

TECO Electric & Machinery Co., Ltd.



2017 2Q Business Review

Driving and Connecting Globally



Safe Harbor Statement

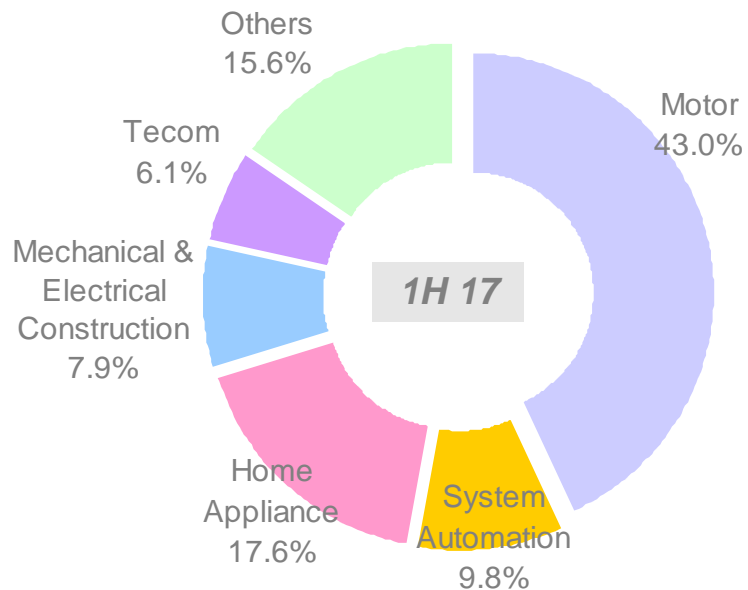
- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law,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

