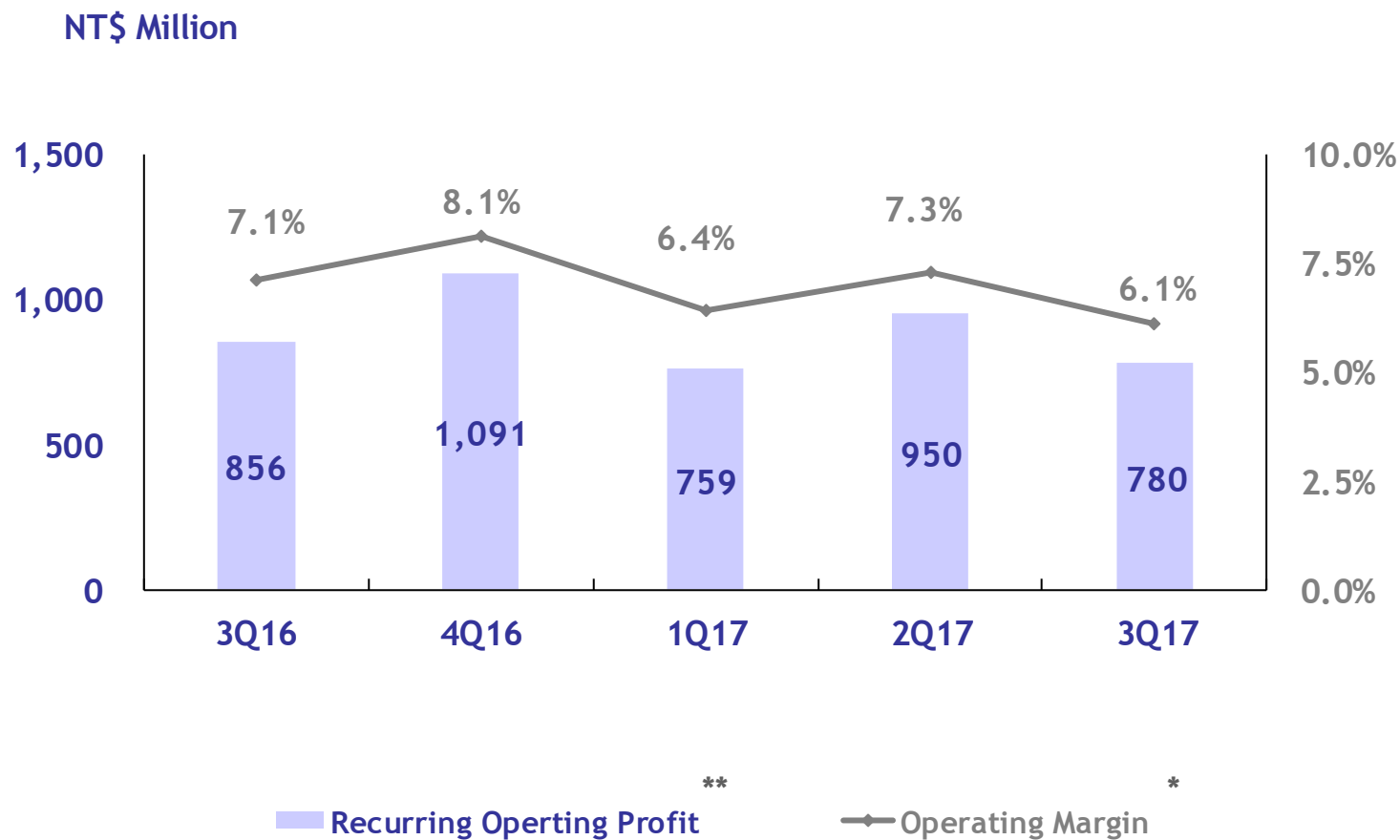
— Gross Margin **

* 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

2017 Balance Sheet - consolidated

(In NT 1,000)

