

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



**2017 4Q Business Review**

*Driving and Connecting Globally*



# Safe Harbor Statement

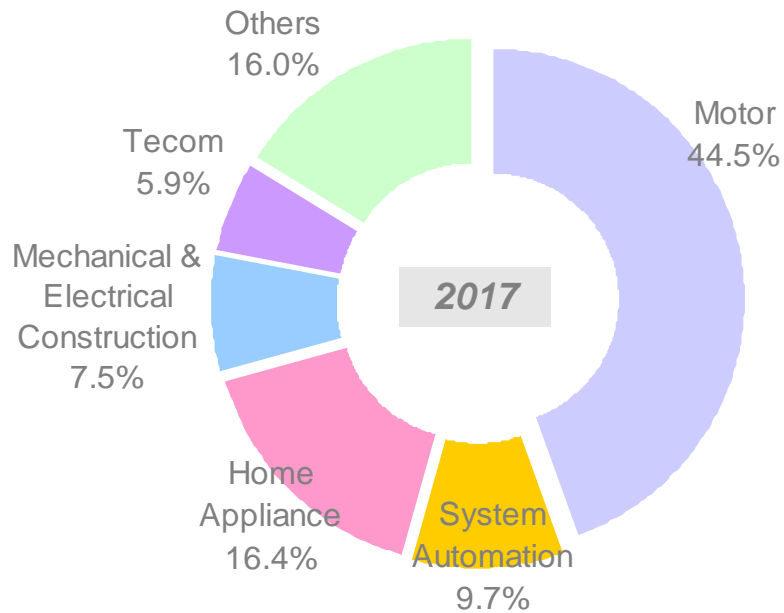
- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law,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

