

TECO Electric & Machinery Co., Ltd.



2016 1Q Business Review

Driving and Connecting Globally



Safe Harbor Statement

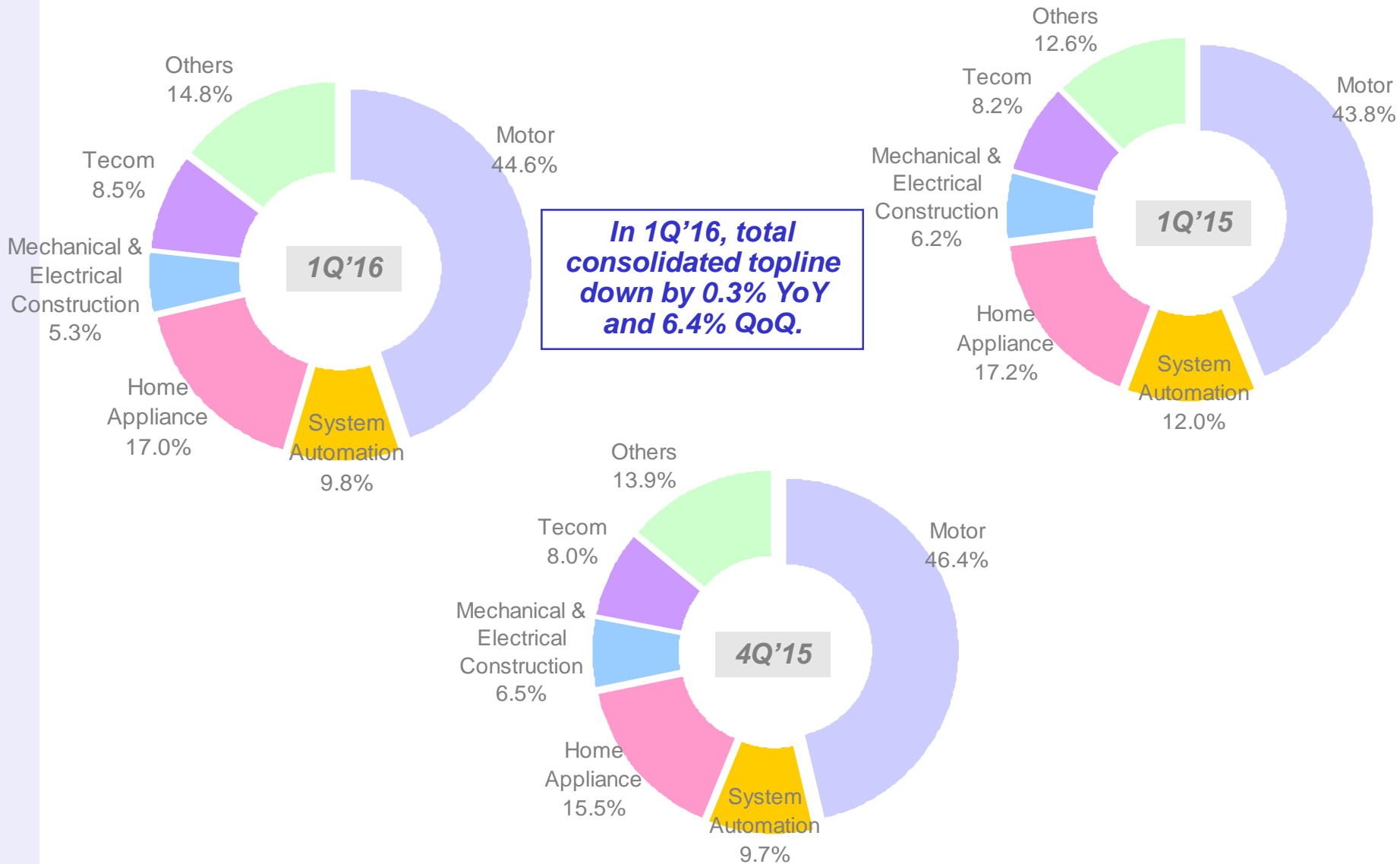
- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law,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

