

TECO Electric & Machinery Co., Ltd.



2018 2Q Business Review

Driving and Connecting Globally



Safe Harbor Statement

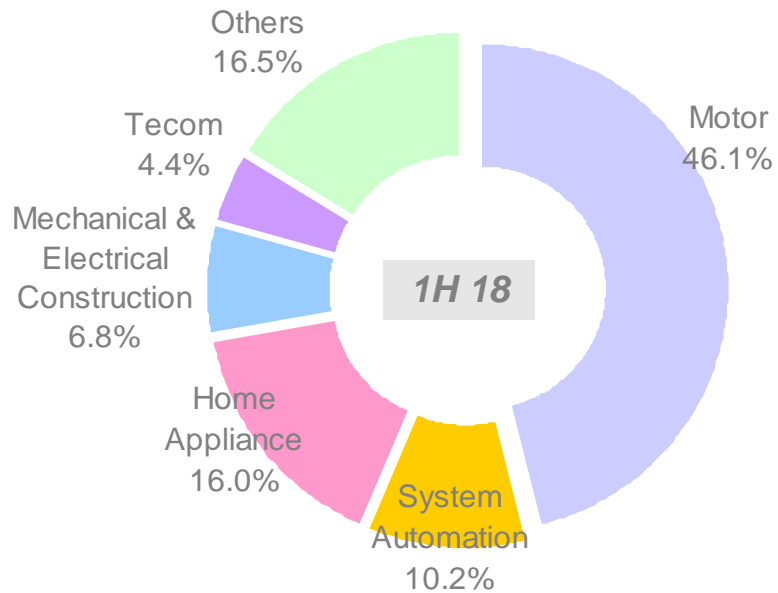
- ❑ This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- ❑ Except as required by law,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