# Agenda

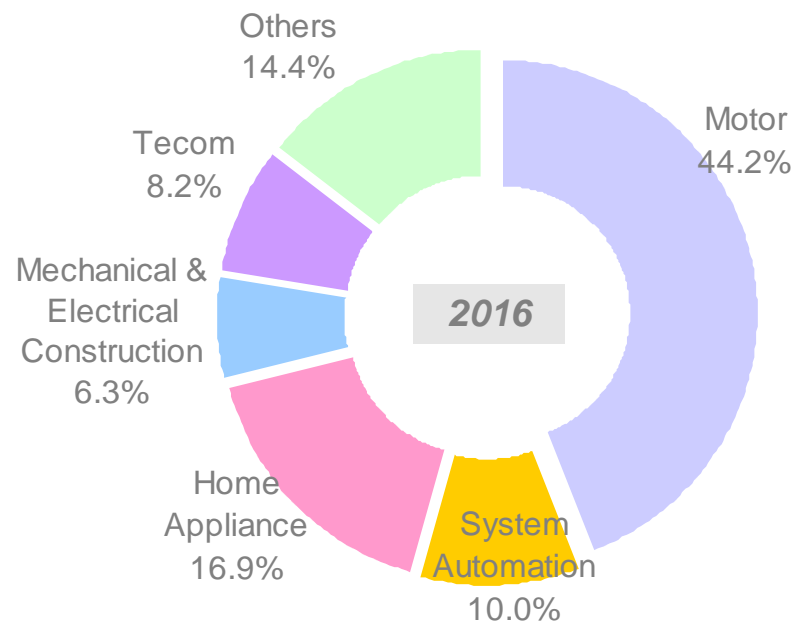
## *Operation Overview*

Appendix

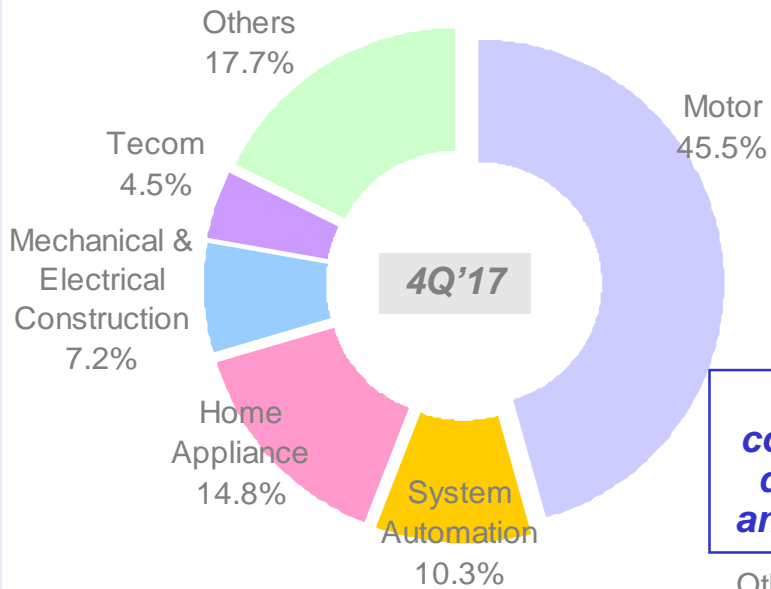
