

# ***TECO Electric & Machinery Co., Ltd.***



**2015 3Q Business Review**

*Driving and Connecting Globally*



# Safe Harbor Statement

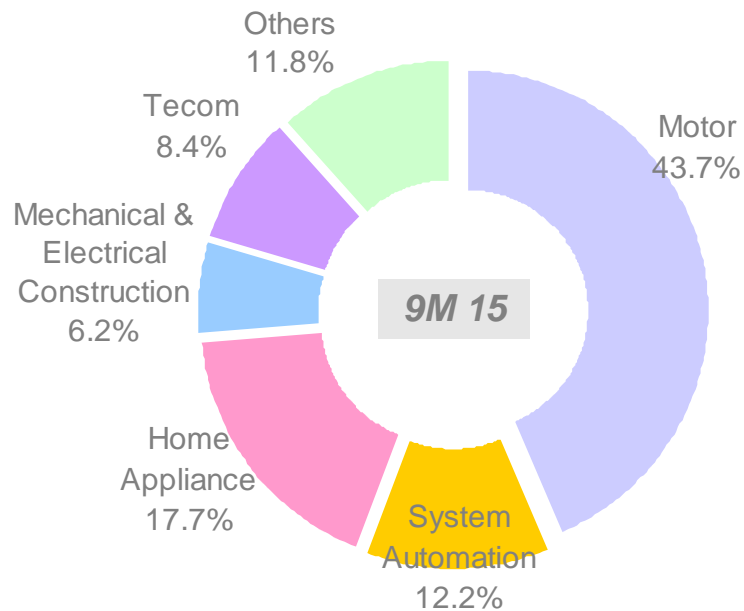
- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law,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