Agenda

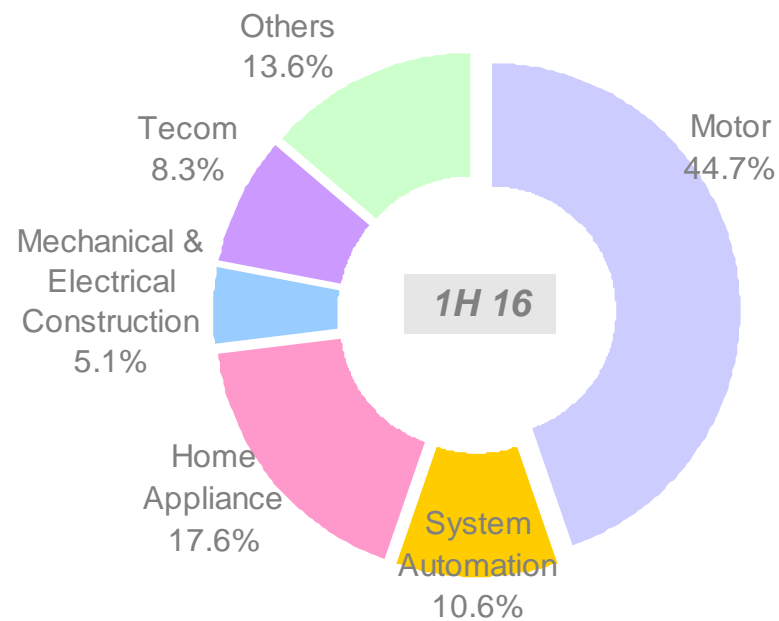
Operation Overview

Appendix

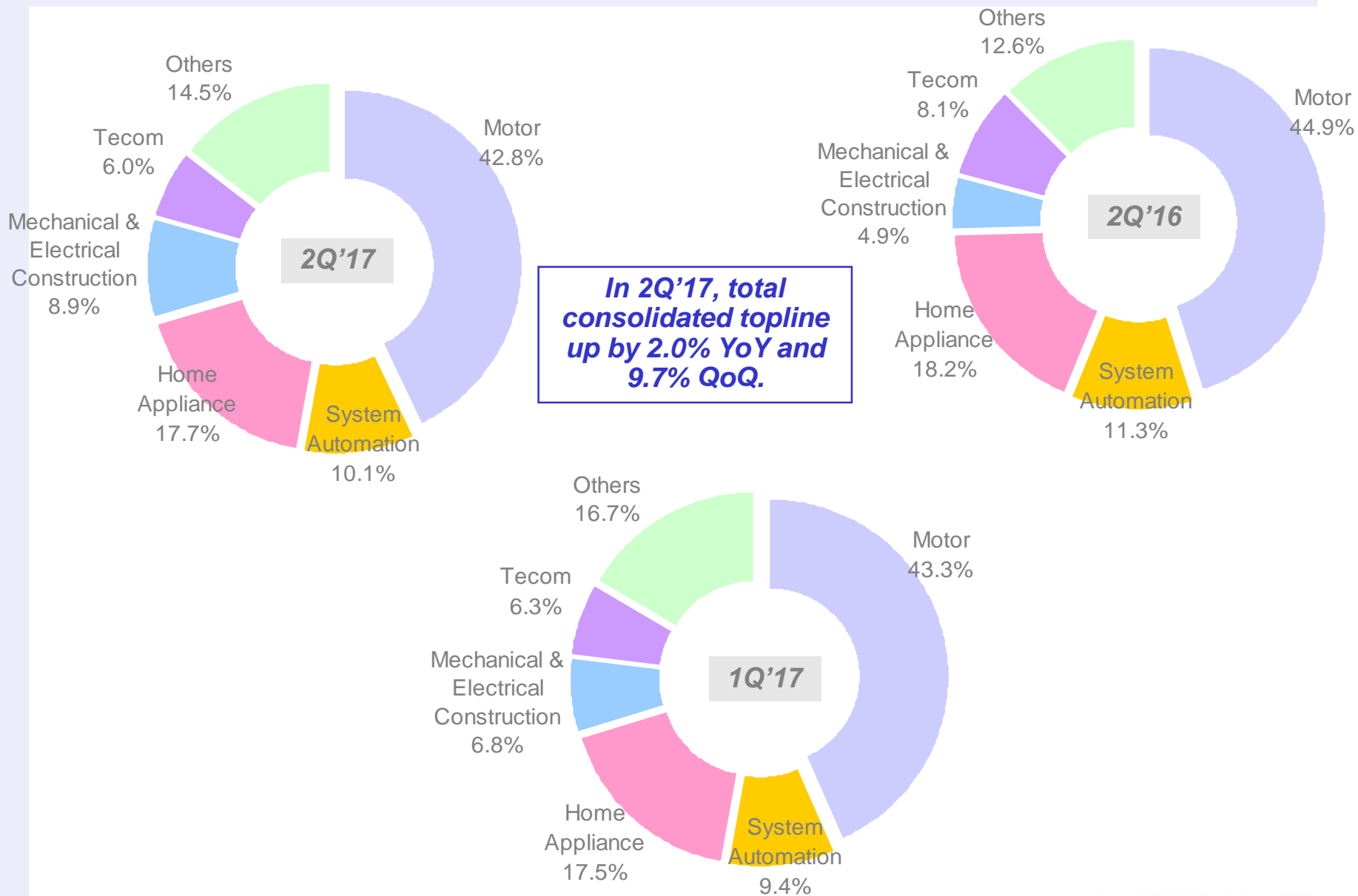
Revenue Breakdown 1/2



In 1H 2017, total consolidated topline up 2.0% YoY.