# Revenue Breakdown 1/2



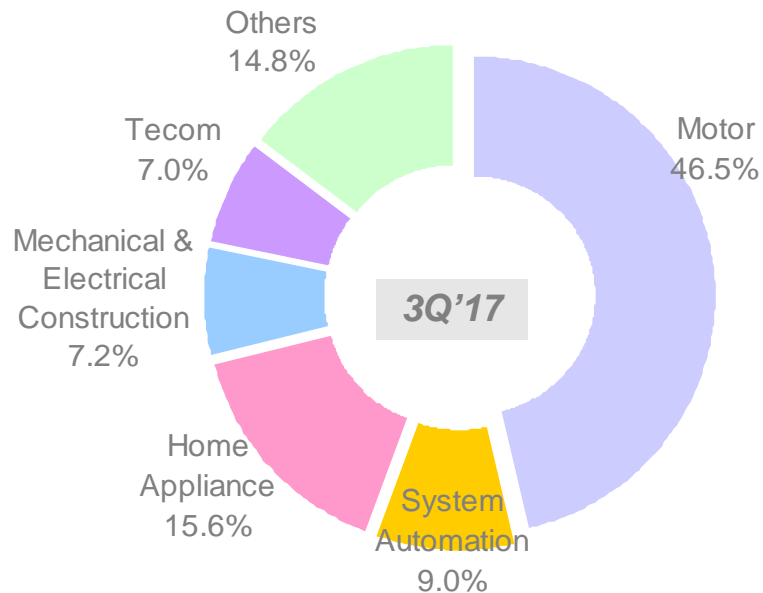
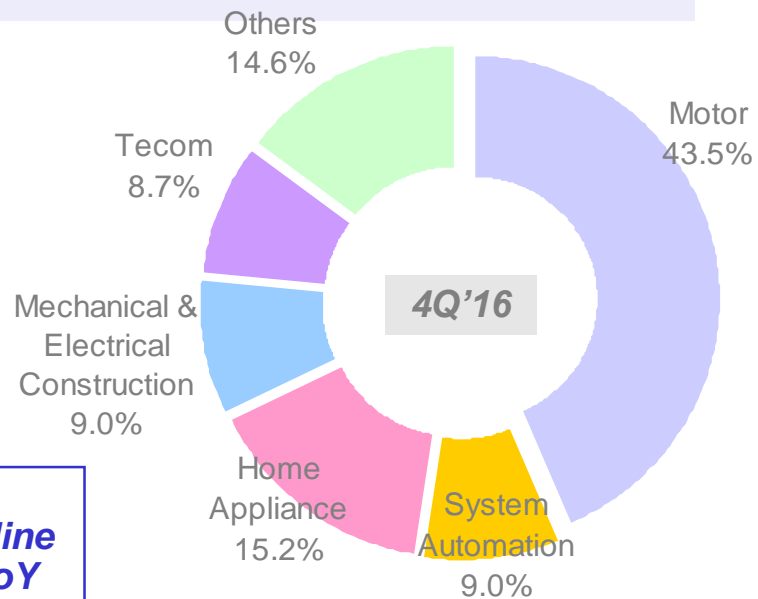
***In 2017, total consolidated topline up 2.0% YoY.***