Agenda

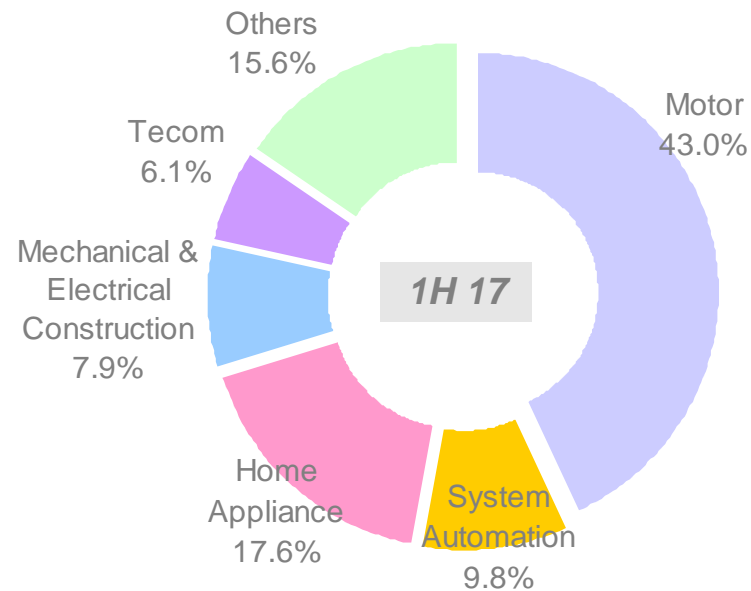
Operation Overview

Appendix

Revenue Breakdown 1/2

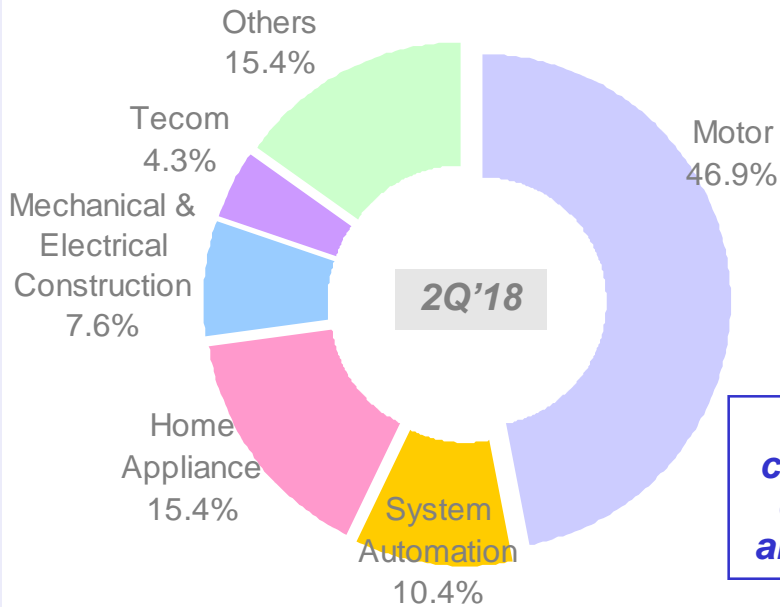


In 1H 2018, total consolidated topline up 0.2% YoY.

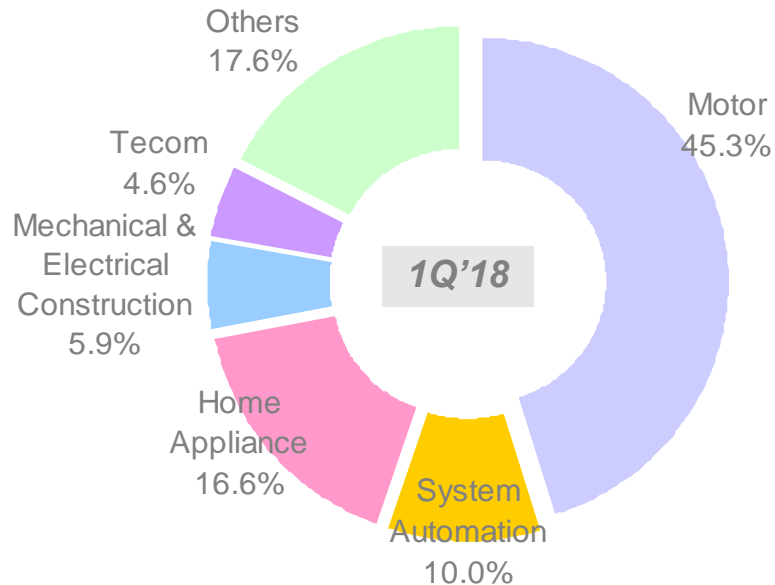
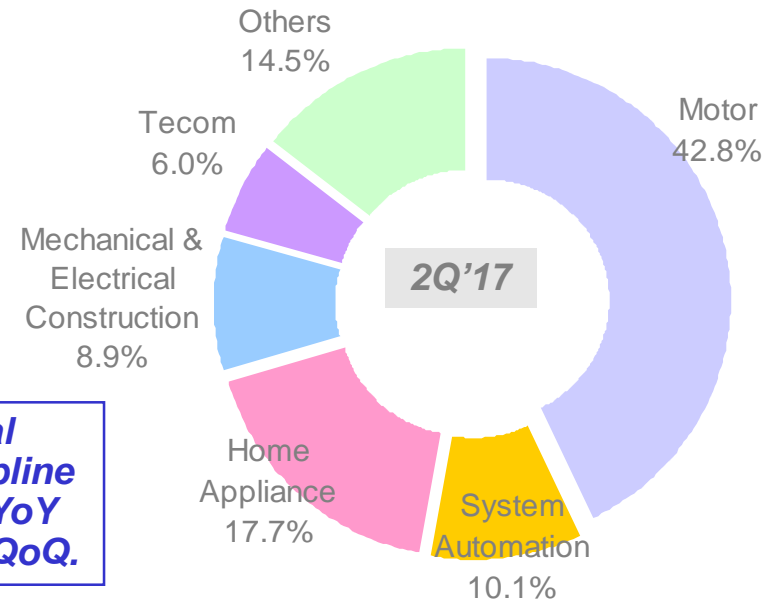


Note: Excluding Kueling from consolidated revenue since June 2018.