	Sep 17		Jun 17		Sep 16	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	13,412,258	15%	13,397,764	14%	14,831,484	16%
Receivable	12,625,975	13%	13,140,008	14%	12,583,493	13%
Inventories	11,578,226	13%	11,424,203	12%	11,531,653	13%
Total Assets	92,620,331	100%	93,218,221	100%	92,129,161	100%
Short-term Borrowings	2,318,683	3%	2,279,411	3%	2,458,825	3%
Accounts Payable	12,921,323	13%	14,855,007	15%	11,914,277	13%
Long-term Borrowings	7,022,460	8%	8,149,099	9%	10,347,469	11%
Corporate Bond Payable	4,000,000	4%	3,000,000	3%	3,000,000	3%
Total Liabilities	35,224,778	38%	36,645,050	39%	36,520,474	40%
Equities	57,395,553	62%	56,573,171	61%	55,608,687	60%

Key Indices

Quarterly AR Turnover (times)	4.61	4.26	4.49
Quarterly Inventory Turnover (times)	3.14	3.09	2.84
Current Ratio	2.33	2.19	2.45
Quick Ratio	1.65	1.55	1.70
Net Debt to Equity	-0.1%	0.1%	1.8%

Agenda

Operation Overview

Appendix

Income Statements

(In NT Millions, unless otherwise noted)	3Q16	4Q16	1Q17	2Q17	3Q17
Operating Revenue	12,004	13,427	11,916	13,073	12,678
Recurring Operating Revenue	11,990	13,418	11,776	13,014	12,707
Gain on Sales of Financial Assets	14	9	140	59	(29)
Operating Costs	(8,897)	(10,023)	(8,924)	(9,787)	(9,762)
Gross Profit, net *	3,106	3,404	2,991	3,287	2,914
Operating Expense	(2,236)	(2,303)	(2,093)	(2,277)	(2,162)
Operating Profit	870	1,100	899	1,009	751
Non-operating Income (Expense)	299	154	(55)	381	444
Income before Tax	1,168	1,254	844	1,390	1,196
Income Tax Expense	(143)	(218)	(209)	(176)	(248)
Net Income **	899	864	536	1,090	850
<i>Net Margin</i>	7.5%	6.4%	4.5%	8.3%	6.7%
EPS (NT\$)	0.45	0.44	0.27	0.55	0.43

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

Income Statements

(In NT Millions, unless otherwise noted)	2012***	2013***	2014***	2015***	2016***
Net Sales	48,730	56,619	53,748	48,599	49,923
Recurring Net Sales	48,604	56,566	53,622	48,505	49,752
Securities Sales Revenue	126	53	126	94	171
COGS	(37,273)	(43,138)	(40,357)	(36,203)	(36,788)
Gross Profit *	11,450	13,485	13,392	12,400	13,134
Operating Expense	(7,621)	(8,859)	(8,969)	(8,613)	(8,944)
Operating Income	3,829	4,626	4,423	3,788	4,189
Non-operating Income	580	778	1,277	776	744
Income before tax	4,409	5,404	5,700	4,563	4,933
Income Tax Benefit / (Expense)	(1,082)	(1,226)	(1,298)	(1,049)	(896)
Net Income**	3,080	3,760	4,063	3,177	3,481
<i>Net Margin</i>	6.3%	6.6%	7.6%	6.5%	7.0%
Basic EPS (NT\$)	1.69	2.01	2.05	1.60	1.76

* Gross profit includes unrealized / realized inter-company profit

** Excluding minority interest

*** Comply with IFRS

Balance Sheets

	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
Cash & Cash Equivalens	14,831	13,990	14,659	13,398	13,412
Receivables	12,583	13,859	12,278	13,140	12,626
Inventories	11,532	11,177	11,262	11,424	11,578
Other Current Assets	5,220	6,270	5,698	7,059	7,322
Total Current Assets	44,166	45,296	43,897	45,021	44,938
Financial Assets					
Available for Sale - Non Current	12,788	11,745	12,555	13,300	12,952
Long-Term Investments Under Equity Method	3,953	3,871	3,909	3,876	3,947
Other Non-Current Assets	31,222	31,462	30,853	31,021	30,784
Total Non-Current Assets	47,963	47,078	47,317	48,197	47,683
Total Assets	92,129	92,374	91,214	93,218	92,620
Current Liabilities	18,062	18,959	17,508	20,601	19,281
Bonds Payable	3,000	3,000	3,000	3,000	4,000
Long-Term Borrowing	10,347	9,429	9,414	8,149	7,022
Other Non-Current Liabilities	112	5,262	5,071	4,895	4,922
Total Non-Current Liabilities	18,459	17,691	17,485	16,044	15,944
Total Liabilities	36,520	36,649	34,993	36,645	35,225
Total Shareholders' Equity *	55,609	55,725	56,221	56,573	57,396