# Revenue Breakdown 2/2

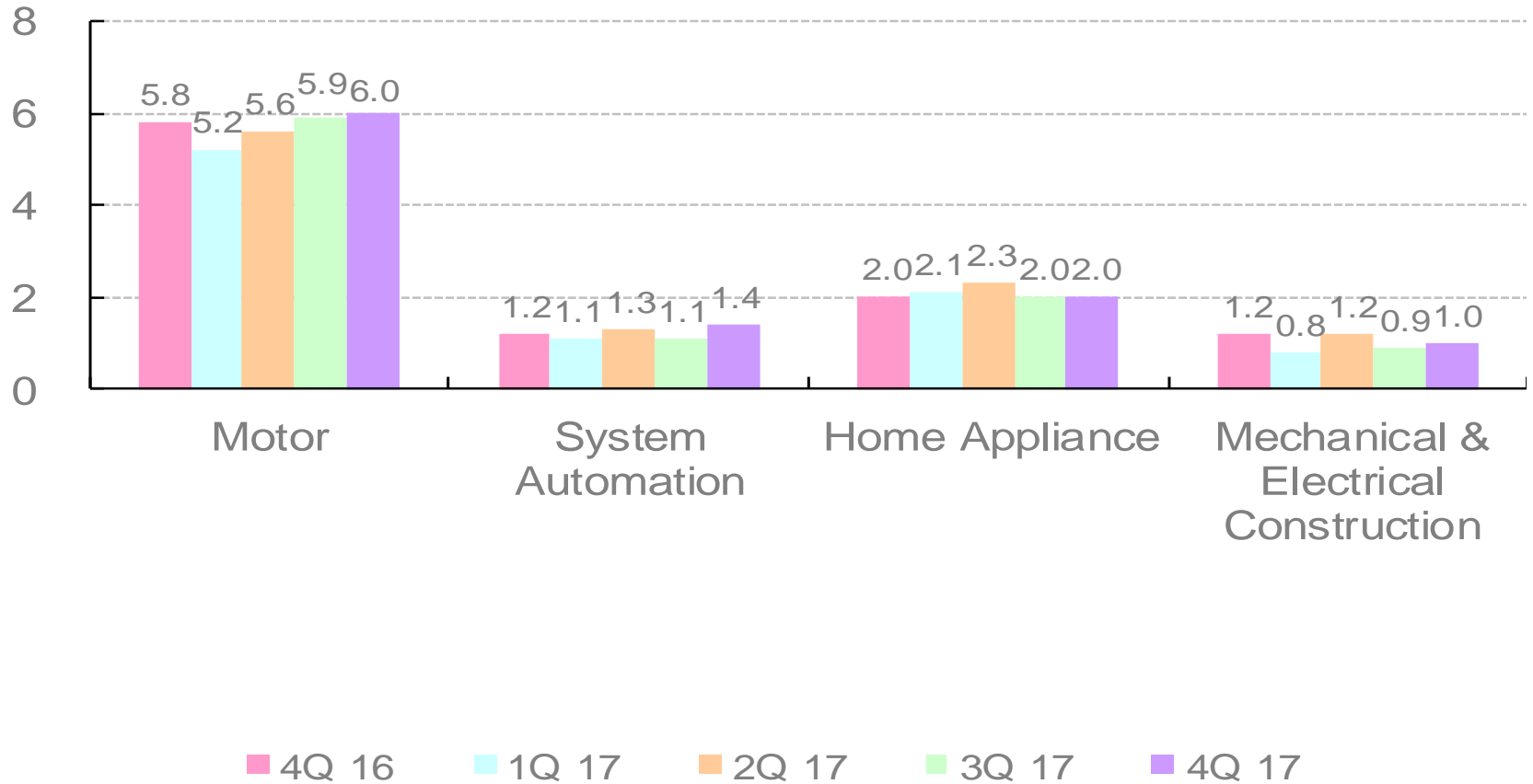


***In 4Q'17, total consolidated topline down by 1.1% YoY and up by 4.7% QoQ.***



# Sales Trend on Major Business lines

NT\$ Billion



# 2017 Income Statement - consolidated

(In NT Millions)	2017	2016	YoY
Net Sales - recurring *	50,816	49,753	2.1%
Gross Margin - recurring *	23.8%	26.1%	-230bps
Operating Margin - recurring *	6.6%	8.1%	-150bps
EPS (NT\$)	1.56	1.76	-11.4%
ROE (%) **	6.1%	7.2%	-110bps
ROA (%) **	3.4%	3.9%	-50bps

\* Excluding Security Sales Revenue

\*\* Annualized number and excluding minority interest

# 2017 Income Statement - consolidated

(In NT Millions)	2017	2016	YoY
Operating Revenue	50,943	49,924	2.0%
Recurring Operating Revenue	50,816	49,753	2.1%
Gain on Sales of Financial Assets	127	171	-25.7%
Gross Profit, net *	12,196	13,134	-7.1%
Operating Profit	3,496	4,189	-16.5%
Non-operating Income (Expense)	858	744	15.3%
Income before Tax	4,354	4,933	-11.7%
Income Tax Expense	(810)	(896)	-9.6%
Net Income **	3,092	3,481	-11.2%
EPS (NT\$)	1.56	1.76	-11.4%

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

\*\* Excluding non-controlling interest



# 4Q 17 Financial Highlights - consolidated

(In NT Millions)	4Q 17	3Q 17	QoQ	4Q 16	YoY
Net Sales - recurring *	13,319	12,707	4.8%	13,419	-0.7%
Gross Margin - recurring *	22.9%	23.2%	-30bps	25.3%	-240bps
Operating Margin - recurring *	6.6%	6.1%	50bps	8.1%	-150bps
EPS (NT\$)	0.31	0.43	-27.9%	0.44	-29.5%
ROE (%) **	5.3%	6.7%	-140bps	6.9%	-160bps
ROA (%) **	3.0%	3.7%	-70bps	3.7%	-70bps