# Agenda

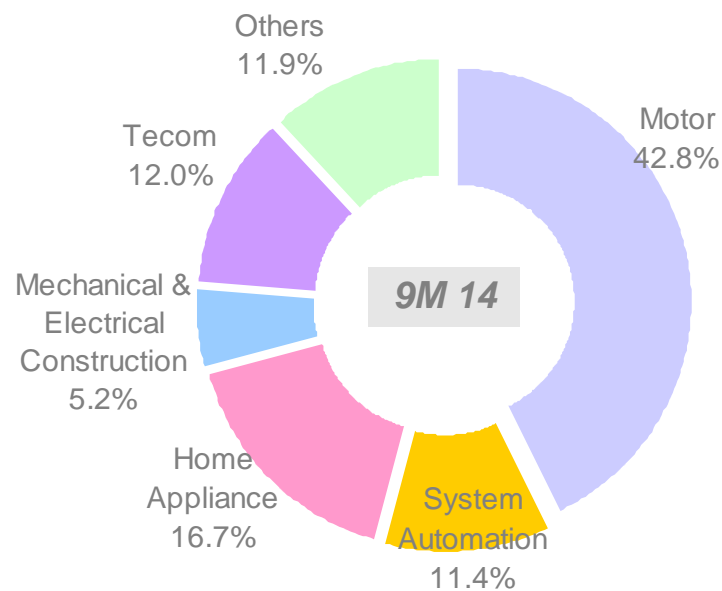
## *Operation Overview*

Appendix

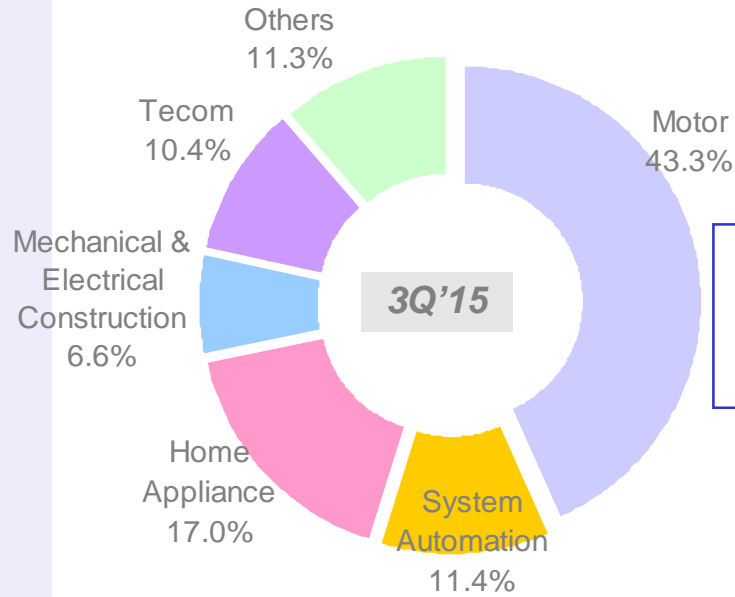
# Revenue Breakdown 1/2



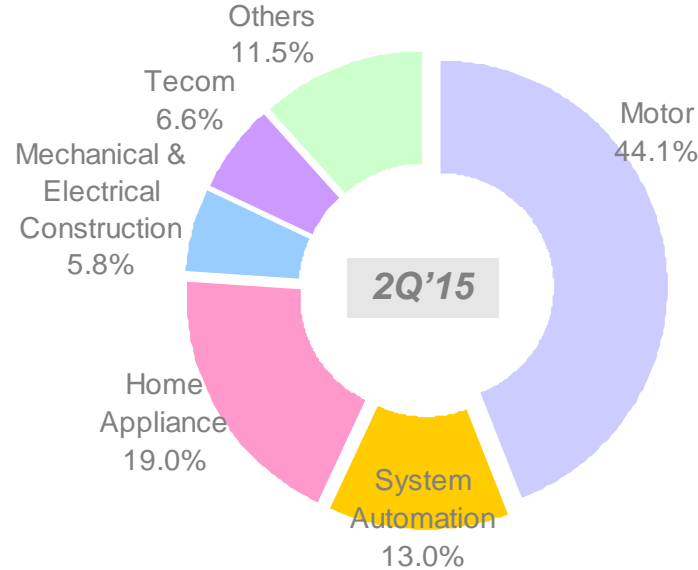
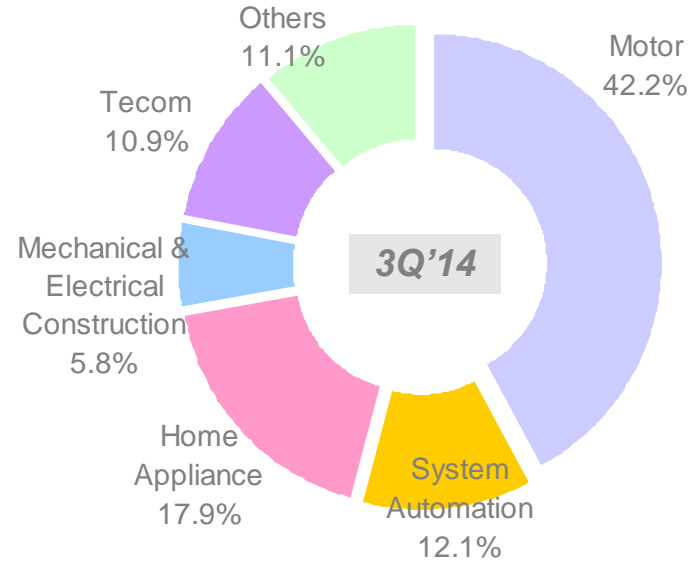
***In 9M 2015, total consolidated topline down 12.3% YoY.***