Agenda

Operation Overview

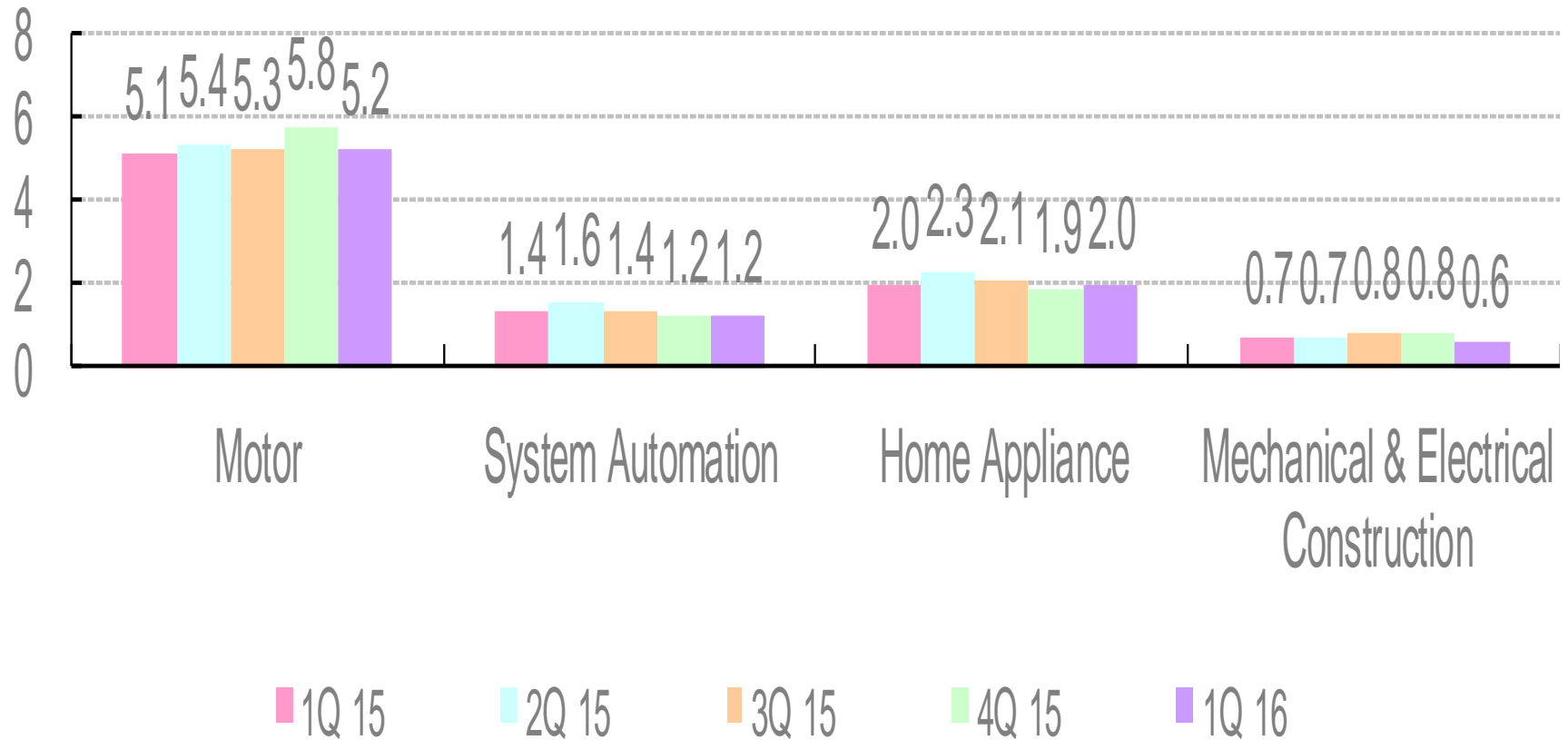
Appendix

Revenue Breakdown



Sales Trend on Major Business lines

NT\$ Billion



1Q 16 Financial Highlights - consolidated

(In NT Millions)	1Q 16***	4Q 15***	QoQ	1Q 15***	YoY
Net Sales - recurring *	11,555	12,467	-7.3%	11,611	-0.5%
Gross Margin - recurring *	26.4%	25.5%	90bps	25.4%	100bps
Operating Margin - recurring *	7.9%	7.4%	50bps	7.6%	30bps
EPS (NT\$)	0.34	0.28	21.4%	0.37	-8.1%
ROE (%) **	5.6%	4.8%	80bps	6.0%	-40bps
ROA (%) **	3.1%	2.8%	30bps	3.6%	-50bps