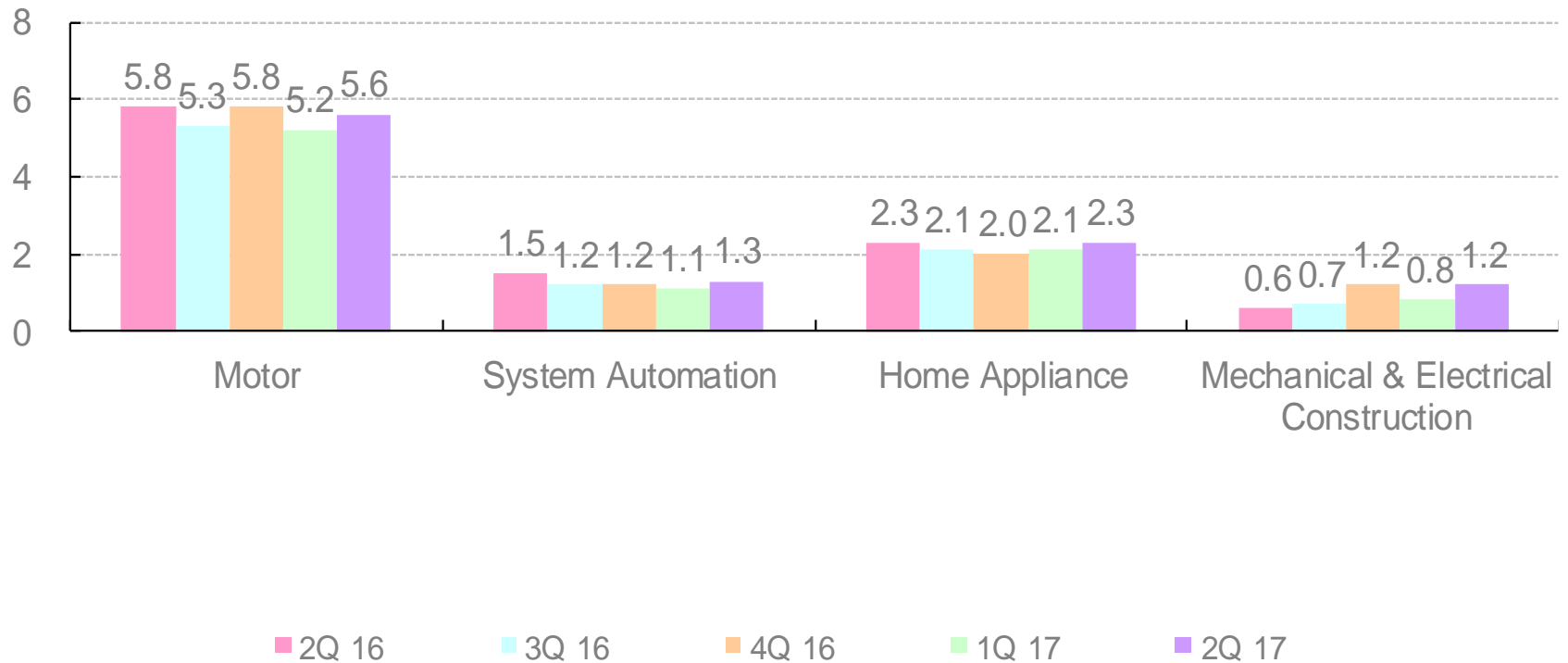


Revenue Breakdown 2/2



Sales Trend on Major Business lines

NT\$ Billion



1H 2017 Income Statement - consolidated

(In NT Millions)	1H 17	1H 16	YoY
Net Sales - recurring *	24,790	24,344	1.8%
Gross Margin - recurring *	24.5%	26.6%	-210bps
Operating Margin - recurring *	6.9%	8.5%	-160bps
EPS (NT\$)	0.82	0.87	-5.7%
ROE (%) **	6.5%	7.2%	-70bps
ROA (%) **	3.5%	3.9%	-40bps

* Excluding Security Sales Revenue

** Annualized number and excluding minority interest

1H 2017 Income Statement - consolidated

(In NT Millions)	1H 17	1H 16	YoY
Operating Revenue	24,989	24,492	2.0%
Recurring Operating Revenue	24,790	24,344	1.8%
Gain on Sales of Financial Assets	199	148	34.5%
Gross Profit, net *	6,278	6,624	-5.2%
Operating Profit	1,908	2,219	-14.0%
Non-operating Income (Expense)	326	291	12.0%
Income before Tax	2,234	2,511	-11.0%
Income Tax Expense	(385)	(535)	-28.0%
Net Income **	1,626	1,718	-5.4%
EPS (NT\$)	0.82	0.87	-5.7%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

2Q 17 Financial Highlights - consolidated

(In NT Millions)	2Q 17***	1Q 17***	QoQ	2Q 16***	YoY
Net Sales - recurring *	13,014	11,776	10.5%	12,789	1.8%
Gross Margin - recurring *	24.8%	24.2%	60bps	26.8%	-200bps
Operating Margin - recurring *	7.3%	6.4%	90bps	9.1%	-180bps
EPS (NT\$)	0.55	0.27	103.7%	0.52	5.8%
ROE (%) **	8.6%	4.3%	430bps	8.4%	20bps
ROA (%) **	4.7%	2.3%	240bps	4.5%	20bps