# Revenue Breakdown 2/2

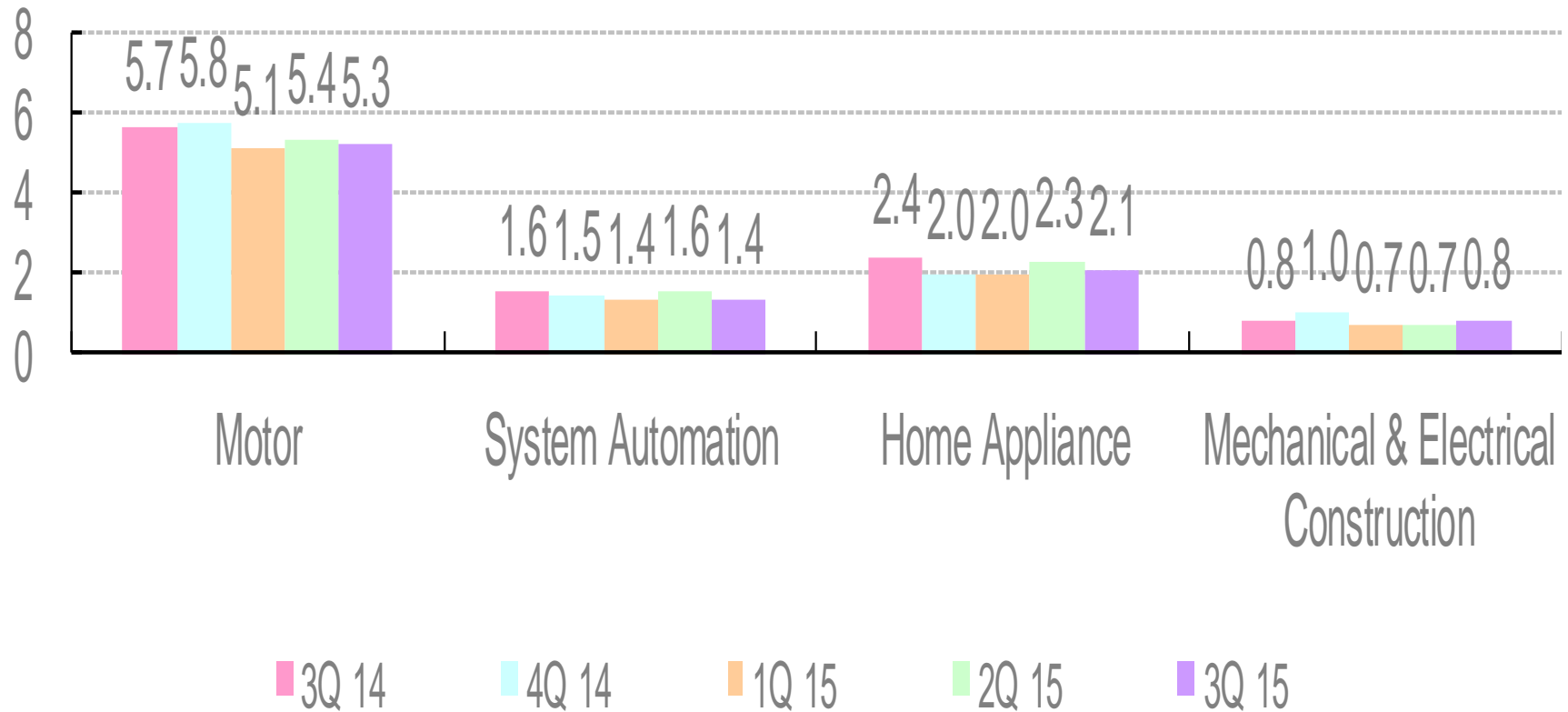


***In 3Q'15, total consolidated topline down 8.8% YoY and up 0.7% QoQ.***



# Sales Trend on Major Business lines

NT\$ Billion



# 9M 2015 Financial Highlights - consolidated

(In NT Millions)	9M 15	9M 14	YoY
Net Sales - recurring *	36,038	41,104	-12.3%
Gross Margin - recurring *	25.3%	24.9%	+40bps
Operating Margin - recurring *	7.7%	8.7%	-100bps
EPS (NT\$)	1.32	1.71	-22.8%
ROE (%) **	7.3%	10.1%	-280bps
ROA (%) **	4.3%	5.7%	-140bps

\* Excluding Security Sales Revenue

\*\* Annualized number and excluding minority interest

# 9M 2015 Income Statement - consolidated

(In NT Millions)	9M 15	9M 14	YoY
Operating Revenue	36,123	41,171	-12.3%
Recurring Operating Revenue	36,038	41,104	-12.3%
Gain on Sales of Financial Assets	85	67	26.9%
Gross Profit, net *	9,211	10,284	-10.4%
Operating Profit	2,852	3,638	-21.6%
Non-operating Income (Expense)	913	1,109	-17.7%
Income before Tax	3,765	4,747	-20.7%
Income Tax Expense	(913)	(1,102)	-17.2%
Net Income **	2,607	3,366	-22.5%
EPS (NT\$)	1.32	1.71	-22.8%