* Excluding gain on sales of financial assets

** Annualized number and excluding non-controlling interests

*** Comply with IFRS

1Q 16 Income Statement - consolidated

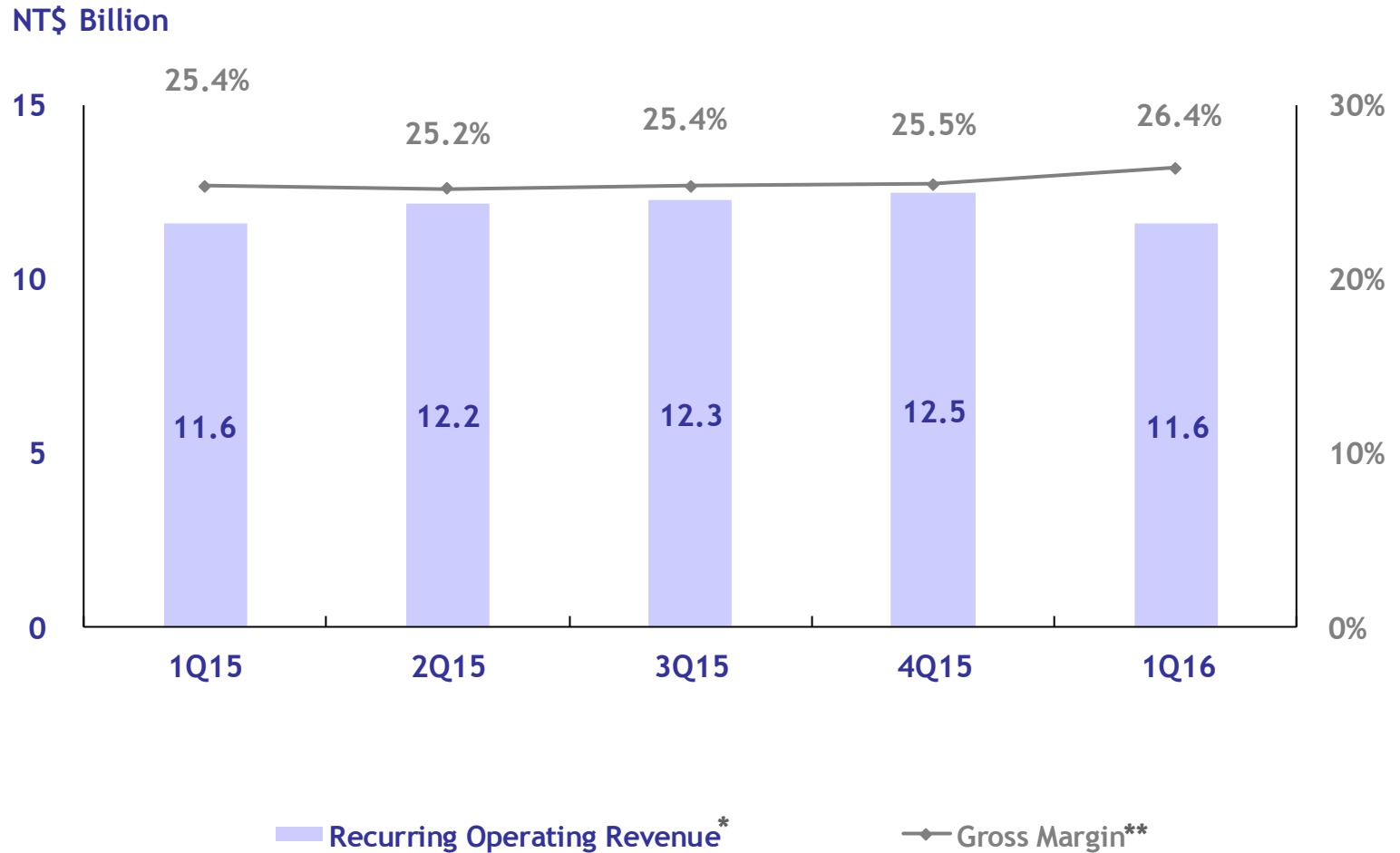
(In NT Millions)	1Q 16***	4Q 15***	QoQ	1Q 15 ***	YoY
Operating Revenue	11,678	12,476	-6.4%	11,716	-0.3%
Recurring Operating Revenue	11,555	12,467	-7.3%	11,611	-0.5%
Gain on Sales of Financial Assets	123	9	1266.7%	105	17.1%
Gross Profit, net *	3,171	3,189	-0.6%	3,057	3.7%
Operating Profit	1,033	936	10.4%	987	4.7%
Non-operating Income (Expense)	28	(137)	-	122	-77.0%
Income before Tax	1,062	798	33.1%	1,109	-4.2%
Income Tax Expense	(271)	(136)	99.3%	(287)	-5.6%
Net Income **	683	570	19.8%	737	-7.3%
EPS (NT\$)	0.34	0.28	21.4%	0.37	-8.1%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