* Excluding gain on sales of financial assets

** Annualized number and excluding non-controlling interests

*** Comply with IFRS

2Q 17 Income Statement - consolidated

(In NT Millions)	2Q 17***	1Q 17***	QoQ	2Q 16***	YoY
Operating Revenue	13,073	11,916	9.7%	12,814	2.0%
Recurring Operating Revenue	13,014	11,776	10.5%	12,789	1.8%
Gain on Sales of Financial Assets	59	140	-57.9%	25	136.0%
Gross Profit, net *	3,287	2,991	9.9%	3,453	-4.8%
Operating Profit	1,009	899	12.2%	1,186	-14.9%
Non-operating Income (Expense)	381	(55)	-	263	44.9%
Income before Tax	1,390	844	64.7%	1,449	-4.1%
Income Tax Expense	(176)	(209)	-15.8%	(264)	-33.3%
Net Income **	1,090	536	103.4%	1,035	5.3%
EPS (NT\$)	0.55	0.27	103.7%	0.52	5.8%

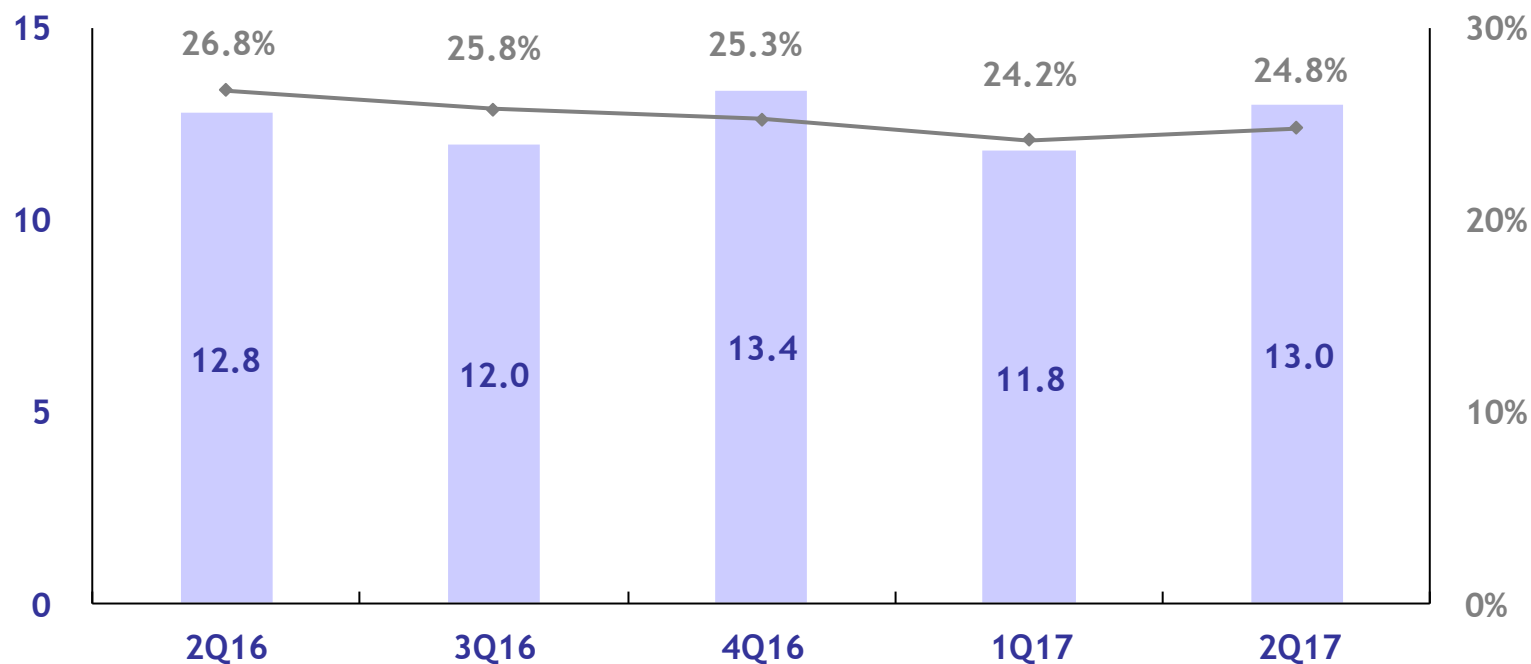
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** Excluding non-controlling interest