\* Unrealized / realized gain on inter-affiliate accounts included

\*\* Excluding non-controlling interest



# 3Q 15 Financial Highlights - consolidated

(In NT Millions)	3Q 15***	2Q 15***	QoQ	3Q 14***	YoY
Net Sales - recurring *	12,273	12,154	1.0%	13,535	-9.3%
Gross Margin - recurring *	25.4%	25.2%	20bps	25.9%	-50bps
Operating Margin - recurring *	8.0%	7.4%	-60bps	8.8%	-80bps
EPS (NT\$)	0.48	0.46	4.3%	0.53	-9.4%
ROE (%) **	8.2%	7.6%	60bps	9.0%	-80bps
ROA (%) **	4.8%	4.6%	20bps	5.1%	-30bps

\* Excluding gain on sales of financial assets

\*\* Annualized number and excluding non-controlling interests

\*\*\* Comply with IFRS

# 3Q 15 Income Statement - consolidated

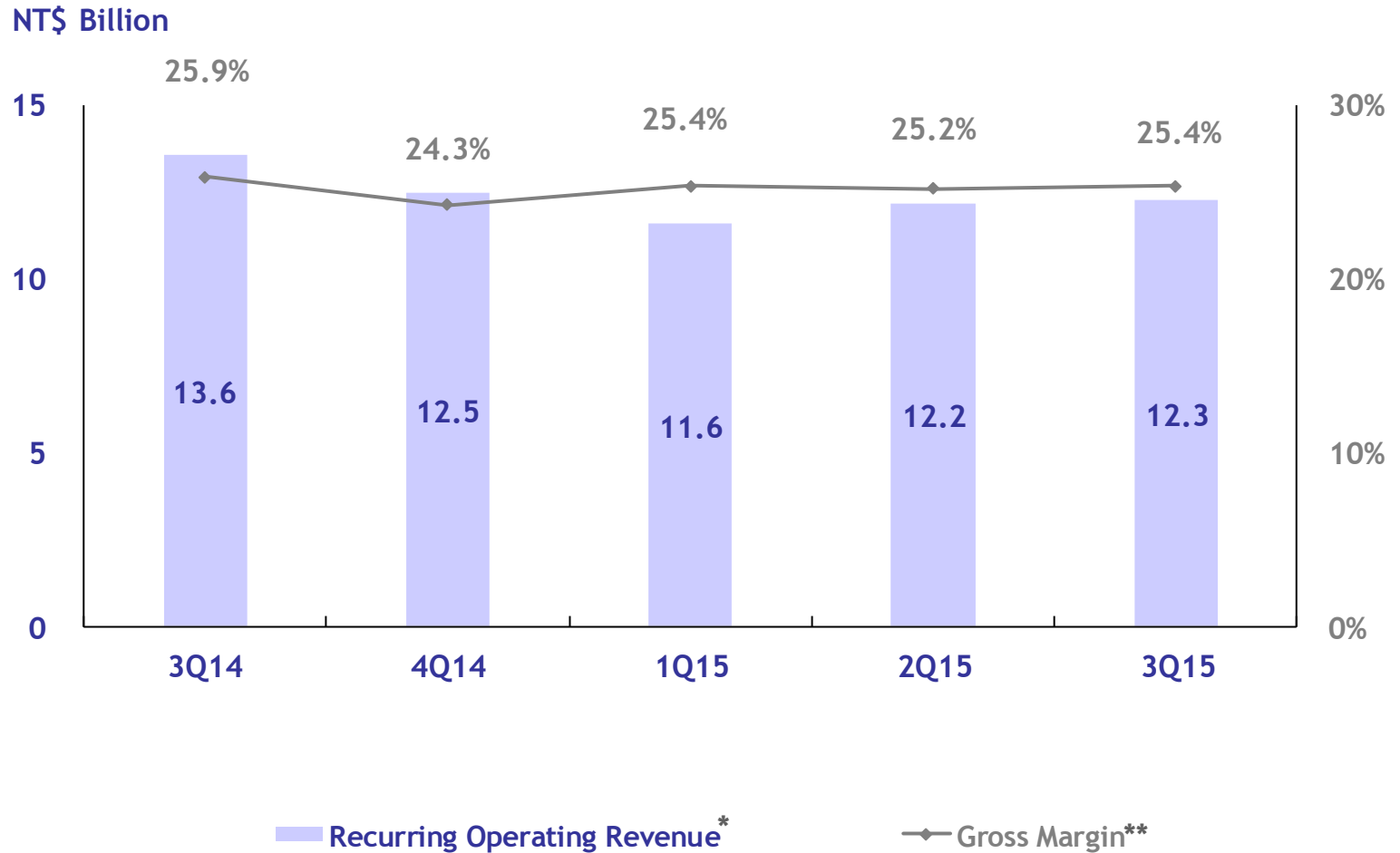
(In NT Millions)	3Q 15***	2Q 15***	QoQ	3Q 14 ***	YoY
Operating Revenue	12,248	12,160	0.7%	13,431	-8.8%
Recurring Operating Revenue	12,273	12,154	1.0%	13,535	-9.3%
Gain on Sales of Financial Assets	(25)	6	-516.7%	(104)	-
Gross Profit, net *	3,087	3,067	0.7%	3,398	-9.2%
Operating Profit	962	903	6.5%	1,091	-11.8%
Non-operating Income (Expense)	413	378	9.3%	328	25.9%
Income before Tax	1,376	1,280	7.5%	1,420	-3.1%
Income Tax Expense	(338)	(288)	17.4%	(294)	15.0%
Net Income **	957	913	4.8%	1,034	-7.4%
EPS (NT\$)	0.48	0.46	4.3%	0.53	-9.4%