* Non-controlling interest included

Balance Sheets

	2012 **	2013**	2014**	2015**	2016**
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
<i>Cash & Cash Equivalents</i>	13,179	14,909	17,202	14,919	13,990
<i>Receivables</i>	11,134	11,914	11,817	12,367	13,859
<i>Inventories</i>	10,761	11,193	11,539	11,755	11,177
<i>Other Current Assets</i>	1,954	2,827	2,717	3,251	6,270
Total Current Assets	37,028	40,843	43,275	42,292	45,296
Funds and Investments	15,799	15,799	19,508	16,371	15,615
Fixed & Other Assets	19,379	20,248	19,930	25,771	31,463
Total Assets	72,206	76,890	82,713	84,434	92,374
Current Liabilities	17,682	19,984	18,076	22,715	18,959
Short-term Loans	2,916	2,917	2,473	6,619	3,078
Long-Term Interest-bearing debt	10,914	6,140	7,229	5,531	12,679
Long-term Loans	7,906	4,498	5,475	2,300	9,429
Corporate Bonds Payable	2,903	1,476	1,528	3,000	3,000
Other Liabilities	4,324	4,042	4,119	4,756	5,011
Total Liabilities	32,920	30,166	29,424	33,002	36,649
Total Shareholders' Equity	39,286	46,724	53,289	51,433	55,725

* Non-controlling interest included

** Comply with IFRS

Cash Flows

(In NT Millions)	3Q16	4Q16	1Q17	2Q17	3Q17
Pretax Income*	1,168	1,254	844	1,390	1,196
Depreciation & Amortization	365	392	385	378	385
Other Op Sources/(Use)	313	(713)	384	(170)	151
From Operation	1,846	933	1,613	1,598	1,732
Capital Expenditures	(230)	(909)	(373)	(232)	(294)
Marketable Financial Instruments	81	555	521	377	129
Other Investing Sources/(Uses)	(120)	(1,117)	518	(1,625)	169
From Investment	(269)	(1,471)	666	(1,480)	4
Cash Dividends	(1,602)	0	0	0	(1,762)
Other Financing Sources/(Uses)	1,062	(320)	(775)	(1,377)	(130)
From Financing	(540)	(320)	(775)	(1,377)	(1,892)
Net Cash Position Change*	583	(841)	669	(1,261)	14
Ending Cash Balance	14,831	13,990	14,659	13,398	13,412

* Including exchange rate

Cash Flows

(In NT Millions)	2012***	2013***	2014***	2015***	2016***
Net Income/ Pretax Income	4,409	5,403	5,700	4,563	4,933
Depreciation & Amortization	1,417	1,442	1,326	1,308	1,550
Other Op Sources/(Use)	(202)	(860)	(1,859)	(330)	(1,633)
From Operation	5,624	5,985	5,167	5,541	4,850
Capital Expenditures	(800)	(962)	(2,032)	(2,067)	(1,557)
Marketable Financial Instruments	21	379	579	476	786
Other Investing Sources/(Uses)	80	438	672	(4,277)	(3,099)
From Investment	(699)	(145)	(781)	(5,868)	(3,780)
Cash Dividends	(1,661)	(1,922)	(2,203)	(2,203)	(1,602)
Employee & BOD Profit Sharing	0	0	0	0	0
Other Financing Sources/(Uses)	(892)	(2,034)	5	934	547
From Financing	(2,553)	(3,956)	(2,198)	(1,269)	(1,055)
Net Cash Position Change**	1,576	1,730	2,301	(2,283)	(929)
Ending Cash Balance	13,179	14,909	17,202	14,919	13,990

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

** Including exchange rate effect

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