Revenue Breakdown



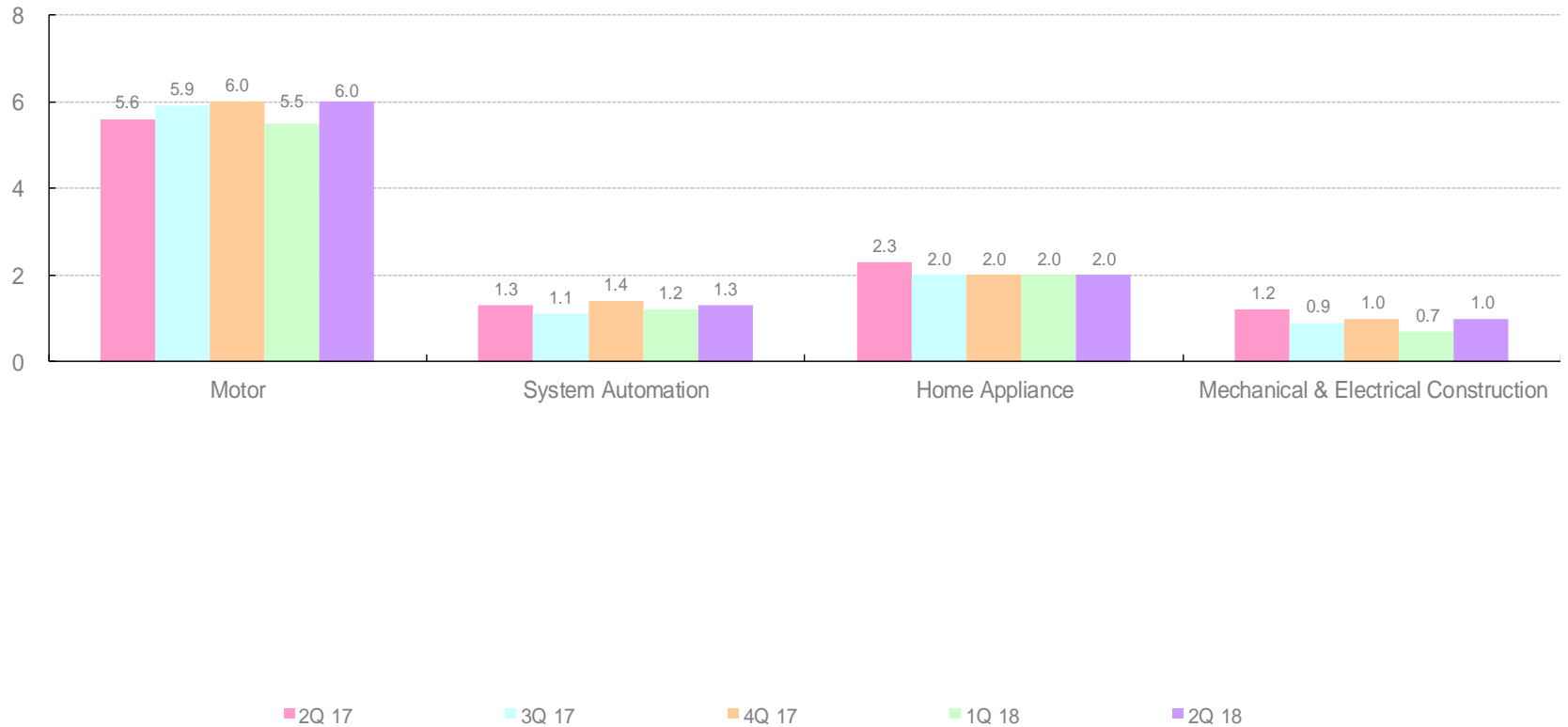
In 2Q'18, total consolidated topline down by 1.4% YoY and up by 6.0% QoQ.



Note: Excluding Kueling from consolidated revenue since June 2018.