\* Excluding gain on sales of financial assets

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

# 4Q 17 Income Statement - consolidated

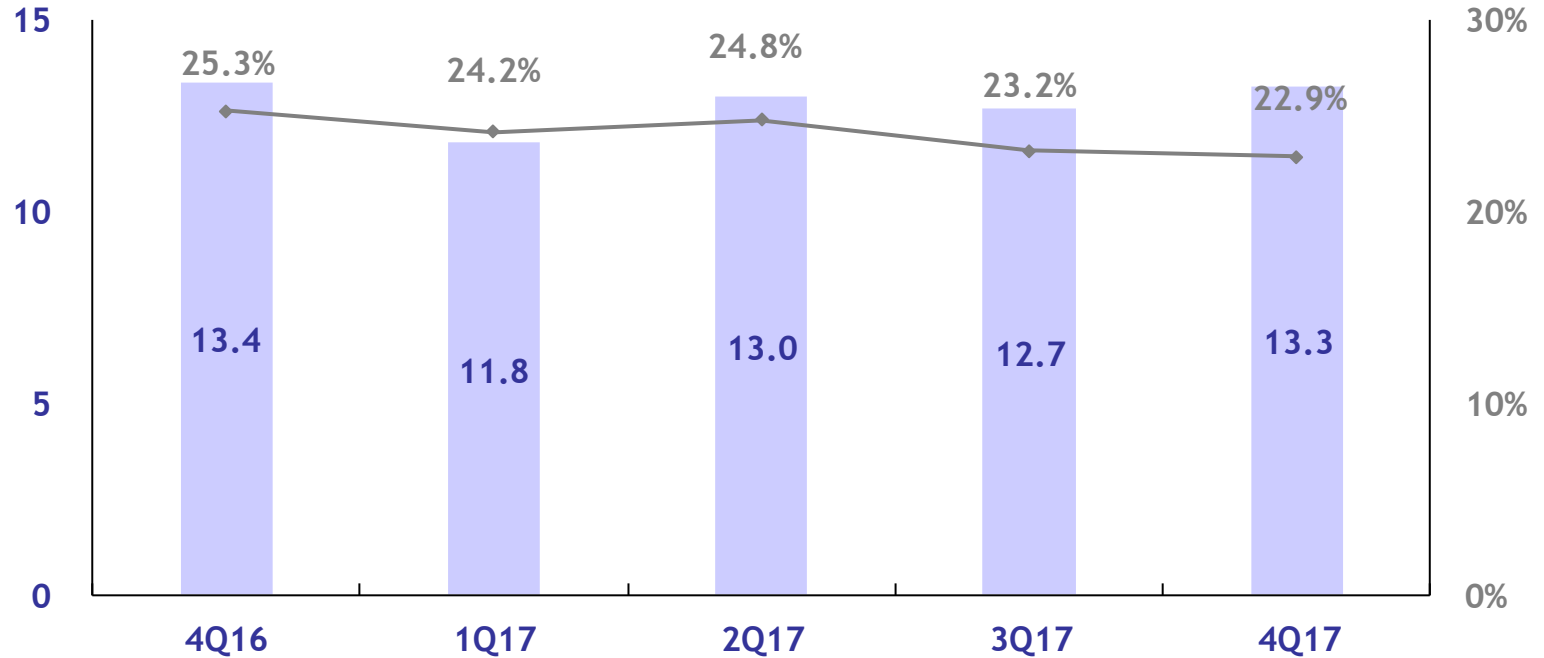
(In NT Millions)	4Q 17	3Q 17	QoQ	4Q 16	YoY
Operating Revenue	13,276	12,678	4.7%	13,428	-1.1%
Recurring Operating Revenue	13,319	12,707	4.8%	13,419	-0.7%
Gain on Sales of Financial Assets	(43)	(29)	48.3%	9	-577.8%
Gross Profit, net *	3,004	2,914	3.1%	3,404	-11.8%
Operating Profit	837	751	11.5%	1,100	-23.9%
Non-operating Income (Expense)	88	444	-80.2%	154	-42.9%
Income before Tax	924	1,196	-22.7%	1,254	-26.3%
Income Tax Expense	(177)	(248)	-28.6%	(218)	-18.8%
Net Income **	616	850	-27.5%	864	-28.7%
EPS (NT\$)	0.31	0.43	-27.9%	0.44	-29.5%