\* Unrealized / realized gain on inter-affiliate accounts included

\*\* Excluding non-controlling interest

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# Recurring Operating Revenue vs. Gross Margin

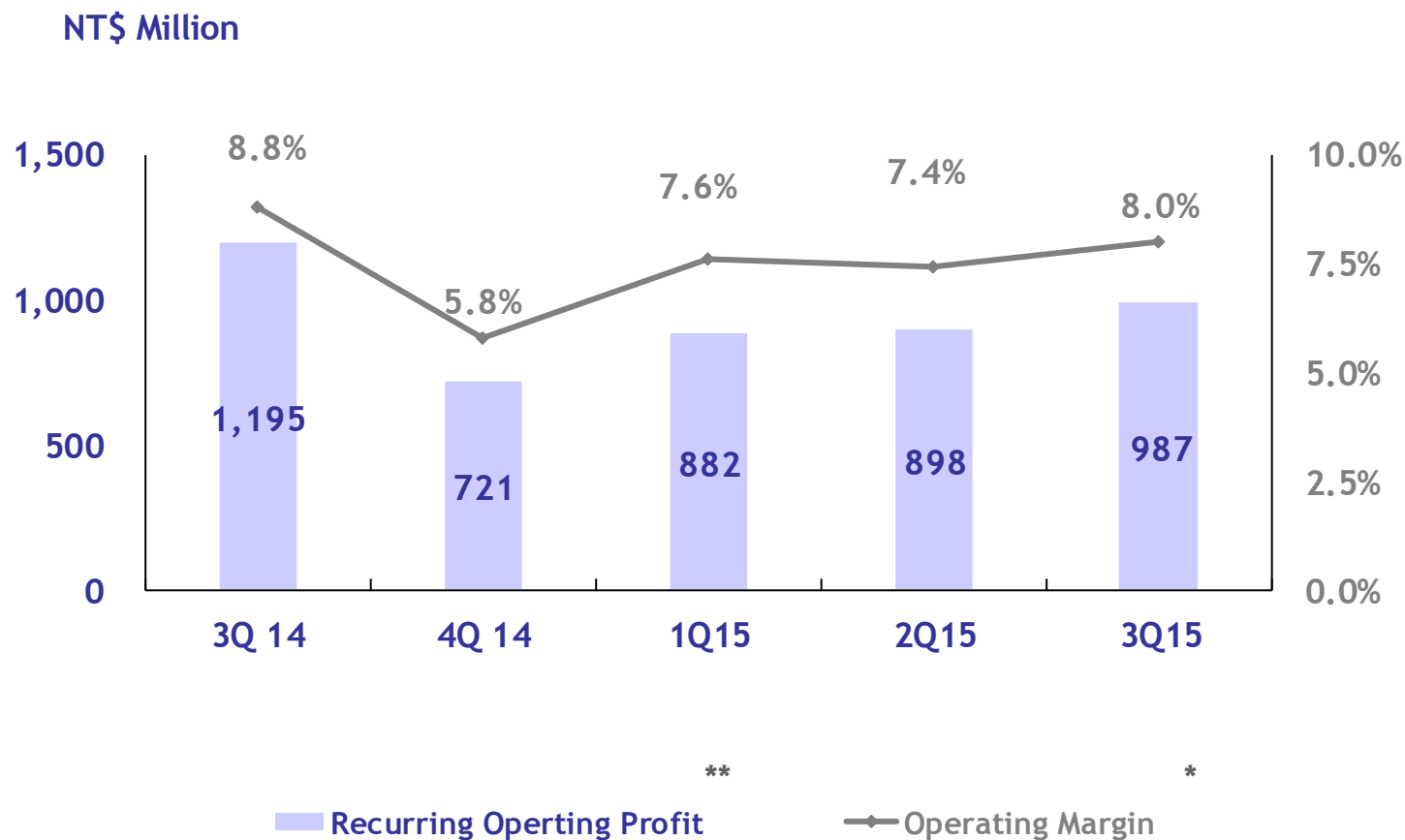


\* Recurring Operating Revenue = Operating Revenue – Gain on Sales of Financial Assets

\*\* 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

# Sep '15 Balance Sheet - consolidated

(In NT 1,000)	Sep 15		June 15		Sep 14	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	16,380,750	21%	15,435,742	20%	15,830,811	20%
Receivable	11,866,765	14%	12,077,787	15%	12,191,032	15%
Inventories	11,311,913	14%	11,364,491	14%	11,464,593	14%
<b>Total Assets</b>	<b>79,207,519</b>	<b>100%</b>	<b>79,764,098</b>	<b>100%</b>	<b>79,799,379</b>	<b>100%</b>
Short-term Borrowings	2,314,695	3%	1,841,912	2%	2,725,103	4%
Accounts Payable	11,640,733	15%	14,334,921	18%	13,351,754	17%
Long-term Borrowings	3,485,801	4%	1,385,135	2%	4,667,520	6%
Corporate Bond Payable	3,000,000	4%	3,000,000	4%	1,480,200	2%
<b>Total Liabilities</b>	<b>28,972,928</b>	<b>37%</b>	<b>28,759,749</b>	<b>36%</b>	<b>29,736,958</b>	<b>37%</b>