Sales Trend on Major Business lines

NT\$ Billion



Note: Excluding Kueling from consolidated revenue since June 2018.

1H 2018 Income Statement - consolidated

(In NT Millions)	1H 18	1H 17	YoY
Net Sales - recurring *	25,024	24,790	0.9%
Gross Margin - recurring *	24.4%	24.5%	-10bps
Operating Margin - recurring *	7.0%	6.9%	10bps
EPS (NT\$)	0.83	0.82	1.2%
ROE (%) **	6.3%	6.5%	-20bps
ROA (%) **	3.5%	3.5%	0bps

* Excluding financial assets at fair value through profit or loss

** Annualized number and excluding minority interest

1H 2018 Income Statement - consolidated

(In NT Millions)	1H 18	1H 17	YoY
Operating Revenue	25,046	24,989	0.2%
Recurring Operating Revenue	25,024	24,790	0.9%
Gain on Sales of Financial Assets	22	199	-88.9%
Gross Profit, net *	6,122	6,278	-2.5%
Operating Profit	1,785	1,908	-6.4%
Non-operating Income (Expense)	467	326	43.3%
Income before Tax	2,252	2,234	0.8%
Income Tax Expense	(453)	(385)	17.7%
Net Income **	1,640	1,626	0.9%
EPS (NT\$)	0.83	0.82	1.2%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

2Q 18 Financial Highlights - consolidated

(In NT Millions)	2Q 18	1Q 18	QoQ	2Q 17	YoY
Net Sales - recurring *	12,969	12,055	7.6%	13,014	-0.3%
Gross Margin - recurring *	24.6%	24.1%	50bps	24.8%	-20bps
Operating Margin - recurring *	7.4%	6.7%	70bps	7.3%	10bps
EPS (NT\$)	0.56	0.27	107.4%	0.55	1.8%
ROE (%) **	8.4%	4.1%	430bps	8.6%	-20bps
ROA (%) **	4.7%	2.3%	240bps	4.7%	0bps