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

\*\* Excluding non-controlling interest

# Recurring Operating Revenue vs. Gross Margin

NT\$ Billion



■ Recurring Operating Revenue \*

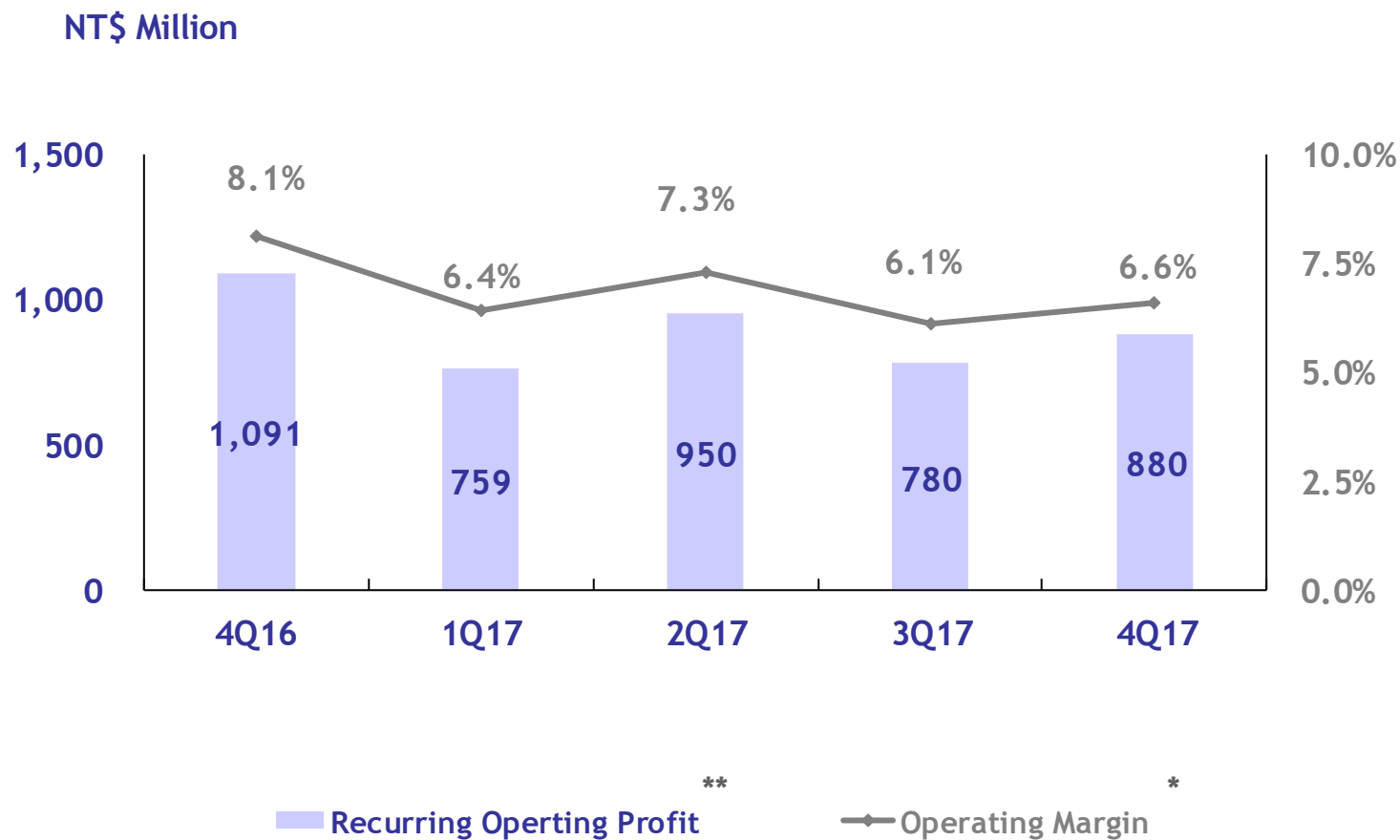
— Gross Margin \*\*

\* 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)	Dec 17		Sep 17		Dec 16	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	14,129,330	16%	13,412,258	15%	13,989,826	15%
Receivable	12,479,097	13%	12,625,975	13%	13,859,458	14%
Inventories	11,336,492	12%	11,578,226	13%	11,177,041	12%
Total Assets	92,016,957	100%	92,620,331	100%	92,373,956	100%
Short-term Borrowings	2,187,621	3%	2,318,683	3%	3,078,361	4%
Accounts Payable	12,927,916	13%	12,921,323	13%	12,981,953	13%
Long-term Borrowings	6,466,239	7%	7,022,460	8%	9,428,570	10%
Corporate Bond Payable	4,000,000	4%	4,000,000	4%	3,000,000	3%
Total Liabilities	34,142,820	37%	35,224,778	38%	36,649,413	40%
Equities	57,874,137	63%	57,395,553	62%	55,724,543	60%