<b>Equities</b>	<b>50,234,591</b>	<b>63%</b>	<b>51,004,349</b>	<b>64%</b>	<b>50,062,421</b>	<b>63%</b>

## Key Indices

Quarterly AR Turnover (times)	4.65	4.65	5.24
Quarterly Inventory Turnover (times)	3.14	2.88	3.64
Current Ratio	1.73	1.46	1.54
Quick Ratio	2.41	2.09	2.21
Net Debt to Equity	-15.1%	-18.1%	-13.9%

# Agenda

Operation Overview

***Appendix***

# Income Statements

(In NT Millions, unless otherwise noted)	3Q14	4Q14	1Q15	2Q15	3Q15
Operating Revenue	13,431	12,597	11,716	12,160	12,248
Recurring Operating Revenue	13,535	12,538	11,611	12,154	12,273
Gain on Sales of Financial Assets	(104)	59	105	6	(25)
Operating Costs	(10,032)	(9,493)	(8,665)	(9,091)	(9,158)
Gross Profit, net *	3,398	3,103	3,057	3,067	3,087
Operating Expense	(2,307)	(2,323)	(2,070)	(2,165)	(2,124)
Operating Profit	1,091	780	987	903	962
Non-operating Income (Expense)	328	177	122	378	413
Income before Tax	1,420	957	1,109	1,280	1,376
Income Tax Expense	(294)	(196)	(287)	(288)	(338)
Net Income **	1,034	702	737	913	957
<i>Net Margin</i>	7.7%	5.6%	6.3%	7.5%	7.8%
EPS (NT\$)	0.53	0.35	0.37	0.46	0.48