* Excluding financial assets at fair value through profit or loss

** Annualized number and excluding non-controlling interests

2Q 18 Income Statement - consolidated

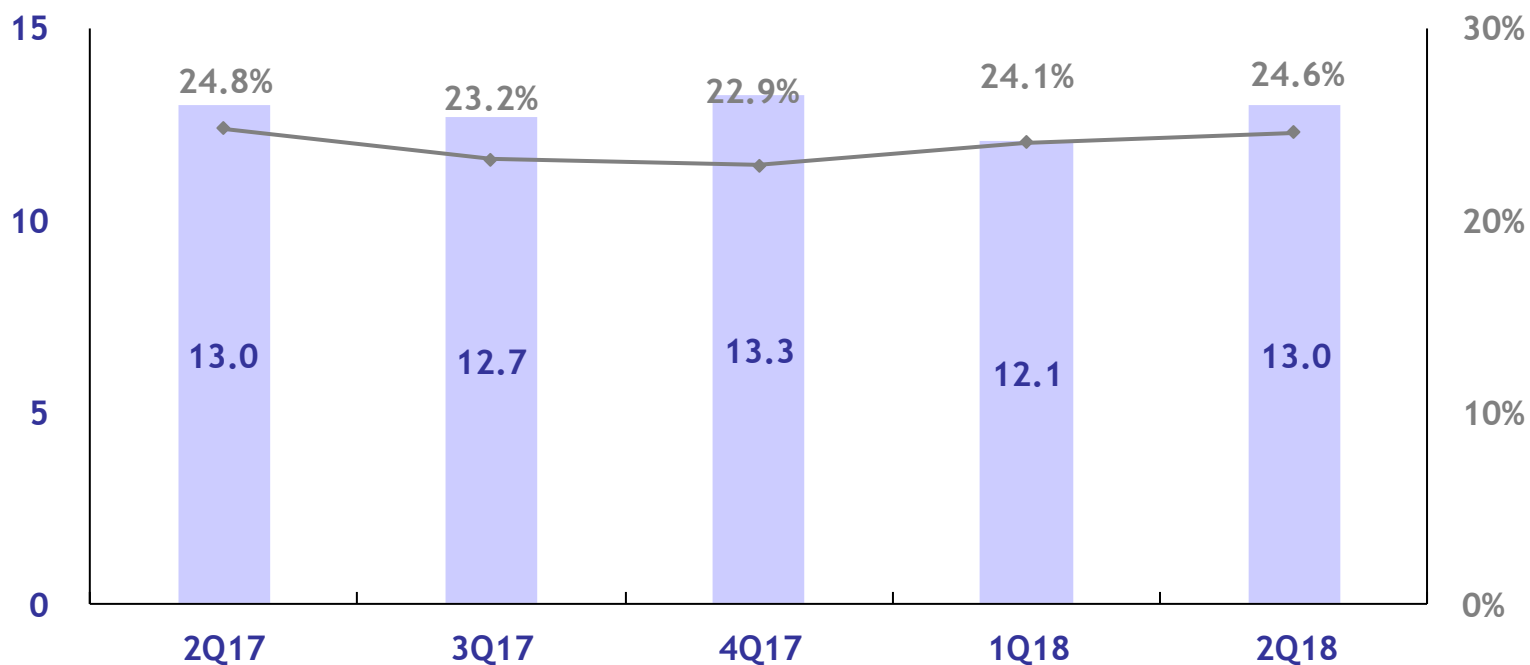
(In NT Millions)	2Q 18	1Q 18	QoQ	2Q 17	YoY
Operating Revenue	12,890	12,156	6.0%	13,073	-1.4%
Recurring Operating Revenue	12,969	12,055	7.6%	13,014	-0.3%
Gain on Sales of Financial Assets	(79)	101	-178.2%	59	-233.9%
Gross Profit, net *	3,112	3,010	3.4%	3,287	-5.3%
Operating Profit	878	907	-3.2%	1,009	-13.0%
Non-operating Income (Expense)	522	(55)	-	381	37.0%
Income before Tax	1,399	853	64.0%	1,390	0.6%
Income Tax Expense	(192)	(261)	-26.4%	(176)	9.1%
Net Income **	1,103	537	105.4%	1,090	1.2%
EPS (NT\$)	0.56	0.27	107.4%	0.55	1.8%