*** Comply with IFRS

Recurring Operating Revenue vs. Gross Margin

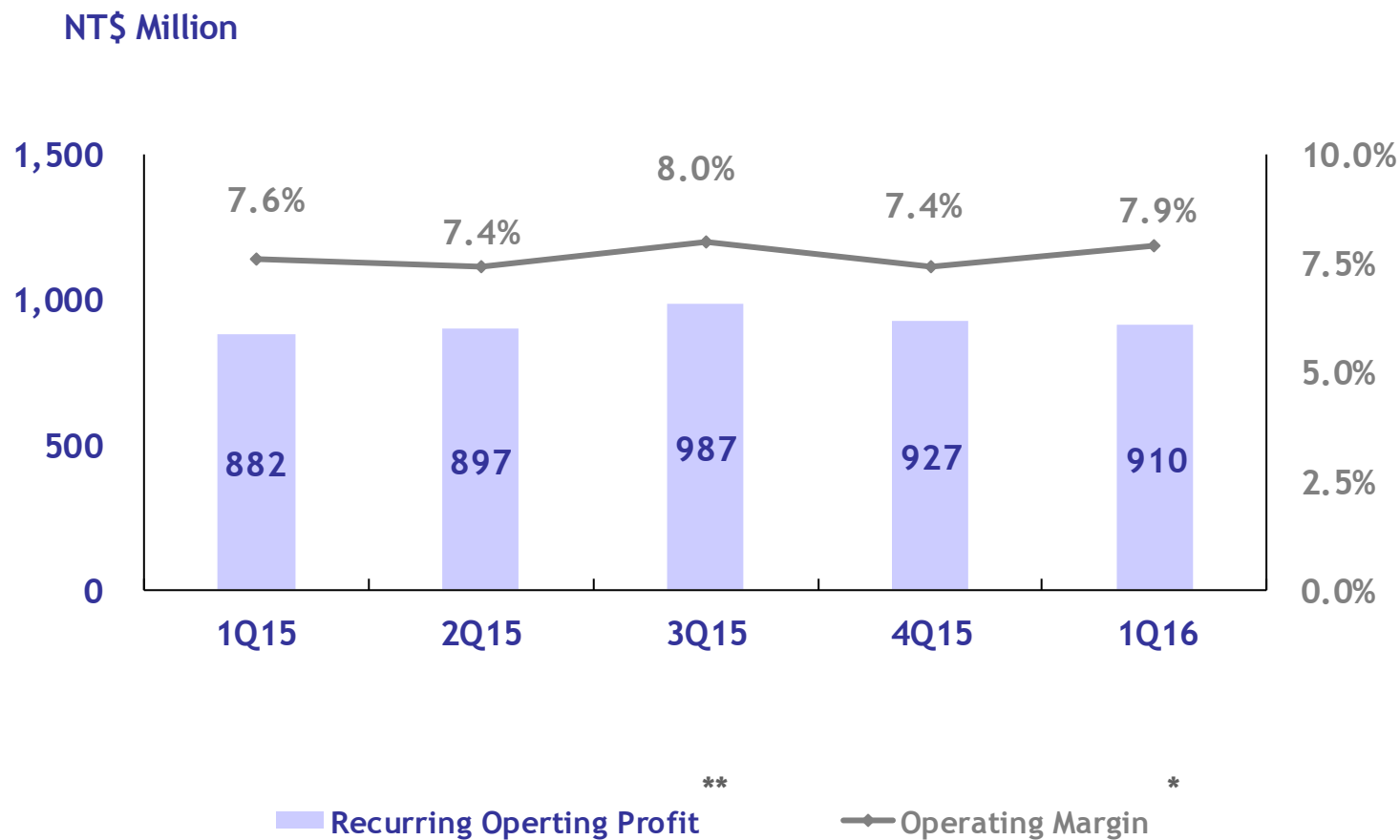


* Recurring Operating Revenue = Operating Revenue – Gain on Sales of Financial Assets