\* Unrealized / realized gain on inter-affiliate accounts included

\*\* Excluding non-controlling interest

# Income Statements

(In NT Millions, unless otherwise noted)	2010	2011	2012***	2013***	2014***
Net Sales	45,043	46,809	48,730	56,619	53,821
Recurring Net Sales	44,995	46,775	48,604	56,566	53,695
Securities Sales Revenue	48	34	126	53	126
COGS	(34,293)	(36,065)	(37,273)	(43,138)	(40,443)
Gross Profit *	10,752	10,738	11,450	13,485	13,378
Operating Expense	(7,208)	(7,436)	(7,621)	(8,859)	(8,981)
Operating Income	3,544	3,302	3,829	4,626	4,397
Non-operating Income	245	339	580	778	1,307
Income before tax	3,789	3,641	4,409	5,404	5,704
Income Tax Benefit / (Expense)	(1,067)	(747)	(1,082)	(1,226)	(1,298)
Net Income**	2,492	2,783	3,080	3,760	4,067
<i>Net Margin</i>	5.5%	5.9%	6.3%	6.6%	7.6%
Basic EPS (NT\$)	1.38	1.54	1.69	2.01	2.06

\* Gross profit includes unrealized / realized inter-company profit

\*\* Excluding minority interest

\*\*\* Comply with IFRS



# Balance Sheets

	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
Cash & Cash Equivalens	15,831	17,202	15,089	15,436	16,381
Receivables	12,191	11,817	11,696	12,078	11,867
Inventories	11,465	11,539	11,347	11,364	11,312
Other Current Assets	3,048	2,717	3,276	3,268	4,046
<b>Total Current Assets</b>	<b>42,535</b>	<b>43,275</b>	<b>41,408</b>	<b>42,146</b>	<b>43,606</b>
<b>Financial Assets</b>					
Available for Sale - Non Current	12,360	14,156	12,797	12,712	10,388
Long-Term Investments Under Equity Method	5,273	5,352	5,244	5,233	5,503
Other Non-Current Assets	19,631	19,930	19,666	19,673	19,711
<b>Total Non-Current Assets</b>	<b>37,264</b>	<b>39,438</b>	<b>37,707</b>	<b>37,618</b>	<b>35,602</b>
<b>Total Assets</b>	<b>79,799</b>	<b>82,713</b>	<b>79,115</b>	<b>79,764</b>	<b>79,208</b>
<b>Current Liabilities</b>	<b>19,234</b>	<b>18,076</b>	<b>16,268</b>	<b>20,123</b>	<b>18,104</b>
Bonds Payable	1,480	1,528	1,513	3,000	3,000
Long-Term Borrowing	4,668	5,475	4,333	1,385	3,486
Other Non-Current Liabilities	4,354	4,345	4,276	4,252	4,383
<b>Total Non-Current Liabilities</b>	<b>10,502</b>	<b>11,348</b>	<b>10,122</b>	<b>8,637</b>	<b>10,869</b>
<b>Total Liabilities</b>	<b>29,736</b>	<b>29,424</b>	<b>26,390</b>	<b>28,760</b>	<b>28,973</b>
<b>Total Shareholders' Equity *</b>	<b>50,062</b>	<b>53,289</b>	<b>52,725</b>	<b>51,004</b>	<b>50,235</b>

\* Non-controlling interest included

# Balance Sheets

	2010	2011	2012 **	2013**	2014**
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
<i>Cash &amp; Cash Equivalents</i>	10,161	11,612	13,179	14,909	17,202
<i>Receivables</i>	7,952	9,001	11,134	11,914	11,817
<i>Inventories</i>	10,172	11,070	10,761	11,193	11,539
<i>Other Current Assets</i>	3,204	3,601	1,954	2,827	2,717
<b>Total Current Assets</b>	<b>31,489</b>	<b>35,284</b>	<b>37,028</b>	<b>40,843</b>	<b>43,275</b>
<b>Funds and Investments</b>	<b>16,391</b>	<b>16,561</b>	<b>15,799</b>	<b>15,799</b>	<b>19,508</b>
<b>Fixed &amp; Other Assets</b>	<b>18,310</b>	<b>18,488</b>	<b>19,379</b>	<b>20,248</b>	<b>19,930</b>
<b>Total Assets</b>	<b>66,190</b>	<b>70,333</b>	<b>72,206</b>	<b>76,890</b>	<b>82,713</b>
<b>Current Liabilities</b>	<b>14,720</b>	<b>16,330</b>	<b>17,682</b>	<b>19,984</b>	<b>18,076</b>
Short-term Loans	1,411	1,654	2,916	2,917	2,473
<b>Long-Term Interest-bearing debt</b>	<b>11,436</b>	<b>12,501</b>	<b>10,914</b>	<b>6,140</b>	<b>7,230</b>
Long-term Loans	10,870	11,973	7,906	4,498	5,475
Corporate Bonds Payable	0	0	2,903	1,476	1,528
<b>Other Liabilities</b>	<b>2,683</b>	<b>2,761</b>	<b>4,324</b>	<b>4,042</b>	<b>4,118</b>
<b>Total Liabilities</b>	<b>28,839</b>	<b>31,592</b>	<b>32,920</b>	<b>30,166</b>	<b>29,424</b>
<b>Total Shareholders' Equity</b>	<b>37,351</b>	<b>38,741</b>	<b>39,286</b>	<b>46,724</b>	<b>53,289</b>