## Key Indices

Quarterly AR Turnover (times)	4.41	4.61	4.36
Quarterly Inventory Turnover (times)	3.19	3.14	2.98
Current Ratio	2.36	2.33	2.39
Quick Ratio	1.68	1.65	1.71
Net Debt to Equity	-2.5%	-0.1%	2.7%

# Agenda

Operation Overview

***Appendix***

# Income Statements

(In NT Millions, unless otherwise noted)	4Q16	1Q17	2Q17	3Q17	4Q17
Operating Revenue	13,428	11,916	13,073	12,678	13,276
Recurring Operating Revenue	13,419	11,776	13,014	12,707	13,319
Gain on Sales of Financial Assets	9	140	59	(29)	(43)
Operating Costs	(10,023)	(8,924)	(9,787)	(9,762)	(10,271)
Gross Profit, net *	3,404	2,991	3,287	2,914	3,004
Operating Expense	(2,304)	(2,093)	(2,277)	(2,162)	(2,168)
Operating Profit	1,100	899	1,009	751	837
Non-operating Income (Expense)	154	(55)	381	444	88
Income before Tax	1,254	844	1,390	1,196	924
Income Tax Expense	(218)	(209)	(176)	(248)	(177)
Net Income **	864	536	1,090	850	616
<i>Net Margin</i>	6.4%	4.5%	8.3%	6.7%	4.6%
EPS (NT\$)	0.44	0.27	0.55	0.43	0.31

\* 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



# Balance Sheets

	Dec 16	Mar 17	Jun 17	Sep 17	Dec 17
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
Cash & Cash Equivalens	13,990	14,659	13,398	13,412	14,129
Receivables	13,859	12,278	13,140	12,626	12,479
Inventories	11,177	11,262	11,424	11,578	11,336
Other Current Assets	6,270	5,698	7,059	7,322	6,319
<b>Total Current Assets</b>	<b>45,296</b>	<b>43,897</b>	<b>45,021</b>	<b>44,938</b>	<b>44,263</b>
<b>Financial Assets</b>					
Available for Sale - Non Current	11,744	12,555	13,300	12,952	12,925
Long-Term Investments Under Equity Method	3,871	3,909	3,876	3,947	4,022
Other Non-Current Assets	31,463	30,853	31,021	30,784	30,807
<b>Total Non-Current Assets</b>	<b>47,078</b>	<b>47,317</b>	<b>48,197</b>	<b>47,683</b>	<b>47,754</b>
<b>Total Assets</b>	<b>92,374</b>	<b>91,214</b>	<b>93,218</b>	<b>92,620</b>	<b>92,017</b>
<b>Current Liabilities</b>	<b>18,959</b>	<b>17,508</b>	<b>20,601</b>	<b>19,281</b>	<b>18,742</b>
Bonds Payable	3,000	3,000	3,000	4,000	4,000
Long-Term Borrowing	9,429	9,414	8,149	7,022	6,466
Other Non-Current Liabilities	5,262	5,071	4,895	4,922	4,934
<b>Total Non-Current Liabilities</b>	<b>17,691</b>	<b>17,485</b>	<b>16,044</b>	<b>15,944</b>	<b>15,400</b>
<b>Total Liabilities</b>	<b>36,649</b>	<b>34,993</b>	<b>36,645</b>	<b>35,225</b>	<b>34,143</b>
<b>Total Shareholders' Equity *</b>	<b>55,725</b>	<b>56,221</b>	<b>56,573</b>	<b>57,396</b>	<b>57,874</b>