** 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

2016 Balance Sheet - consolidated

(In NT 1,000)	Mar 16		Dec 15		Mar 15	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	13,818,921	15%	14,919,042	18%	15,089,115	19%
Receivable	12,317,743	13%	12,366,714	14%	11,695,759	14%
Inventories	11,672,242	13%	11,755,227	14%	11,346,602	14%
Total Assets	90,691,187	100%	84,434,252	100%	79,114,780	100%
Short-term Borrowings	6,471,773	7%	6,619,012	8%	2,379,151	3%
Accounts Payable	11,589,601	13%	12,069,341	14%	11,183,614	14%
Long-term Borrowings	4,560,146	5%	2,300,299	3%	4,333,160	6%
Corporate Bond Payable	3,000,000	3%	3,000,000	3%	1,513,200	2%
Total Liabilities	35,296,204	39%	33,001,748	39%	26,389,967	33%
Equities	55,394,983	61%	51,432,504	61%	52,724,813	67%

Key Indices

Quarterly AR Turnover (times)	4.34	4.69	4.64
Quarterly Inventory Turnover (times)	2.70	2.89	2.83
Current Ratio	1.90	1.86	2.55
Quick Ratio	1.32	1.29	1.76
Net Debt to Equity	0.4%	-5.8%	-13.0%

Agenda

Operation Overview

Appendix

Income Statements

(In NT Millions, unless otherwise noted)	1Q15	2Q15	3Q15	4Q15	1Q16
Operating Revenue	11,716	12,160	12,248	12,476	11,678
Recurring Operating Revenue	11,611	12,154	12,273	12,467	11,555
Gain on Sales of Financial Assets	105	6	(25)	9	123
Operating Costs	(8,665)	(9,091)	(9,158)	(9,289)	(8,508)
Gross Profit, net *	3,057	3,067	3,087	3,189	3,171
Operating Expense	(2,070)	(2,165)	(2,124)	(2,254)	(2,137)
Operating Profit	987	903	962	936	1,033
Non-operating Income (Expense)	122	378	413	(137)	28
Income before Tax	1,109	1,280	1,376	798	1,062
Income Tax Expense	(287)	(288)	(338)	(136)	(271)
Net Income **	737	913	957	570	683
<i>Net Margin</i>	6.3%	7.5%	7.8%	4.6%	5.8%
EPS (NT\$)	0.37	0.46	0.48	0.28	0.34

* 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

	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
Cash & Cash Equivalens	15,089	15,436	16,381	14,919	13,819
Receivables	11,696	12,078	11,867	12,367	12,318
Inventories	11,347	11,364	11,312	11,755	11,672
Other Current Assets	3,276	3,268	4,046	3,251	5,322
Total Current Assets	41,408	42,146	43,606	42,292	43,131
Financial Assets					
Available for Sale - Non Current	12,797	12,712	10,388	10,906	12,023
Long-Term Investments Under Equity Method	5,244	5,233	5,503	5,465	3,951
Other Non-Current Assets	19,666	19,673	19,711	25,771	31,586
Total Non-Current Assets	37,707	37,618	35,602	42,142	47,560
Total Assets	79,115	79,764	79,208	84,434	90,961
Current Liabilities	16,268	20,123	18,104	22,715	22,693
Bonds Payable	1,513	3,000	3,000	3,000	3,000
Long-Term Borrowing	4,333	1,385	3,486	2,300	4,560
Other Non-Current Liabilities	4,276	4,252	4,383	4,987	5,043
Total Non-Current Liabilities	10,122	8,637	10,869	10,287	12,603
Total Liabilities	26,390	28,760	28,973	33,002	35,296
Total Shareholders' Equity *	52,725	52,725	50,235	51,433	55,395

* 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)	1Q15	2Q15	3Q15	4Q15	1Q16
Pretax Income*	1,109	1,280	1,376	798	1,062
Depreciation & Amortization	308	322	324	354	380
Other Op Sources/(Use)	(1,725)	138	(149)	1,406	(908)
From Operation	(308)	1,740	1,551	2,558	534
Capital Expenditures	(404)	(555)	(455)	(653)	(227)
Marketable Financial Instruments	380	(3)	(18)	117	172
Other Investing Sources/(Uses)	(186)	(3)	(966)	(3,122)	(1,761)
From Investment	(210)	(561)	(1,439)	(3,658)	(1,816)
Cash Dividends	0	0	(2,203)	0	0
Other Financing Sources/(Uses)	(1,253)	(487)	2,581	93	212
From Financing	(1,253)	(487)	378	93	212
Net Cash Position Change*	(2,113)	347	945	(1,462)	(1,100)
Ending Cash Balance	15,089	15,436	16,381	14,919	13,819

* 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

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