* Unrealized / realized gain on inter-affiliate accounts included

** Excluding non-controlling interest

Recurring Operating Revenue vs. Gross Margin

NT\$ Billion



■ Recurring Operating Revenue *

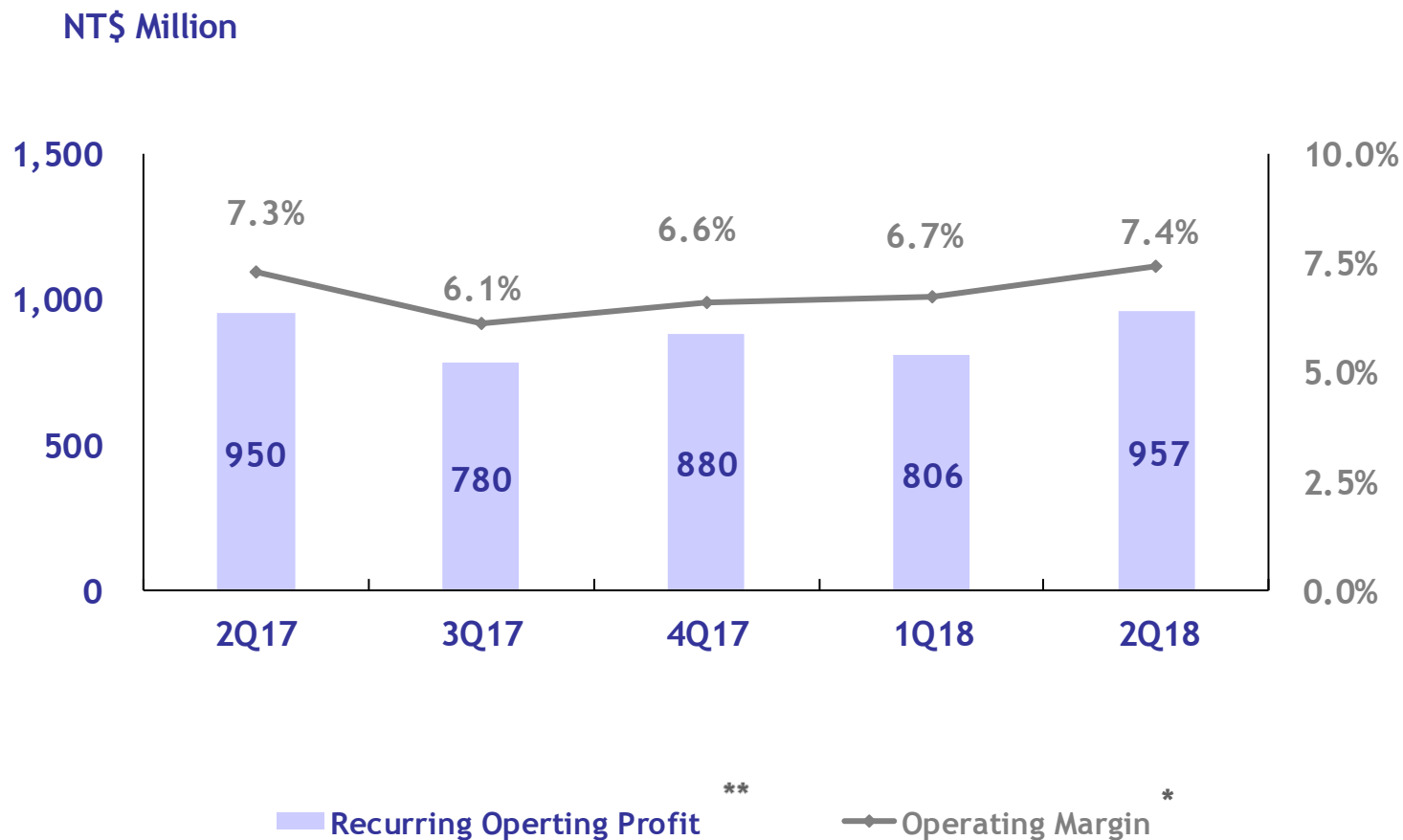
—◆ Gross Margin **

* Recurring Operating Revenue = Operating Revenue – financial assets at fair value through profit or loss

** Gross Margin = Recurring Gross Profit / Recurring Operating Revenue

*** Recurring Gross profit excludes financial assets at fair value through profit or loss

Recurring Operating Profit vs. Operating Margin



* Recurring Operating Profit / Recurring Operating Revenue

** Recurring Operating Profit excludes financial assets at fair value through profit or loss

2018 Balance Sheet - consolidated

(In NT 1,000)	Jun 18		Mar 18		Jun 17	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	18,159,135	20%	18,166,969	19%	13,397,764	14%
Receivable	12,716,832	13%	11,085,334	12%	13,140,008	14%
Inventories	11,806,046	13%	11,813,647	13%	11,424,203	12%
Total Assets	92,848,190	100%	93,376,684	100%	93,218,221	100%
Short-term Borrowings	1,980,960	2%	2,710,538	3%	2,279,411	3%
Accounts Payable	14,487,056	15%	12,337,087	13%	14,855,007	15%
Long-term Borrowings	7,404,243	8%	6,511,375	7%	8,149,099	9%
Corporate Bond Payable	4,000,000	4%	4,000,000	4%	3,000,000	3%
Total Liabilities	36,030,022	39%	34,286,827	37%	36,645,050	39%
Equities	56,818,168	61%	59,089,857	63%	56,573,171	61%

Key Indices

Quarterly AR Turnover (times)	4.50	4.21	4.26
Quarterly Inventory Turnover (times)	3.05	2.95	3.09
Current Ratio	2.28	2.40	2.19
Quick Ratio	1.68	1.74	1.55
Net Debt to Equity	-8.4%	-8.4%	0.1%