*** Comply with IFRS

Recurring Operating Revenue vs. Gross Margin

NT\$ Billion



■ Recurring Operating Revenue *

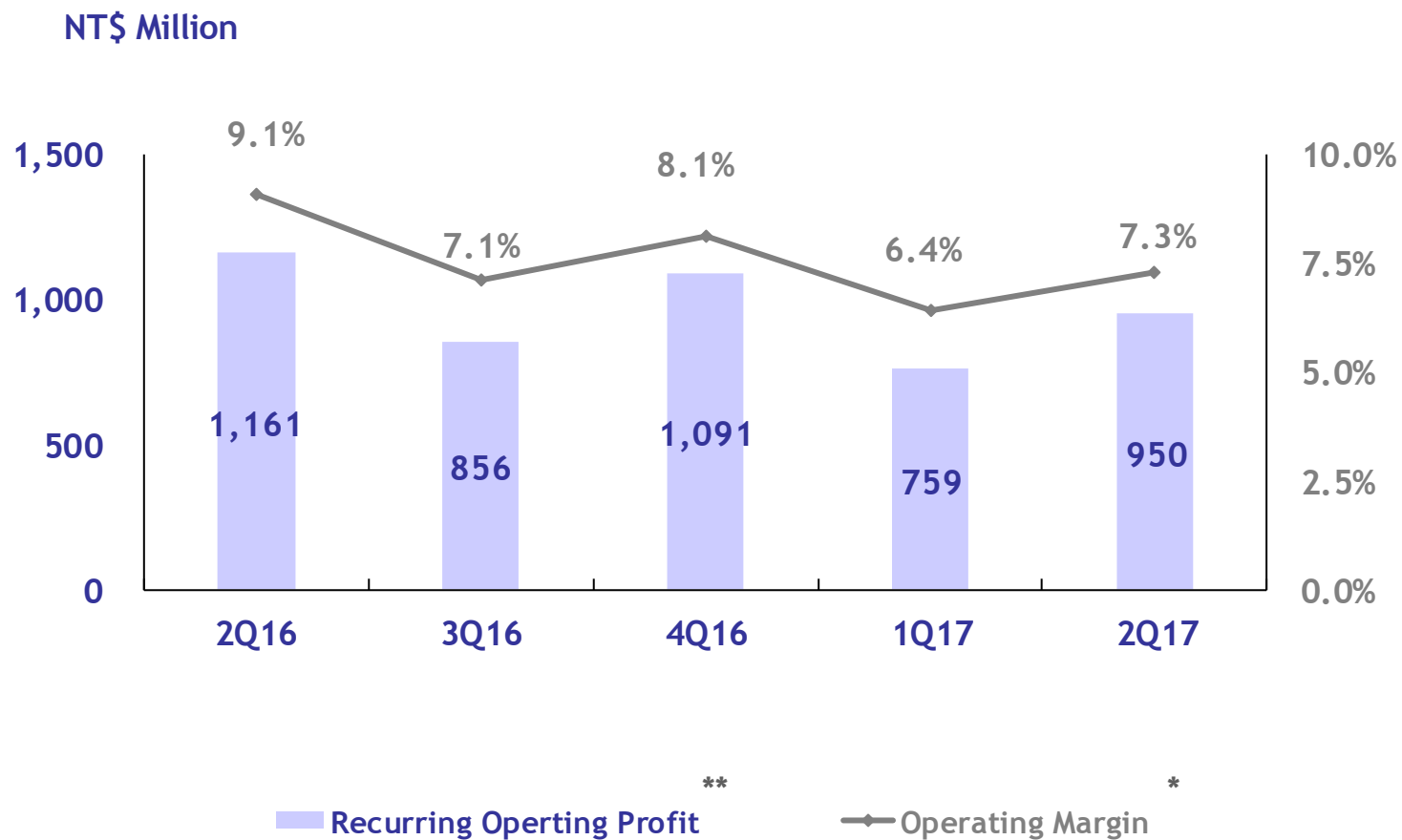
— Gross Margin **

* 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)	Jun 17		Mar 17		Jun 16	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	13,397,764	14%	14,658,514	16%	14,247,729	16%
Receivable	13,140,008	14%	12,277,618	13%	13,278,367	14%
Inventories	11,424,203	12%	11,261,754	12%	11,390,489	13%
Total Assets	93,218,221	100%	91,213,951	100%	91,361,236	100%
Short-term Borrowings	2,279,411	3%	2,354,326	3%	6,776,206	8%
Accounts Payable	14,855,007	15%	11,866,987	13%	13,617,648	14%
Long-term Borrowings	8,149,099	9%	9,414,143	10%	5,348,233	6%
Corporate Bond Payable	3,000,000	3%	3,000,000	3%	3,000,000	3%
Total Liabilities	36,645,050	39%	34,992,596	38%	37,047,494	41%
Equities	56,573,171	61%	56,221,355	62%	54,313,742	59%