\* Non-controlling interest included

# Balance Sheets

	2013	2014	2015	2016	2017
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
<i>Cash &amp; 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
<b>Total Current Assets</b>	<b>40,843</b>	<b>43,275</b>	<b>42,292</b>	<b>45,296</b>	<b>44,263</b>
<b>Funds and Investments</b>	<b>15,799</b>	<b>19,508</b>	<b>16,371</b>	<b>15,615</b>	<b>16,948</b>
<b>Fixed &amp; Other Assets</b>	<b>20,248</b>	<b>19,930</b>	<b>25,771</b>	<b>31,463</b>	<b>30,806</b>
<b>Total Assets</b>	<b>76,890</b>	<b>82,713</b>	<b>84,434</b>	<b>92,374</b>	<b>92,017</b>
<b>Current Liabilities</b>	<b>19,984</b>	<b>18,076</b>	<b>22,715</b>	<b>18,959</b>	<b>18,742</b>
Short-term Loans	2,917	2,473	6,619	3,078	2,188
<b>Long-Term Interest-bearing debt</b>	<b>6,140</b>	<b>7,229</b>	<b>5,531</b>	<b>12,679</b>	<b>10,645</b>
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
<b>Other Liabilities</b>	<b>4,042</b>	<b>4,119</b>	<b>4,756</b>	<b>5,011</b>	<b>4,756</b>
<b>Total Liabilities</b>	<b>30,166</b>	<b>29,424</b>	<b>33,002</b>	<b>36,649</b>	<b>34,143</b>
<b>Total Shareholders' Equity</b>	<b>46,724</b>	<b>53,289</b>	<b>51,433</b>	<b>55,725</b>	<b>57,874</b>

\* Non-controlling interest included

# Cash Flows

(In NT Millions)	4Q16	1Q17	2Q17	3Q17	4Q17
Pretax Income*	1,254	844	1,390	1,196	924
Depreciation & Amortization	392	385	378	385	336
Other Op Sources/(Use)	(1,116)	384	(170)	151	(311)
<b>From Operation</b>	<b>530</b>	<b>1,613</b>	<b>1,598</b>	<b>1,732</b>	<b>949</b>
Capital Expenditures	(910)	(373)	(232)	(294)	(161)
Marketable Financial Instruments	555	521	377	129	(53)
Other Investing Sources/(Uses)	(712)	518	(1,625)	169	1,008
<b>From Investment</b>	<b>(1,067)</b>	<b>666</b>	<b>(1,480)</b>	<b>4</b>	<b>794</b>
Cash Dividends	0	0	0	(1,762)	0
Other Financing Sources/(Uses)	(320)	(775)	(1,377)	(130)	(802)
<b>From Financing</b>	<b>(320)</b>	<b>(775)</b>	<b>(1,377)</b>	<b>(1,892)</b>	<b>(802)</b>
<b>Net Cash Position Change*</b>	<b>(841)</b>	<b>669</b>	<b>(1,261)</b>	<b>14</b>	<b>718</b>
<b>Ending Cash Balance</b>	<b>13,990</b>	<b>14,659</b>	<b>13,398</b>	<b>13,412</b>	<b>14,129</b>

\* 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
<b>From Operation</b>	<b>5,985</b>	<b>5,167</b>	<b>5,541</b>	<b>4,447</b>	<b>5,892</b>
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
<b>From Investment</b>	<b>(145)</b>	<b>(781)</b>	<b>(5,868)</b>	<b>(3,376)</b>	<b>(16)</b>
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)
<b>From Financing</b>	<b>(3,956)</b>	<b>(2,198)</b>	<b>(1,269)</b>	<b>(1,055)</b>	<b>(4,846)</b>
<b>Net Cash Position Change*</b>	<b>1,730</b>	<b>2,301</b>	<b>(2,283)</b>	<b>(929)</b>	<b>140</b>
<b>Ending Cash Blance</b>	<b>14,909</b>	<b>17,202</b>	<b>14,919</b>	<b>13,990</b>	<b>14,129</b>

\* Including exchange rate effect

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