Agenda

Operation Overview

Appendix

Income Statements

(In NT Millions, unless otherwise noted)	2Q17	3Q17	4Q17	1Q18	2Q18
Operating Revenue	13,073	12,678	13,276	12,156	12,890
Recurring Operating Revenue	13,014	12,707	13,319	12,055	12,969
Gain on Sales of Financial Assets	59	(29)	(43)	101	(79)
Operating Costs	(9,787)	(9,762)	(10,271)	(9,146)	(9,777)
Gross Profit, net *	3,287	2,914	3,004	3,010	3,112
Operating Expense	(2,277)	(2,162)	(2,168)	(2,103)	(2,234)
Operating Profit	1,009	751	837	907	878
Non-operating Income (Expense)	381	444	88	(55)	522
Income before Tax	1,390	1,196	924	853	1,399
Income Tax Expense	(176)	(248)	(177)	(261)	(192)
Net Income **	1,090	850	616	537	1,103
<i>Net Margin</i>	8.3%	6.7%	4.6%	4.4%	8.6%
EPS (NT\$)	0.55	0.43	0.31	0.27	0.56

* 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

	Jun 17	Sep 17	Dec 17	Mar 18	Jun 18
(In NT Millions)	Amount	Amount	Amount	Amount	Amount
Cash & Cash Equivalens	13,398	13,412	14,129	18,167	18,159
Receivables	13,140	12,626	12,479	12,152	12,717
Inventories	11,424	11,578	11,336	11,814	11,806
Other Current Assets	7,059	7,322	6,319	3,287	3,346
Total Current Assets	45,021	44,938	44,263	45,420	46,028
Financial Assets					
Available for Sale - Non Current **	13,300	12,952	12,925	13,190	12,602
Long-Term Investments Under Equity Method	3,876	3,947	4,022	4,052	4,386
Other Non-Current Assets	31,021	30,784	30,807	30,715	29,832
Total Non-Current Assets	48,197	47,683	47,754	47,957	46,820
Total Assets	93,218	92,620	92,017	93,377	92,848
Current Liabilities	20,601	19,281	18,742	18,927	20,150
Bonds Payable	3,000	4,000	4,000	4,000	4,000
Long-Term Borrowing	8,149	7,022	6,466	6,511	7,404
Other Non-Current Liabilities	4,895	4,922	4,934	4,849	4,476
Total Non-Current Liabilities	16,044	15,944	15,400	15,360	15,880
Total Liabilities	36,645	35,225	34,143	34,287	36,030
Total Shareholders' Equity *	56,573	57,396	57,874	59,090	56,818

* Non-controlling interest included ** Including Net gain on financial assets at fair value through profit or loss -Non Current & Net gain on financial assets at fair value through other comprehensive income -Non Current

Balance Sheets

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

* Non-controlling interest included

Cash Flows

(In NT Millions)	2Q17	3Q17	4Q17	1Q18	2Q18
Pretax Income*	1,390	1,196	924	853	1,399
Depreciation & Amortization	378	385	336	391	384
Other Op Sources/(Use)	(170)	151	(311)	(1,032)	(686)
From Operation	1,598	1,732	949	212	1,097
Capital Expenditures	(232)	(294)	(161)	(191)	(317)
Marketable Financial Instruments	377	129	(53)	219	(369)
Other Investing Sources/(Uses)	(1,625)	169	1,008	3,698	(982)
From Investment	(1,480)	4	794	3,726	(1,668)
Cash Dividends	0	(1,762)	0	0	(12)
Other Financing Sources/(Uses)	(1,377)	(130)	(802)	357	223
From Financing	(1,377)	(1,892)	(802)	357	211
Net Cash Position Change*	(1,261)	14	718	4,038	(8)
Ending Cash Balance	13,398	13,412	14,129	18,167	18,159

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

* Net income before complying with IFRS

** Including exchange rate effect

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