\* Non-controlling interest included

\*\* Comply with IFRS

# Cash Flows

(In NT Millions)	3Q14	4Q14	1Q15	2Q15	3Q15
Pretax Income*	1,420	957	1,109	1,280	1,376
Depreciation & Amortization	265	366	308	322	324
Other Op Sources/(Use)	138	(402)	(1,725)	138	(149)
<b>From Operation</b>	<b>1,823</b>	<b>921</b>	<b>(308)</b>	<b>1,740</b>	<b>1,551</b>
Capital Expenditures	(775)	(247)	(404)	(555)	(455)
Marketable Financial Instruments	(23)	369	380	(3)	(18)
Other Investing Sources/(Uses)	713	(206)	(186)	(3)	(966)
<b>From Investment</b>	<b>(86)</b>	<b>(84)</b>	<b>(210)</b>	<b>(561)</b>	<b>(1,439)</b>
Cash Dividends	(2,203)	0	0	0	(2,203)
Other Financing Sources/(Uses)	717	556	(1,253)	(487)	2,581
<b>From Financing</b>	<b>(1,486)</b>	<b>556</b>	<b>(1,253)</b>	<b>(487)</b>	<b>378</b>
<b>Net Cash Position Change*</b>	<b>410</b>	<b>1,362</b>	<b>(2,113)</b>	<b>347</b>	<b>945</b>
<b>Ending Cash Balance</b>	<b>15,831</b>	<b>17,206</b>	<b>15,089</b>	<b>15,436</b>	<b>16,381</b>

\* Including exchange rate

# Cash Flows

(In NT Millions)	2010	2011	2012***	2013***	2014***
Net Income/ Pretax Income	2,721*	2,894*	4,409	5,403	5,704
Depreciation & Amortization	1,629	1,216	1,417	1,442	1,349
Other Op Sources/(Use)	562	(854)	(202)	(860)	(2,269)
<b>From Operation</b>	<b>4,912</b>	<b>3,256</b>	<b>5,624</b>	<b>5,985</b>	<b>4,784</b>
Capital Expenditures	(1,721)	(1,719)	(800)	(962)	(2,021)
Marketable Financial Instruments	(272)	359	21	379	579
Other Investing Sources/(Uses)	(36)	(95)	80	438	672
<b>From Investment</b>	<b>(2,029)</b>	<b>(1,455)</b>	<b>(699)</b>	<b>(145)</b>	<b>(770)</b>
Cash Dividends	(990)	(1,468)	(1,661)	(1,922)	(2,203)
Employee & BOD Profit Sharing	0	0	0	0	0
Other Financing Sources/(Uses)	(777)	1,415	(892)	(2,034)	582
<b>From Financing</b>	<b>(1,767)</b>	<b>(53)</b>	<b>(2,553)</b>	<b>(3,956)</b>	<b>(1,621)</b>
<b>Net Cash Position Change**</b>	<b>1,064</b>	<b>1,452</b>	<b>1,576</b>	<b>1,730</b>	<b>2,298</b>
<b>Ending Cash Blance</b>	<b>10,161</b>	<b>11,613</b>	<b>13,179</b>	<b>14,909</b>	<b>17,206</b>

\* 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](mailto:ir@teco.com.tw)