Key Indices

Quarterly AR Turnover (times)	4.26	4.20	4.39
Quarterly Inventory Turnover (times)	3.09	2.97	2.86
Current Ratio	2.19	2.51	1.88
Quick Ratio	1.55	1.77	1.37
Net Debt to Equity	0.1%	0.2%	1.6%

Agenda

Operation Overview

Appendix

Income Statements

(In NT Millions, unless otherwise noted)	2Q16	3Q16	4Q16	1Q17	2Q17
Operating Revenue	12,814	12,004	13,427	11,916	13,073
Recurring Operating Revenue	12,789	11,990	13,418	11,776	13,014
Gain on Sales of Financial Assets	25	14	9	140	59
Operating Costs	(9,360)	(8,897)	(10,023)	(8,924)	(9,787)
Gross Profit, net *	3,454	3,106	3,404	2,991	3,287
Operating Expense	(2,268)	(2,236)	(2,303)	(2,093)	(2,277)
Operating Profit	1,186	870	1,100	899	1,009
Non-operating Income (Expense)	263	299	154	(55)	381
Income before Tax	1,449	1,168	1,254	844	1,390
Income Tax Expense	(264)	(143)	(218)	(209)	(176)
Net Income **	1,035	899	864	536	1,090
<i>Net Margin</i>	8.1%	7.5%	6.4%	4.5%	8.3%
EPS (NT\$)	0.52	0.45	0.44	0.27	0.55

* 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

	Jun 16	Sep 16	Dec 16	Mar 17	Jun 17
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
Cash & Cash Equivalens	14,248	14,831	13,990	14,659	13,398
Receivables	13,278	12,583	13,859	12,278	13,140
Inventories	11,390	11,532	11,177	11,262	11,424
Other Current Assets	5,415	5,220	6,270	5,698	7,059
Total Current Assets	44,331	44,166	45,296	43,897	45,021
Financial Assets					
Available for Sale - Non Current	11,875	12,788	11,744	12,555	13,300
Long-Term Investments Under Equity Method	3,944	3,953	3,871	3,909	3,876
Other Non-Current Assets	31,211	31,222	31,462	30,853	31,021
Total Non-Current Assets	47,030	47,963	47,078	47,317	48,197
Total Assets	91,361	92,129	92,374	91,214	93,218
Current Liabilities	23,584	18,062	18,959	17,508	20,601
Bonds Payable	3,000	3,000	3,000	3,000	3,000
Long-Term Borrowing	5,348	10,347	9,429	9,414	8,149
Other Non-Current Liabilities	5,115	112	5,262	5,071	4,895
Total Non-Current Liabilities	13,463	13,459	17,691	17,485	16,044
Total Liabilities	37,047	36,520	36,649	34,993	36,645
Total Shareholders' Equity *	54,314	55,609	55,725	56,221	56,573

* 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)	2Q16	3Q16	4Q16	1Q17	2Q17
Pretax Income*	1,449	1,168	1,254	844	1,390
Depreciation & Amortization	413	365	392	385	378
Other Op Sources/(Use)	(325)	313	(713)	384	(170)
From Operation	1,537	1,846	933	1,613	1,598
Capital Expenditures	(190)	(230)	(909)	(373)	(232)
Marketable Financial Instruments	(22)	81	555	521	377
Other Investing Sources/(Uses)	(12)	(120)	(1,117)	518	(1,625)
From Investment	(224)	(269)	(1,471)	666	(1,480)
Cash Dividends	0	(1,602)	0	0	0
Other Financing Sources/(Uses)	(407)	1,062	(320)	(775)	(1,377)
From Financing	(407)	(540)	(320)	(775)	(1,377)
Net Cash Position Change*	429	583	(841)	669	(1,261)
Ending Cash Balance	14,248	14,831	13,990	14,659	13,398

* 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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